

## The Influence of Quality of Financial Statements of Waqf Institutions on Stakeholder Trust

**Wali Saputra**

State Islamic University of Sultan Syarif Kasim Riau  
*saputrawali@gmail.com*

**Bakri Bakri**

Sultan Amai State Islamic Institute of Gorontalo  
*bakriwahid@gmail.com*

### *Abstract*

*This study aims to analyze the effect of the quality of the financial statements of waqf institutions in Riau on stakeholder trust. This study used primary data obtained by distributing questionnaires to 157 stakeholders who always interact with waqf institutions. Data analysis methods used in this study include research instrument and hypothesis testing using regression analysis. The results of the study show that the quality of the waqf institution's financial statements has an effect on stakeholder trust. This is based on the calculated  $t$  value of 5.851 with a significance level of 0.000 ( $<0.05$ ) and  $t$  table 1.972141. This shows that  $t$  count is greater than  $t$  table ( $5.851 > 1.972141$ ). The results of this study concluded that the quality of the waqf institution's financial statements affects stakeholder trust.*

**Keywords:** *Quality of Financial Statements, Waqf Institutions, Stakeholder Trust*

### **A. BACKGROUND**

Every waqf institution that distributes its programs to the community is essentially aimed at making it easier for wakifs to donate to charity so that the rewards continue to flow forever and channel the benefits of waqf to beneficiaries (mauquf 'alaih).

The existence of waqf land is very beneficial for the community considering that waqf functions to realize the potential and economic benefits of waqf property, both for worship and to promote the welfare of the people (Nazir, 2022). Law No. 41/2004 on Waqf states how the management and development of waqf assets are carried out productively, "Among others, by means of collection, investment, investment, production, partnership, trade, agribusiness, mining, industry, construction of buildings, flats, supermarkets, health facilities, and other businesses that are not contrary to sharia (INDONESIA, 2004).

Indonesia's achievement as the most generous country in the world according to the Global Charities Aid Foundation 2021 is a potential fact that cannot be wasted, apart from that, seeing that more than 80% of Indonesian people adhere to Islam, this can be a huge opportunity for increasing waqf in Indonesia, by the government by holding a National Movement for Cash Waqf program to help alleviate inequality and poverty (Permana, 2023).

Waqf through money and cash waqf are the two main types of waqf used in practice. Cash waqf is a type of waqf whose nominal amount of waqf will be preserved and managed by LKS-PWU (Islamic Financial Institution - Cash Waqf Manager) in the form of securities or bonds. Waqf through money is a type of waqf whose waqf will be purchased as waqf assets such as mosques, schools and other public facilities. The benefits from the management of cash waqf will be distributed by the waqf institution to mauquf 'alaih for social purposes. After the wakif distributes the waqf to the nazhir, the nazhir is required to report the financial statement of the waqf fund and the development of the waqf program. The quality financial statement on waqf funds are carried out to maintain the waqif's trust in nazhir.

Some previous researchers have examined the importance of cash waqf management, (Munandar and Hasan, 2023) The Indonesian Ulema Council's waqf institution has been running direct investment with MSMEs and Agriculture, that it is necessary to collaborate with financial institutions that have features or applications such as mobile banking which include waqf so that the collection of waqf funds is easier for waqf institutions. (Rusli et al., 2023) Waqf gives hope to all parties in efforts to empower the people's economy, in addition to the interests of worship and other social facilities. the potential of existing cash waqf can have a significant impact, especially for the education sector such as pesantren and others.

Dewata, et.al (2016) proves that the size of the board of directors, the composition of independent audits and government ownership have no significant effect on the quality of financial information. The effectiveness of the audit committee has a positive and significant effect on the quality of financial information. Then, Fanani (2011) proves that five attributes contribute to the quality of financial reports, namely performance quality, predictability, fluidity, value relevance and conservatism. Then, Putra, et.al (2021) proves that information technology sophistication and internal control systems affect the quality of local government financial reports. Human Resources Competence has no effect on the quality of financial reports.

Member of Commission XI of House of Representative of Indonesia Republic, Mucharam (2021) assesses that public trust in the government's efforts to encourage the cash waqf movement has been lost. This decline in trust is in line with the many misappropriations of public funds from several institutions made by the government.

## **B. LITERATURE REVIEW**

### **Stakeholder Theory**

Stakeholder theory was first introduced in 1963 by the Stanford Research Institute and 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 has an obligation to provide benefits to its stakeholders (Handoko,2021). In the context of this theory, waqf institutions are obliged to provide benefits to the user community, the social environment, and the government by providing quality financial reports.

### **The Quality of Financial Statements**

For financial reporting to be of high quality, internal controls are required. They offer a framework to guarantee the collection, archival, and transmission of correct and trustworthy data. Establishing internal controls correctly can aid businesses in finding errors in financial reporting before they become serious issues. Examples of such controls include role separation, dual controls on transactions, timely account reconciliations, and independent reviews or audits by outside parties. Accurate financial facts are also necessary for effective financial reporting.

Giving inaccurate information to authorities or stakeholders might incur expensive fines or penalties. Businesses should create procedures that enable them to thoroughly examine and validate their records in order to correctly capture all relevant transaction details and preserve the integrity of their data over time. Automated solutions, like cloud-based software programs, may be advantageous in this case because they offer greater accuracy than manual processes while lowering the costs of labor-intensive tasks, like double-entry bookkeeping or efforts to reconcile data from various systems/databases. Techniques for improving financial reporting quality can help businesses keep accurate and reliable records, which are essential for attaining operational success. If CFOs and other finance executives are able to understand the best practices that result in improved financial reporting quality, they will be better equipped to assure the success of their firm(Team Iris Carbon,2023).

### **Best Practices for Increasing the Quality of Financial Statements**

For businesses to preserve stakeholder and investor confidence, financial reporting must be consistent. Without consistency, it may be difficult to recognize an organization's genuine effectiveness and base judgments on reliable information. Companies should have a structure for their financial reporting procedures that is clearly defined and followed by all departments if they want to achieve consistency. This entails using standardized data gathering methods, ensuring the accuracy of data entry into the system, and doing quality control checks at every stage of the procedure.

To ensure that everyone understands how to prepare financial statements, any modifications or improvements to the system should be communicated right away. Building stakeholder confidence and correctly gauging an organization's effectiveness both depend on financial reporting transparency. Businesses must provide complete financial transparency by detailing all transactions and presenting precise amounts in reports. Additionally, they must make an effort to provide information clearly and quickly so that there is no room for stakeholders or investors to misinterpret or misunderstand it. Finally, they must make sure that the necessary documents are readily available upon request so that anybody who needs them may get them without difficulty or delay as a result of technological problems like slow page loads or broken links on websites hosting these documents. Businesses may guarantee the accuracy and dependability of their financial reports by using best practices for improving financial reporting quality. We'll examine the challenges currently to reaching this accuracy and reliability (Team Iris Carbon, 2023).

### **Challenges in Achieving Financial Statements Quality**

For multinational corporations, achieving high-quality financial reporting is a challenge. Any efficient financial reporting system must include compliance with rules, data accuracy, and timeliness. Maintaining conformity with local laws and ordinances can be difficult, particularly in countries where the laws are fluid or nonexistent. Future expensive errors may occur from inaccurate or inadequate data utilized to construct financial accounting. Last but not least, it might be challenging to guarantee the timely delivery of reports owing to limited resources or outside factors like supply chain delays. Organizations must create a thorough approach to address these issues head-on if they want to guarantee the highest level of accuracy and reliability in their financial statements.

Automation may drastically save the time it takes to generate reports and decrease manual mistakes. Additionally, spending money on superior software designed specifically for regulatory

reporting may provide businesses more control over their operations and support them in staying compliant with constantly changing international requirements. It is possible to preserve data integrity across several sources and lower the risk of facing penalties for noncompliance from international authorities by creating effective internal controls and monitoring systems. Although it might be difficult, maintaining the integrity of financial reporting can be done with the correct methods and equipment. In conclusion, it is imperative that international organizations recognize the severity of this problem and work to resolve it (Team Iris Carbon,,2023).

### **Antecedents of a Quality Financial Report**

The guiding accounting standard, the report's expected clients, and the report preparer's intention are the antecedent conditions that have an effect on a quality financial report. The following will provide a description of these circumstances(Thi & Thi,2022).

#### **a. The Guiding Accounting Standard**

Even with equal financial information, different accounting standards may result in disparities in the quality and complexity of financial reports. For example, in US firms, generally accepted accounting principles (GAAP) govern reporting quality. International Financial Reporting Standards (IFRS) set a reporting standard for several jurisdictions outside the US. The GAAP and IFRS provide guidelines that financial report preparers must follow. There will eventually be a merger of IFRS and GAAP. Additionally, other rules and regulations, such the Sarbanes Oxley Act, strengthen the caliber of financial reporting. The quality of the financial statements in each country is therefore influenced by the accounting standard that govern the jurisdiction.

#### **b. The Report's Expected Clients**

Different clients have different ideas about what constitutes a high-quality financial report. For an environmentalist, an excellent report may look at how the group affects the climate. A good report will describe the company's business activity for a financial investor. Therefore, what constitutes a quality financial representation will depend on who the report's intended audience is.

#### **c. The Report Preparer's Intention**

According to Tang et al. (2016), management purpose has a significant impact on how well financial statements perform at the firm level. Because financial statement preparers have the ability to exclude or include particular facts in the financial statement in order to realize their ideal ideas, they consequently have an influence on the caliber of the reports they produce. Even as financial announcement preparers are required by the IASB Framework to disclose all relevant data, certain

unscrupulous people have power over what information they choose to make public. This is accomplished by manipulating measures to exaggerate or downplay specific transactions, by ignoring some important data that is necessary for making decisions, or even by providing a lot of irrelevant information. These facts demonstrate how the purpose of the preparer affects the factors that make a good financial statement.

### **The Attributes of A Quality Financial Statements**

According to the IASB Framework (2008), a quality financial report must have certain guaranteed characteristics, such as being appropriate, faithfully representing the data, comparable, verifiable, timely, and understandable. Other studies make reference to other characteristics including availability, accessibility, correctness, clarity, standards compliance, completeness, and consistency, as well as cost, duration, familiarity, frequency, and language (Nederpelt, 2011). In addition to those traits, this study also discusses three mechanical aspects of presentation, such as readability, legibility, and report length.

The customer's demands should then be able to be addressed, as well as the motive of the client being satisfied, in a quality report at that moment. Financial proclamations are made to provide clients with the information they need to make decisions because they require sufficient relevant data to do so. Thi & Thi(2022) categorize the qualities of a high-quality financial report into three categories in this work: basic quality characteristics, additional quality characteristics, and the mechanical show of the report as follows:

#### **a. Basic Quality Characteristics**

Relevance is one of the first fundamental qualities of a high-quality financial report. Accounting data must be able to influence decision-making in order to be considered relevant to their users. As a result, "it must have confirmatory, predictive, or both value". If consumers can use financial information as an input to forecast future events, then it has predictive value. If financial data offers commentary on earlier evaluations, it has confirmatory value. Financial information has both confirmatory and predictive significance. Information that is confirming in nature frequently has predictive value.

The faithful portrayal is the second trait. When information is descriptively comprehensive, impartial, and error-free, it is provided faithfully. All information required for the user to comprehend the phenomena, including all essential descriptions and explanations, is considered sufficient information. For some products, comprehensive information also necessitates an explanation of key details on the product's quality and nature, as well as the variables and circumstances influencing

those characteristics. When there is no bias in the selection or presentation of the information, no prejudice toward a preset result, and no bias induced by a specific attitude, the information is neutral. A faithful rendering may not always imply total accuracy. Error-free refers to information descriptions and methods that are devoid of mistakes and omissions.

#### **b. Additional Quality Characteristics**

Comparable, verifiable, timely, and intelligible are top qualities that improve the value of pertinent data and ensure that the financial statements are presented properly. First, it is known that information about a company will be more helpful if it can be compared with information of a similar nature in other companies or in the same company at other times. Users can detect and comprehend similarities and differences between items because to comparability. Consistency and comparability are related, but they are not the same. Using the same procedures for similar goods is referred to as consistency. The objective is comparability, and accomplishing it requires both consistency and effort.

Second, verifiability aids in ensuring consumers that the information depicts economic events honestly. Verifiable information can be agreed upon, if not unanimously, by several independent and knowledgeable observers and assessors as being accurately provided. Either direct or indirect verification is possible.

Third, timeliness refers to making information accessible so consumers may act quickly. If reporting is delayed, the information will become outdated and become less helpful. However, certain information could continue to be valuable long after the reporting period has ended because users require it to recognize and evaluate changing patterns.

Finally, comprehensible. When information is organized, explained, and presented succinctly, it is easier to grasp. When information is organized, described, and presented succinctly and clearly, understanding improves (Beest et al., 2009). Users who possess a particular level of business and economic knowledge as well as a certain level of information evaluation and analysis skills are given access to the financial statements. Although leaving this information out of the financial statements may make the data simpler to interpret, the report would then be incomplete and perhaps deceptive.

#### **c. Mechanical Display of Financial Report**

Thi & Thi(2022) offer the mechanical display of the report as a further class for the features of a quality financial report in addition to the fundamental quality characteristics and extra quality characteristics. This took place after realizing that a report's presentation to the customer is just as

important as its substance in determining if the report is a good one. Readability, legibility, and report length are used to control the mechanical display to ensure that the disclosed data reaches the intended customers in the optimal arrangement.

Readability refers to how simple it is to read the report and how easy the reader can comprehend the written report (DuBay, 2004). The quantity of vocabulary, reading ability, and the distance between letters, words, and lines all play a role in this. The following are some guidelines for making text easier to read: use short, basic words; avoid jargon; use language that is socially and politically neutral; use proper syntax, punctuation, and spelling; use simple sentences, active voice, and present tense; and use uncomplicated graphical elements. The reader frequently stops reading when the text is too difficult for them to read. If the report is difficult to understand, the reader may give up and make conclusions without having all the information. As a result, readability is often considered to be one of the qualities of a good report.

Legibility is the simplicity with which one can tell one letter from another in a certain typeface. For financial statements, legibility criteria include the layout, fonts, and font sizes. The typeface, layout, and font size employed must draw the reader's attention to it rather than the information delivered in order to improve readability. This makes readability one of the crucial characteristics of a high-quality financial report.

Finally, a quality financial statement is influenced by the report's length. When more information is provided, information overload may happen and obscure crucial data that is essential for making decisions. Long reports can be tiresome to read; if the reader stops reading the report after a while, they may miss some important information. Too-brief reports can also be problematic since they may exclude details that are crucial for making decisions. Therefore, it is necessary to strike a balance by making sure that all pertinent information is presented succinctly.

### **The Outcomes of A Quality Financial Statements**

The ability to achieve the objectives established should be a feature of a good financial report. The objectives for a budget report have been met if it has given customers all the relevant information necessary for making decisions at that moment. As a result, regulators, internal users, and external users should all have a strong foundation for decision-making from a high-quality financial report (Thi & Thi,2022).



**a. Decision Making Basis by External Users**

The foundation for making decisions is a reliable financial statement by outside users. Investors, creditors, banks, and potential investors are some of these external consumers. Financial statements are used by current and potential investors to evaluate an organization's historical performance and future possibilities. To be able to make choices, creditors and banks must be aware of the organization's financial situation. Because each of these users bases their judgments on the data shown in the financial accounts, accurate financial reporting is necessary to prevent users from making bad choices.

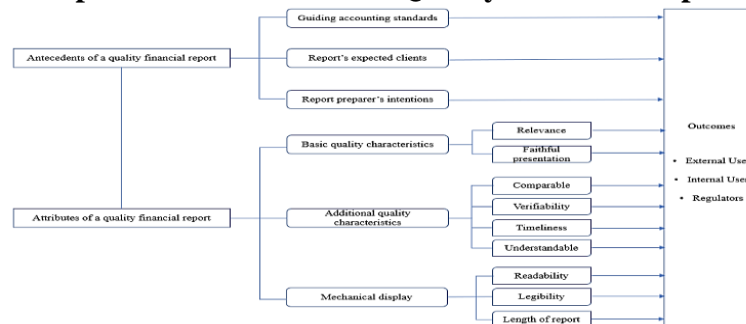
**b. Decision Making Basis by Internal Users**

A good financial report may also aid internal users like shareholders, managers, and staff in making decisions. The information in the financial statements will be used by shareholders to assess the success of the company, the performance of its management, and the return on their investment. The data in the financial accounts will also be used by managers to decide on production, sales, and budgetary difficulties. Employees may use the financial statement data to ascertain if their employer can pay them, whether the business will survive in the long run, and whether it will provide them bonuses and rises in the future. As a consequence, reliable financial statements will aid internal users in making decisions that are in both their own and the organization's best interests.

**c. Decision Making Basis by the Regulators**

Quality judgments are necessary since regulatory bodies, like the government and stock exchanges, also base part of their decisions on financial figures. These choices include governmental tax policies, required and optional stock exchange regulations, and adjustments to standards boards. Regulators can determine the necessity for stricter rules and heavier fines based on the financial statements. As a result, authorities can utilize reliable financial records as a foundation for their choices.

**Conceptual Framework for a Quality Financial Report**



Source : (Thi & Thi,2022)

### **The Quality of Waqf Institution Financial Statements**

The quality of financial statements can be considered as financial reports that contain relevant, accurate, complete and unbiased information (CFA Institute, 2022). The quality of financial statements 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 statements as the extent to which financial reports can provide true and fair information about the performance and financial position that underlies the fulfillment of the interests of different stakeholders.

### **Stakeholder Trust**

Trust is a belief in authority, reality, truth, goodness, etc. of someone or something (Cambridge Dictionary, 2022). Thus it can be defined that stakeholder trust is a belief in authority, reality, truth, goodness, etc. from groups of people who can influence or be influenced by business actions in general. Trust is very important in many aspects of life, especially in business. In business, it plays a very important role in building trust and increasing stakeholder loyalty. Both of these are very important for the success of the organization. This is because it helps companies to maintain long-term relationships with stakeholders and helps companies to compete with others (Barantum, 2023).

### **The Importance of Stakeholder Trust in Business**

Barantum (2023) explains trust is a very important thing in doing business, but many people don't understand what trust really is. In the business world, trust is the trust given to a person or a company to do the right thing and be responsible. Without trust, business will not run smoothly. The trust of stakeholders, business partners and business partners is very important to build good relationships and ensure that the business runs successfully. Trust has a very important role in business because it affects various aspects of the business. Such as stakeholder satisfaction, customer loyalty, and attractiveness to potential customers. This helps to build strong and sustainable relationships with stakeholders. Therefore, companies must strive to build and maintain a high level of trust.

### **The Factors Affecting Trust**

Several factors affect trust, as follows (Barantum, 2023):

#### **1. Clear communication**

Clear and open communication is an important factor in influencing the level of trust. In business, clear communication helps companies to build trust and increase stakeholder loyalty. Someone is more likely to have trust in individuals or organizations that provide clear and open

information. Clear communication can be in the form of information provided clearly and easily understood, answering stakeholder questions quickly and professionally, and providing relevant and up-to-date information. In business, clear communication helps companies to address stakeholder concerns. In addition to ensuring that stakeholders have correct and timely information. Clear and open communication also helps companies to build long-term relationships and maintain trust with stakeholders. With clear and open communication, companies can show that they care about stakeholder needs and concerns and have the intention to solve their problems. Therefore, clear and open communication is an important factor in building and maintaining trust in business.

## 2. Stay Consistent

Consistent and consistent action in fulfilling promises is an important factor in influencing the level of trust. In business, consistent actions and keeping promises help companies to build and maintain trust with stakeholders. Someone is more likely to have trust in individuals or organizations that always do what they promise. Companies must ensure that they do what they promise, be it through consistent actions and fulfilling promises made to stakeholders. This can take the form of delivering a product or service as promised, meeting specified delivery dates, and responding to stakeholder inquiries quickly and professionally. Maintaining consistent actions and keeping promises is important to build and maintain trust with stakeholders. If the company takes inconsistent actions and does not fulfill promises, this can undermine trust and affect stakeholder loyalty. Therefore, consistent actions and fulfilling promises are important factors in building and maintaining trust in business.

## 3. Sense of Security

Transparency in business is an important factor in influencing the level of trust. Transparency in business means that companies provide clear and open information about their operations and business practices. This helps to build trust and increase stakeholder loyalty. Transparency in business can be in the form of showing how products or services are made, showing how prices are determined, and providing information about sources of raw materials and production processes. Apart from that, it also helps to ensure that the company works according to good standards. Transparency in business helps to build and maintain stakeholder trust. They are more likely to have trust in companies that provide clear and open information about their business practices. Therefore, transparency in business is an important factor in building and maintaining trust in business.

#### 4. Reputation

Effective interaction and communication with customers is an important factor in influencing the level of trust in business. In business, companies must ensure that they have clear and open communication with their stakeholders. This helps to build trust and increase stakeholder loyalty. Companies can ensure effective communication with stakeholders in various ways. Such as answering stakeholder questions quickly and professionally, ensuring stakeholders have the information they need, and ensuring stakeholders feel accepted and acknowledged. Effective interaction and communication with stakeholders helps to build and maintain trust in business. Stakeholders are more likely to trust a company that has clear and open communication with them and ensures that they feel welcome and acknowledged. Therefore, effective interaction and communication with stakeholders is an important factor in building and maintaining trust in business.

#### 5. Prior Experience

Good product/service performance and quality are important factors in influencing the level of trust in a business. In business, companies must ensure that they provide quality products and services that meet stakeholder expectations. This helps to build trust and increase stakeholder loyalty. Good product/service performance and quality can be achieved in various ways. Such as using high-quality raw materials, ensuring efficient production processes, and ensuring that products and services meet good standards. Companies must also ensure that their products and services meet stakeholder expectations and have the features they need. Good product/service performance and quality help to build and maintain trust in the business. Stakeholders are more likely to have trust in companies that provide quality products and services that meet their expectations. Therefore, good product/service performance and quality is an important factor in building and maintaining trust in business.

#### 6. Transparency

Transparency and integrity are important factors in influencing the level of trust in business. In business, companies must ensure that they have a high level of transparency and integrity and are held accountable for their actions. This helps to build trust and increase stakeholder loyalty. Transparency and integrity can be achieved in various ways, such as ensuring that companies provide clear and accurate information about their products and services, ensuring that companies hold high moral and ethical standards, and ensuring that companies are held accountable for their actions. Transparency and integrity help to build and maintain trust in business. Stakeholders are more likely to have trust in companies that have high levels of transparency and integrity and are held accountable

for their actions. Therefore, transparency and integrity are important factors in building and maintaining trust in business.

### **How to Build and Maintain Trust**

As for how to build and maintain trust, as follows (Barantum,2023):

- a. Transparency and honesty: Providing clear and accurate information and being honest in communicating with stakeholders helps to build trust.
- b. Responsibility: Keeping promises and being accountable for actions and decisions taken helps to build trust.
- c. Quality products and services: Providing quality products and services helps to build trust and retain loyal stakeholders.
- d. Good stakeholder support: Providing good stakeholder support and addressing stakeholder concerns quickly and effectively helps to build trust.
- e. Corporate culture: Building a corporate culture based on values such as integrity and responsibility helps to build and maintain trust in the business.
- f. Stakeholder feedback: Listening to and paying attention to customer feedback helps to build trust and ensures that the company is meeting stakeholder needs.

Building and maintaining trust in business is important to ensure long-term business success. Ways to build and maintain trust include transparency and honesty, responsibility, product and service quality, good stakeholder support, corporate culture, and stakeholder feedback.

### **A System That Can Build Optimizing Trust**

One way to optimize trust is by using a Customer Relationship Management (CRM) system. Here are some ways to build trust using CRM (Barantum,2023):

1. Recording and analyzing stakeholder interactions: Recording stakeholder interactions and analyzing data to understand stakeholder needs and preferences helps to build trust with stakeholder.
2. Recording and analyzing stakeholder interactions: Recording stakeholder interactions and analyzing data to understand stakeholder needs and preferences helps to build trust with stakeholders.
3. Maintain data integrity: Maintaining stakeholder data integrity and acting in accordance with the privacy policy helps to build trust with stakeholders.
4. Provide quick and effective responses: Using CRM to ensure that stakeholder support tickets are handled quickly and effectively helps to build trust with stakeholders.

5. Provide relevant information: Using stakeholder data to provide relevant and useful information helps to build trust with stakeholders.
6. Develop long-term relationships: Using CRM to build long-term relationships with stakeholders helps to build trust and retain loyal stakeholders.

CRM can assist in building trust with stakeholders by recording and analyzing stakeholder interactions, providing personalized customer service, maintaining data integrity, providing quick and effective responses, providing relevant information, and developing long-term relationships.

### Hypothesis Development

#### The Relationship Between The Quality of Financial Statements and Stakeholder Trust

The quality of financial statement is an important part of the service quality of waqf institutions. Service quality certainly affects stakeholder trust (Arifin, et.al, 2016); (Cho & Hu, 2009); (Bramantyo, et.al, 2022); (Wijaya, et.al, 2020); (Pasaribu, et.al, 2022)

#### Conceptual Framework



### C. RESEARCH METHODS

The population of this study is all people who are stakeholders of waqf institutions. In this study, the sample used was 157 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 with waqf institutions. Respondents have the option of completing the questionnaire only once, and respondents are free to accept or reject the survey.

**Table 1**

**Research Instruments**

Dimensions	Indicators Used
<b>Quality of Waqf Institution Financial Statements</b>	
	The financial statements are presented honestly

	The financial statements are free from material errors
<b>Stakeholder Trust</b>	
<b>Integrity</b>	Waqf products meet the expectations of stakeholders Waqf institutions always maintain a reputation for the quality of their products
<b>Ability</b>	Believing that waqf institutions are capable of providing quality products Trust that waqf institutions have experience
<b>Benelovence</b>	Waqf institutions have a concern to provide the best service Waqf institutions have good faith to provide satisfaction to stakeholders
<b>Willingness to Depend</b>	Stakeholders are willing to forgive if the waqf institution makes mistakes Stakeholders are willing to accept the risk of the quality of the waqf products offered

#### D. RESEARCH RESULTS AND DISCUSSION

##### The Influence of the Quality of Waqf Institution Financial Statements on Stakeholder Trust

The influence of the quality of waqf institution financial statements on stakeholder trust can be explained as follows:

##### Linear Regression Test Results

Model		Coefficients <sup>a</sup>		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
	B			Beta		
1	(Constant)	18.540	1.316		14.091	0.000
	Y	1.126	0.193	0.381	5.851	0.000

a. Dependent Variable: Stakeholder Trust

The results of the study show that the variable Quality of Waqf Institution Financial Statement has an effect on Stakeholder Trust. This is based on the calculated t value of 5.851 with a significance level of 0.000 (<0.05) and t table 1.972141. This shows that t count is greater than t table (5.851 > 1.972141). The results of this study prove that the quality of waqf institutions' financial statement is closely related to trust in the views of stakeholders. Stakeholders view the quality of waqf institution financial statement as needed to increase stakeholder trust. The results of this study support research

conducted by Cho & Hu (2009), Arifin, et.al, (2016), Wijaya, et.al (2020), Bramantyo, et.al (2022), Pasaribu (2022) which proves that the quality of financial statement affects stakeholder trust. (AFID, 2023) revealed that transparency and accountability can significantly and positively affect the level of donor trust. Transparency and accountability are things that the public often demands from a public institution.

The public feels the need to know the flow of funds and the performance of the institution. Whether the resources they hand over have been used correctly or not. The same thing was stated by (Aryana and Yuliafitri, 2023) that the value of transparency, Salman Waqf at Bandung Institute of Technology seeks to disclose an annual report containing the achievements and management of the waqf program to report users, accompanied by the use of the e-nazhir dashboard to make it easier for nazir to disclose performance reports and waqf management to the Indonesian Waqf Board.

## **E. CONCLUSION**

Based on the results of the hypothesis testing discussed above, it can be concluded that partially the quality of the waqf institution's financial reports has an effect on stakeholder trust. This means that waqf institutions must convince stakeholders that financial reports have presented financial information that can increase stakeholder trust.

## **BIBLIOGRAPHY**

- AFID, A. N. H. (2023) 'Pengaruh Transparansi Dan Akuntabilitas Terhadap Kepercayaan Donatur Wakaf Melalui Crowdfunding'.
- Arifin, M.M., Handajani, L., Alamsyah. 2016. Quality of Financial Statement and Stakeholder Trust (Study on the Working Unit of the Mataram KPPN Work Area), JAFFA .Vol. 04 No. 2 October 2016. pp. 121 – 144.  
[https://www.researchgate.net/publication/334366740\\_KUALITAS\\_LAPORAN\\_KEUANGAN\\_DAN\\_KEPERCAYAAN\\_STAKEHOLDER\\_Studi\\_Pada\\_Satuan\\_Kerja\\_Wilayah\\_Kerja\\_KPPN\\_Mataram](https://www.researchgate.net/publication/334366740_KUALITAS_LAPORAN_KEUANGAN_DAN_KEPERCAYAAN_STAKEHOLDER_Studi_Pada_Satuan_Kerja_Wilayah_Kerja_KPPN_Mataram)
- Aryana, K. P. and Yuliafitri, I. (2023) 'Penerapan Good Nazhir Governance berdasarkan Waqf Core Principle pada Wakaf Salman ITB', *Jurnal Riset Akuntansi dan Keuangan*, 11(1), pp. 87–96.
- Barantum.(2023). Learn What is "Trust" and Its Importance in a Business.  
<https://www.barantum.com/blog/trust-adalah/>. Accessed on 19 March 2023.
- Bramantyo,B.A.,Sudirman,I.,Umar,F.2022. The Influence of Service Quality and Customer Satisfaction on the Trust and Loyalty (The Case of Marine Customers of the Indonesian National Shipping



- Company). HJBS Volume 4 No 1 Volume 4 No 1 February 2022 . pp.62-72.DOI:  
<http://doi.org/10.26487/hjbs.v4i2.51510.26487/hjbs.v4i2.515>
- Beest, F. V., Braam, G., & Boelens, S. (2009). Quality of financial reporting: Measuring qualitative characteristics. Nijmegen Center of Economics working Paper 09-108. Retrieved from <http://www.ru.nl/nice/workingpapers>
- Cambridge Dictionary.2022.Trust. <https://dictionary.cambridge.org/dictionary/english-indonesian/trust>.
- CFA Institute.2022. Financial Reporting Quality.  
<https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/financial-reporting-quality#:~:text=Financial%20reporting%20quality%20can%20be,incomplete%20but%20possibly%20pure%20fabrication>).
- Cho,J.E.,Hu,H.2009. The effect of service quality on trust and commitment varying across generations. International Journal of Consumer Studies 33 (2009).pp.468–476.  
[https://www.researchgate.net/publication/230308734\\_The\\_effect\\_of\\_service\\_quality\\_on\\_trust\\_and\\_commitment\\_varying\\_across\\_generations](https://www.researchgate.net/publication/230308734_The_effect_of_service_quality_on_trust_and_commitment_varying_across_generations) .
- Dewata, E., Hadi, H., & Jauhari, H. (2016). Determinants of financial reporting quality and its implications on the financial performance of state-owned enterprises (SOEs). Risk governance & control: financial markets & institutions, 6(4, special issue), 521-530.  
<https://doi.org/10.22495/rgcv6i4siart11>
- DuBay, W. H. (2004). The principles of readability. Retrieved from <http://en.copian.ca/library/research/readab/readab.pdf>
- Fanani,Z.(2011). Determinant Factors Of Financial Reporting Quality And Economic Consequences. Jurnal Keuangan dan Perbankan, Vol.15, No.1 Januari 2011, pp. 23–39.  
<https://jurnal.unmer.ac.id/index.php/jkdp/article/view/997/639>
- Handoko, B.L. 2021. Stakeholder Theory and Its Relationship With Sustainability Report.  
<https://accounting.binus.ac.id/2021/07/13/stakeholder-theory-dan-connection-with-sustainability-report/>
- Herath,S.K.,Albarqi,N.2017. Financial Reporting Quality: A Literature Review. International Journal of Business Management and Commerce Vol. 2 No. 2; March 2017. Pp.1.-14.  
<https://www.ijbmcnet.com/images/Vol2No2/1.pdf>
- IASB (2008). Exposure draft of an improved conceptual framework for financial reporting: The objective of financial reporting and qualitative characteristics of decision-useful financial reporting information. Retrieved from <http://www.assb.gov.sg/docs/attachments/EDofChapters1aand2theJointImprovedConceptualFramework.pdf>
- INDONESIA, P. R. (2004) ‘Undang-Undang Republik Indonesia Nomor 41 Tahun 2004 tentang Wakaf’.

- Mucharam, E.A. 2021. The House of Representatives Reveals Reasons for Lack of Public Trust in the Cash Waqf Movement. <https://www.merdeka.com/uang/dpr-Revealed-reason-minimnya-belief-public-to-movement-wakaf-uang.html>. Accessed 7 February 2023
- Munandar, A. and Hasan, A. (2023) ‘Tinjauan Mekanisme Pengelolaan Wakaf Uang Berbasis Digital Pada Lembaga Wakaf Majelis Ulama Indonesia Pusat’, *Jurnal Ilmiah Ekonomi Islam*, 9(1), pp. 1057–1063.
- Nazir, H. A. F. (2022) ‘Ahmad Furqon Sampaikan Pengelolaan Aset Wakaf secara Produktif’, *Kementerian Agama Kota Semarang*, 1 December. Available at: <https://kotasemarang.kemenag.go.id/berita/ahmad-furqon-sampaikan-pengelolaan-aset-wakaf-secara-produktif/>.
- Nederpelt, P. V. (2011). Attributes of quality reports. Retrieved from [http://www.oqrm.org/English/2011\\_Attributes\\_of\\_quality\\_reports.pdf](http://www.oqrm.org/English/2011_Attributes_of_quality_reports.pdf)
- Pasaribu, F., Sari, W.P., Bulan, T.R.N., Astuty, W. 2022. The effect of e-commerce service quality on customer satisfaction, trust and loyalty. *International Journal of Data and Network Science*. 6 (2022). Pp.1077–1084 . [http://www.growingscience.com/ijds/Vol6/ijdns\\_2022\\_103.pdf](http://www.growingscience.com/ijds/Vol6/ijdns_2022_103.pdf)
- Permana, D. D. (2023) ‘Peluang dan tantangan Wakaf Uang di kaum milenial’, *JurnalPost.com*. Available at: <https://jurnalpost.com/peluang-dan-tantangan-wakaf-uang-di-kaum-milenial/47109/>.
- Putra, W.E., Kusuma, I.L., Dewi, M.W. 2021. Factors Influencing the Quality of Financial Statements and Organizational Commitment as Moderating Variables. *National Seminar Proceedings & Call For Papers* ISSN Online: 2654-6590 | ISSN Print: 2654-5306. pp.148-161. <https://prosiding.stie-aas.ac.id/index.php/prosenas/article/view/107/105>
- Rusli, D. Y. *et al.* (2023) ‘Perkembangan Wakaf Uang di Indonesia Dampaknya Terhadap Kemajuan Pesantren’, *Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam*, 7(01), pp. 37–48.
- Tang, Q, Chen, H., Zhijun L. (2008). Financial reporting quality and investor protection: a global investigation, Working Paper.
- Tang, Q. Chen, H. & Lin, Z (2016). How to measure country-level financial reporting quality? *Journal of Financial Reporting and Accounting*, 14 (2), 230-265
- Team Iris Carbon.(2023). Improving Financial Reporting Quality: Strategies and Best Practices. <https://iriscarbon.com/improving-financial-reporting-quality-strategies-and-best-practices/>. accessed 27 March 2023
- Thi, H.N.D., Hanh Dao Thi, H.D.(2022). A Quality Financial Report: A Conceptual Analysis *International Journal of Research in Vocational Studies (IJRVOCAS)*, April 2022, 2(1), 26–32. <https://journal.gpp.or.id/index.php/ijrvocas/article/view/90/48>
- Wijaya, A.F.B., Surachman, S., Mugiono, M. 2020. The Effect Of Service Quality, Perceived Value And Mediating Effect Of Brand Image On Brand Trust. *JMK*, VOL 22, No. 1, MARCH 2020, pp.45–56 .ISSN 1411-1438 print / ISSN 2338-8234 online. DOI: 10.9744/jmk.22.1.45–56. <https://jurnalmanajemen.petra.ac.id/index.php/man/article/view/22675/20064>