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THE EFFECT OF AMIL'S ISLAMIC CHARACTERISTICS ON THE QUALITY OF FINANCIAL REPORTING OF ZAKAT MANAGEMENT ORGANIZATIONS (ZMO): GOOD GOVERNANCE AS INTERVENING VARIABLE

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ABSTRACT

The objective of this research is to analyze the effect of Amil's Islamic Characteristics on Quality of Financial Reporting and Good Governance as an Intervening Variable in Zakat Management Organizations (ZMO). The research used the Structural Equation Modeling-Partial Least Square (SEM-PLS) method with SmartPLS software to analyze data from 204 samples of commissioners and administrators of Zakat Management Organization. The results show that the character of trustworthiness, professionalism, and good governance had a positive and significant effect on the quality of Financial Reporting. In contrast, Islamic religiosity has no impact on the quality of financial reporting. The results also show that Islamic religiosity, trustworthiness, and professionalism had a positive and significant effect on good governance. Good governance played a role in mediating the influence of trustworthiness on the quality of Financial Reporting. The research findings provide managerial implications for ZMO and the government to utilize Islamic religiosity and character of trustworthiness as qualitative standards in Amil recruitment. Furthermore, it allows them to create and set Amil's professional competency standards, including the fields of accounting and management, and provide Amil professional certification as well as establish Amil Professional Associations.

Keywords: Islamic Religiosity, Character of Trustworthiness, Professionalism, Quality of Financial Reporting, Good Governance, Amil

INTRODUCTION

Zakat is one of the main obligations in Islam, which functions as a scientific instrument to alleviate poverty (Zulhelmy, 2012). Indonesia has enormous potential for zakat as a short-term instrument to alleviate poverty, which is still quite high as of March 2019, reaching 25.14 million people (9.41 percent) (<https://www.bps.go.id/>). According to Puskas Baznas (2019), the potential for zakat in Indonesia in 2019 reaches Rp. 233.8 trillion. However, the average amount of zakat that can be collected by 617 National Zakat Management Organizations (ZMO) from 2017 to 2019 account for only IDR 3.91 trillion or only 1.67% of the potential National Zakat of IDR 233.8 trillion. The factor causing a very large gap between the potential for zakat and the amount of zakat that can be collected by the ZMO is that there is still public distrust of zakat management organizations regarding accountability, transparency, and Professionalism. (Baznas (2017), Shaikh (2015), Bakar and Rashid (2010), Taha et al. (2017), Ascarya and Diana (2018).

The results of research by Mital et al. (2010) and Duffy et al. (2011) found that trust in an organization is mainly determined by the quality of information presented about the organization. Mustafa et al. (2013) stated that zakat payers need broad-based information relating to financial matters to prove that the institution is valid and legitimate. According to Samargandi et al. (2018), zakat institutions should focus on transparency in disclosing practices to increase the trust of zakat payers in them. One of the most important information for muzakki is financial information presented in the form of financial reporting as a form of transparency and accountability in the management of zakat funds by ZMO. Quality financial reporting determines the level of trustworthiness of muzakki in an ZMO. This is revealed by Nazaina (2015), Nasim and Romdhon (2014), and Nurhayati et al. (2014) that the quality of accounting information, accountability, and transparency of financial reporting affect muzakki's trust. Besides, the quality of financial reporting is also an illustration of the implementation of Good Governance in ZMO. According to Sumarso (2018), Good Governance focuses on a financial accountability system aimed at the public. Furthermore, Good Corporate Governance can be checked through the quality of its financial reports and accountability to ensure transparency (Earnest and Sofian, 2013).

Financial reporting and Governance are human activities so that the quality of financial reporting and Good Governance as a system will be mostly determined by the ethical behavior characteristics of human resources who carry it out. Behavioral aspects in accounting are an important factor and increasingly determine the quality of information produced (Siegel and Marconi, 1989); Gorecka and Filus, 2017); Mackowiak (2018)). Choudhury and Alam (2013) state that there are behavioral aspects in the main theory of corporate Governance, and according to Corbett and Mackay (2013, the quality of Governance is a direct result of the quality of board behavior.

The Zakat Management Organization (ZMO) is a nonprofit organization that has very different characteristics from other organizations or institutions because its operational activities are directly regulated by Islamic law. Likewise, the ZMO human resource called Amil is also required to have Islamic characteristics to become Amil, namely religious (sharia compliance), trustworthy, and professional (Qardawi, 2011) and Zakat Core Principle (ZCP, 2018). This research explores the characteristics of Islamic Amil and its effect on the quality of financial reporting and the good governance of ZMO as a solution to the low trust of muzakki in ZMO. This research is very important because of becoming a strategy to increase zakat collection by ZMO in the context of poverty alleviation. The quality of financial reporting and good governance will increase muzakki's trust in ZMO. This research aims to analyze the influence of Religiosity, the trustworthiness character, and Professionalism on the quality of Financial Reporting and good governance as an intervening variable.

LITERATURE REVIEW

Financial Reporting Quality

In Islam, financial reporting at the Zakat Management Organization (ZMO) is a more religious obligation than a reporting obligation to stakeholders. Prophet Muhammad SAW said: "Whoever among you I appoint to be the executor of a job, let him report the results of his work, whether a little or a lot. Then he took what I gave and what I forbade he did not take" (Narrated by Muslim, Abu Daud, and others). Meanwhile, the obligation presenting quality financial reporting is stated in Allah SWT: "Hi people who believe, why do you say something that you do not do? There is so much hatred on the part of Allah that you say things that you don't do" (Surah As-Shaff [37]: 2-3).

Beest et al. (2009) stated that the quality of financial reporting is a quality that positively influences providers of capital and other stakeholders in making investment, credit, and resources allocation decisions, increasing overall market efficiency. Meanwhile, according to Jonas and Blanchet (2000), the quality of financial reporting is the complete and transparent financial information that is not intended to confuse or mislead users. The research conducted by Mital et al. (2010) and Duffy et al. (2011) concluded that the level of trust in the organization depends on the quality and disclosure of financial information. Likewise, Mustafa et al. (2013) and Samargandi et al. (2018) at zakat institutions concluded that to increase muzakki's trust, zakat institutions must disclose financial information and other information to ensure the institution is valid and legitimate.

FASB formulates the main characteristics (primary), namely: relevance, reliability, verifiability, and representational faithfulness, while the secondary characteristics are: comparability, consistency, and neutrality (Suwardjono, 2010). According to Accounting, Auditing and Organizations of Islamic Financial Institution (AAOIFI) are relevant, trustworthy, comparable, consistent, and understandable (Harahap, 2007). The qualitative characteristics of financial reporting are characteristics that make the information in financial reports to be useful for users, namely understandable, relevant, reliable, and comparable (IAI, 2016). Zulhelmy (2011) researched about quality of financial reporting with good corporate governance in Islamic Banking in Indonesia. The Malaysian Accounting Standards Board (MASB) states that to make the financial reports of Islamic financial institutions use for its users, the financial reports of Islamic financial institutions must provide adequate disclosure that explains compliance with sharia principles (ISRA, 2015).

Accounting is a human activity, both humans as accounting system designers, accounting system implementers, and users of accounting information so that accounting cannot be freed from the influence of human behavior (Mackowiak, 2018). Behavioral accounting considers the relationship between human behavior and the accounting system, reflects the social dimensions of an organization and becomes an important addition to financial information reported by accountants (Supriyono, 2017).

Good Governance

The principles of good corporate governance developed by the OECD focus on profit-oriented business companies so that they are not fully adopted and suitable for ZMO as a charitable and nonprofit organization. Therefore, the approaches and concepts of good corporate governance or good governance in organizations that are not for or social organizations will also be different. The Governance Center of Excellence (GCE) and the Australian Institute of Company Directors publish guidance, Good Governance for Not-for-Profit and Charitable Organizations. Taylor (2014) writes Governance for not-for-profit organizations: questions for directors to ask, posted by Chartered Professional Accountants of Canada. Meanwhile, the Board Source published The Handbook of Nonprofit Governance.

Australian Institute of Company Directors (2013) argues that corporate Governance refers to the systems and processes that are undertaken to control and monitor or 'regulate' - an organization.

Meanwhile, good governance is embedded in the good behavior and good decisions of those assigned to run the organization. Corbett and Mackay (2013) argue that good governance means that the board carries out its fiduciary responsibilities. The fiduciary role requires boards to act in ensuring the organization governs successfully purpose (for example, fulfills its mission) and maintains tangible and intangible assets and financial viability. The quality of Governance is a direct result of the quality of Board behavior. Stone and Ostrower (2007) also state that nonprofit Governance involves the relationship between the board and staff, board composition, responsibility, and effectiveness are issues in non-profit governance. In Malaysia, the Shariah Committee established by Islamic banks and takaful operators is subject to the legal framework as set out by the legislation governing Islamic financial services (Hussain, (2016).

The main objectives of Islamic Financial Institutions (IFIs) are to achieve Shariah compliance and to fulfill Muslim's requirements towards obedience and worship to Allah SWT (Noradibah & Shafii, 2018). Therefore, the basic principles of good governance in Islam refer to the words of Allah SWT: "Indeed, Allah instructs you to convey a message to those who have the right to receive it, and (instructs you) when establishing laws among humans so that you determine it fairly. (Q.S.: An-Nisa '[4]: 58). Zein et al. (2008) argued that good governance is an understanding of the concept of amānah (trustworthiness) and adālah (justice) from an Islamic perspective. To uphold the principle of justice will be achieved through a shuratic process (ISRA, 2015). Chapra (2000) states that the practice of shuro is not an option but an obligation. Thus, the main principles of good governance in Islam are justice and Shuro.

According to Corbett and Mackay (2013), the quality of governance is a direct result of the quality of board behavior. The effective board behavior is essential for good governance. The general impact of human resource factors on organizations is evidenced by research conducted by Habtoor (2016) which concludes that human factors have a positive effect on quality improvement practices and organizational performance. Thus, the characteristics of Amil's Islamic behavior will also affect the practice of Good Governance.

Accounting And Characteristics Of Ethical Behavior

Ethics is related to behavior and actions that should be applied by someone in social life. Ethics, according to Islam, is a good character based on the Qur'an and the Sunnah of the Prophet Muhammad. Behavior is reflected in a person's character or disposition. Behavior reflects a person's personality (Soemarso, 2018). According to Siegel and Marconi (1989), there is a difference between managers with risk aversion characteristics and risk-takers in choosing the type of accounting control. Geary (1989) suggests that the behavioral aspects that determine the success of the responsibility accounting system are the willingness and loyalty of managers in accepting responsibility. Hosein and Deylami Z. (2009) and Masoud et al. (2019) concluded that idealism and relativism affected the quality of financial reporting and fraudulent financial reporting.

Amil's Islamic Characteristics

Amil is the people or human resources of the Zakat Management Organization (ZMO). They are directly involved in the implementation of zakat, which consists of management, employees, and the Sharia Supervisory Board. According to Qardawi (2011) and Zakat Core Principle (2018), the characteristics that must be owned by Amil are Religiosity, trustworthiness, and Professionalism.

1. Islamic Religiosity

McDaniel and Burnett (1990) defined Religiosity as a belief in God, accompanied by a commitment to follow the principles believed to be established by God. Zullig et al. (2006) stated Religiosity as a concept defined as an organized belief system with established rituals and practices in places of worship. According to Al-Goaib (2003), meanwhile, Religiosity in Islam is a commitment to the foundations of the Islamic religion empirically (the practice of worship) and theoretically through the fulfillment of Allah's rights, protection of the rights of others, following Allah's orders, avoid bad

deeds, and do worship. El-Menouar and Stiftung (2014) developed a five-dimensional structure of Muslim Religiosity, namely: 1) Basic Religiosity, 2) Main Religious Obligations, 3) Dimensional Religious Experience, 4) Religious knowledge, and 5) Orthopraxis.

Olufadi (2016) developed a simple, short, and psychometric scale, namely the Muslim Daily Religiosity Assessment Scale (MUDRAS), as a multidimensional construction consisting of three factors, namely: 1) avoiding sinful actions or acts, 2) doing the recommended practice (sunnah) by Allah and the Prophet Muhammad (SAW), and 3) performing physical worship to Allah SWT. The essence of prayer to Allah is prayer as the Prophet Muhammad said: "The essence (main) of all matters is Islam and its pillar (support) is prayer." (Narrated by Tirmidhi and Ibn Majah.). Furthermore, the words of Allah SWT: "Verily, prayer prevents from (actions) heinous and Munkar" (Surah: Al- Ankaboot [29]; 45).

2. The Character of trustworthiness

According to Mayer et al. (1995), the characteristics of a trustee are a concept of trustworthiness. Amanah is valued as the motivation (or lack thereof) to lie. According to Kharouf et al. (2013), the difference between trust and trustworthiness is that trust is the trust of the trustee in the recipient of the trust, while trustworthiness is the characteristic of the recipient of the trust. Other forms of commitment that can shape the Character of a mandate are aesthetics or religion (Simpson, 2013). Mayer et al. (1995) developed three dimensions of trustworthiness, namely: 1) ability, 2) benevolence, and 3) integrity. According to Mufti and Sula (2007), trustworthiness can be displayed in openness, honesty, and optimal service. In Islam, the Character of trust cannot be separated from the concept of faith or Tawhid. The Prophet Muhammad SAW said: "There is no faith in people who do not fulfill the trustworthiness, and there is no religion in those who do not fulfill their promises. " (Ahmad and Ibn Hibban). Thus, the Character of trustworthiness in Islam must be based on the belief in accountability before Allah. (Shahul, 2000, Zein et al., 2008).

3. Professionalism

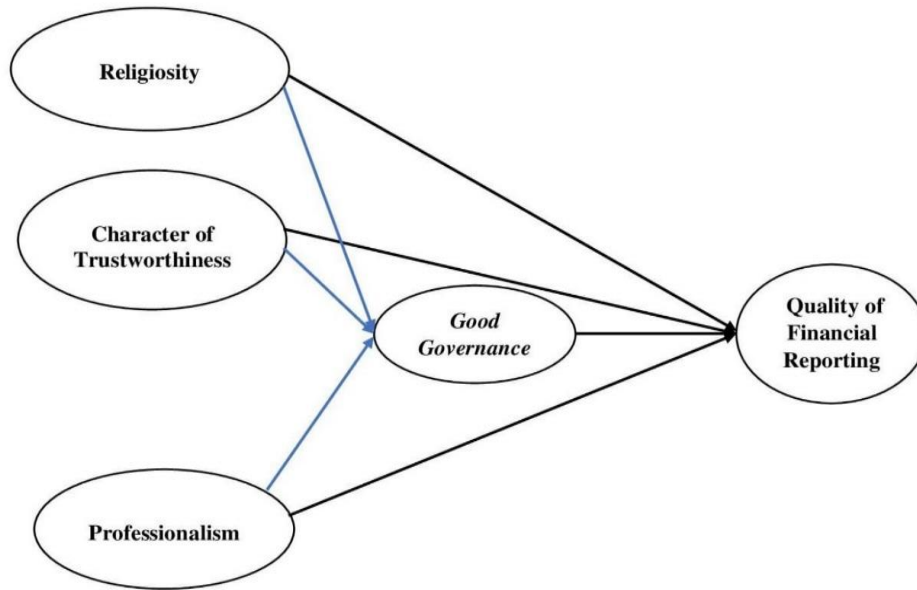
Merriam Webster's online dictionary defines Professionalism as behavior, goals, or qualities that characterize a professional person. In Islam, Professionalism is a requirement to do a job; as the Prophet Muhammad SAW said: "Verily Allah loves someone who when working, does it (itqon) professionally." (Narrated by Thabrani and Baihaqi). And "If matters are not left to the experts, then wait for the destruction" (Narrated by Al-Bukhari).

According to Adnan (2017), there are 6 (six) criteria for Amil zakat professionalism, namely: 1) Competence. 2) Full-time commitment 3) Become a member of related professional associations, 4) Commitment to continuing or continuing education programs, 5) Commitment to complying with the code of conduct, and 6) Compensation accordingly. Richard Hall developed a scale of Professionalism called the "Hall's Professionalism Scale," which consists of 1) professional community affiliation, 2) social obligation, 3) belief in self-regulation, 4) professional dedication, and 5) autonomy demands (Shafer et al. 2002).

RESEARCH MODEL AND HYPOTHESIS

Based on the literature review analysis and the development of relationships between variables, the research model is as follows:

Figure 1. Research Model



DEVELOPMENT OF HYPOTHESIS

1. **The Effect of Amil's Religiosity on the Quality of Financial Reporting**
Research conducted by Taha et al. (2017) found the effect of religiosity on transparency and performance of zakat institutions. Research conducted by Sean T., et al. (2012) and Montenegro (2017) found that religiosity affects the quality of financial reporting is lower. Thus, a hypothesis can be developed on the effect of amil's religiosity on the quality of financial reporting as follows:
H1: Amil's religiosity has a positive effect on the quality of Financial Reporting.
2. **The Effect of Character of trustworthiness on the Quality of Financial Reporting**
The research conducted by Ladewi (2014), Ahmad et al (2017), and Aifuwa et. al (2018) found a positive relationship between Islamic ethics and mandate character with the quality of financial reporting. Based on this, the following hypothesis can be developed:
H2: Character of trustworthiness has a positive effect on the quality of Financial Reporting.
3. **The Effect of Amil's Professionalism on the Quality of Financial Reporting**
The previous studies by Mahdavikhou and Khotanlou (2011), Mahdi and Mohsen (2011), and Darwanis et al. (2016) found a relationship between professional behavior and financial reporting quality. Thus, the following hypothesis can be developed:
H3: Amil's professionalism has a positive effect on the quality of Financial Reporting.
4. **The Influence of Amil's Religiosity on ZMO's Good Governance**
The research conducted by Zahrah et al. (2016) Taha et al. (2017) revealed a significant relationship between transparency Islamic religiosity and the performance of zakat institutions. Also, Boahen and Mamatzakis (2016) and Kim and Shirley (2016) found a positive influence of religiosity on corporate governance. Thus, a hypothesis can be developed on the effect of amil's religiosity on good governance as follows:
H4: Amil's religiosity has a positive effect on the good governance of the Zakat Management Organization (OPZ).
5. **The Effect of Character of trustworthiness on Good Governance**
According to Zein et al. (2008), the essence of the Qur'anic instructions on good governance is an

understanding of the concept of trust and justice. The concepts of trustworthiness and justice provide a framework for the main practical concepts of good governance. Research conducted by Mollering (2002) concluded that perceptions of trust have a relationship with corporate governance. Furthermore, Linda and Suzana's research (2014) found trustworthiness and performance satisfaction to produce a clearer pattern of governance. From the explanation above, a hypothesis can be formulated as follows:

H5: Character of trustworthiness has a positive effect on the Good Governance

6. The Effect of Professionalism on Good Governance

Research conducted by Schulte (2009) and Nofianti and Suseno (2014) concluded that professionalism affects corporate governance and good governance, while Donsophon et al. (2015) found the effect of professionalism on company success. Based on the results, a hypothesis was developed on the effect of amil's professionalism on good governance as follows:

H6: Amil's professionalism has a positive effect on the Good Governance

7. The Effect of Good Governance on the Quality of Financial Reporting

The research conducted by Yetman (2004), Rishah and Al-Saed (2012), Khiari (2013), Al_Sufy, et al., (2013), and Erlynda (2015) found the effect of good governance on the quality of financial reporting. Based on the results, a hypothesis was developed on the effect of Good Governance on the quality of OPZ financial reporting as follows:

H7: Good governance has a positive effect on the quality of financial reporting

RESEARCH METHODOLOGY

This research is explanatory causal research (Causal Explanatory), namely research to explain the relationship between variables and how one variable causes changes in other variables (Cooper and Schindler, 2017). The unit of analysis in this study is 31 Zakat Management Organizations (ZMO) in Riau, West Sumatra, and West Java province. The respondents are 204 Amil as commissioners and administrators of the Zakat Management Organization.

The analytical method used is the Structural Equation Modeling-Partial Least Square (SEM-PLS) method with SmartPLS software. SEM-PLS is used as an analytical tool because it can simultaneously test the measurement model as well as test the structural model and predict models for theory development. PLS can be used to predict models with a weak theoretical basis (Abdillah and Jogyanto, 2015).

Hypothesis testing is conducted by looking at the p-value of the T statistics and the path coefficient (Beta) of each hypothesized relationship between the variables and compared with a level of Significance (α) 0.05. The hypothesis is accepted if the p-value is <0.05 .

RESULT AND DISCUSSION

Evaluation of the Reflective Measurement Model (Outer Model)

Evaluation of the measurement model or outer model is done by testing the validity and reliability of the construct-forming indicators. The criterion to fulfill convergent validity in this study is the loading factor value ≥ 0.4 . Because according to Hair et al. (2013), in Latan and Ghazali (2017), it is sufficient for research in constructing development and measurement scales or instrument development. Discriminant Validity Test to test there is no high correlation between different indicators /items to measure other constructs. The rule of thumb used to determine Discriminant Validity is based on the Fornell-Larcker Criterion (Average Variance Extracted (AVE) square root) $>$ correlation between latent constructs. The recommended AVE value must be greater than 0.5 (Ghozali and Latan, 2015). The reliability test in SEM-PLS used two measures of Cronbach alpha and composite reliability. Cronbach alpha does not assume an equivalence between measurements assuming all indicators are given the same weight so that it tends to underestimate in measuring reliability. In contrast, composite

reliability is a closer approximation with accurate parameter estimates. The rule of thumb used to determine for constructing reliability must be greater than 0.7 for confirmatory research and values 0.6 - 0.7 are still acceptable for exploratory study (Latan and Ghozali, 2017).

Table 1. Evaluation of the Measurement Model

Variable	Dimension	Indicator	Loadings	Composite Reliability	AVE	Fornell Larcker Value
Character trustworthiness	Ability	A1.1	0.799	0.868	0.688	0,829
		A1.2	0.892			
		A1.3	0.794			
	Benevolence	A2.1	0.605	0.809	0.591	0,769
		A2.2	0.821			
		A2.3	0.856			
	Integrity	A3.1	0.814	0.773	0.537	0,733
		A3.2	0.583			
		A3.3	0.779			
	Tawhid	A4.1	0.668	0.789	0.556	0,754
		A4.2	0.758			
		A4.3	0.803			
Islamic Religiosity	Performing prayers	R1.1	0.847	0.873	0.697	0,835
		R1.2	0.853			
		R1.3	0.804			
	Carry out Sunnah Worship	R2.1	0.824	0.746	0.508	0,713
		R2.2	0.789			
		R2.3	0.471			
	Avoiding Sinful Actions	R3.1	0.793	0.811	0.589	0,767
		R3.2	0.796			
		R3.3	0.711			
Professionalism	Professional community affiliation	P1.1	0.900	0.886	0.795	0,892
		P1.2	0.908			
	Social obligation	P2.1	0.868	0.748	0.602	0,776
		P2.3	0.671			
	Belief in self-Regulation	P3.1	0.794	0.821	0.697	0,835
		P3.2	0.825			
	Professional dedication	P4.2	0.832	0.763	0.551	0,742
		P4.3	0.959			
Autonomy demands	P5.1	0.894	0.905	0.826	0,908	
	P5.2	0.865				
Good Governance	The Role of the Governing Board	G1.1	0.699	0.802	0.575	0,758
		G1.2	0.796			
		G1.3	0.777			
	Quality of Board	G2.1	0.800	0.827	0.614	0,784
		G2.2	0.796			

Variable	Dimension	Indicator	Loadings	Composite Reliability	AVE	Fornell Larcker Value
	Board Structure and Process	G2.3	0.754	0.824	0.701	0,837
		G3.1	0.858			
		G3.2	0.816			
	Syariah Governance	G4.1	0.764	0.787	0.553	0,743
		G4.2	0.788			
		G4.3	0.674			
Quality of Financial Reporting	Understandability	K1.1	0.805	0.864	0.679	0,824
		K1.2	0.827			
		K1.3	0.840			
	Relevance	K2.1	0.777	0.786	0.554	0,744
		K2.2	0.826			
		K2.3	0.613			
	Reliability	K3.1	0.799	0.812	0.591	0,769
		K3.2	0.718			
		K3.3	0.787			
	Comparability	K4.1	0.867	0.831	0.711	0,843
		K4.2	0.818			
	Syariah Sharia Disclosure	K5.1	0.753	0.780	0.543	0,737
		K5.2	0.761			
		K5.3	0.694			

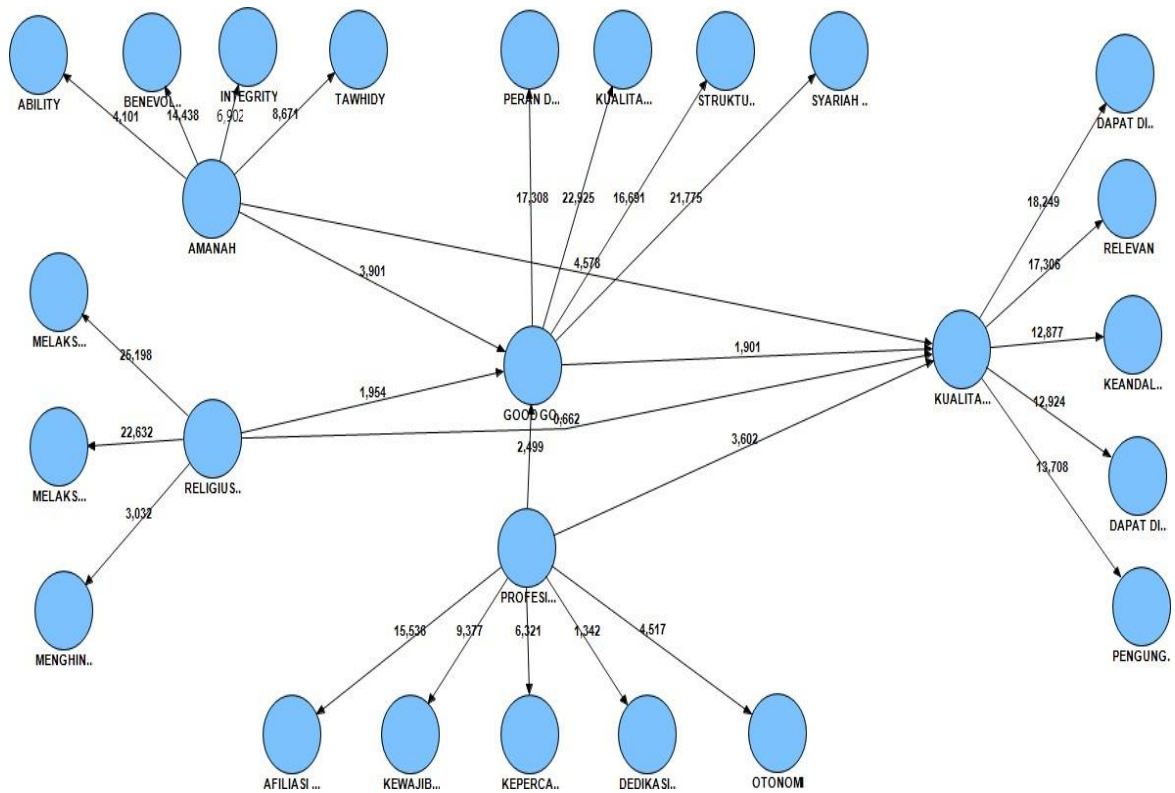
Source: Processed data (SmartPLS)

Based on Table 1, it was found that the model met the criteria of the measurement model (Outer Model), namely 1) convergent validity indicated by the loadings factor value of each indicator is greater than 0.4, and the AVE value is greater than 0.5, 2). Discriminant validity is indicated by Fornell Larcker's value is greater than 0.7 and greater than the correlation between constructs in the model, and 3) Reliability is indicated by the value of composite reliability that is greater than 0.6.

Evaluation of the Structural Model (Inner Model)

The objective of the structural model evaluation is to confirm the estimation of the model to reveal the estimation results of the coefficient R², effect size (f²), prediction relevance (Q² and q²) to provide evidence that the model has predictive relevance. The bootstrapping procedure was carried out to determine the significance and influence between variables and the final SEM-PLS model, which is presented in Figure 2.

Figure 2. SEM-PLS Model - Bootstrapping Value



Source: Processed data (SmartPLS)

Table 2. Path Coefficient and Significance

	Path Coefficient	t Statistics	p Value	level of significance (α)	Description
Character of trustworthiness -> Good Governance	0.419	3.901	0.000	0.05	Positive and Significant
Character of trustworthiness -> Financial Reporting Quality	0.435	4.578	0.000	0.05	Positive and Significant
Islamic Religiosity -> Good Governance	0.183	1.954	0.026	0.05	Positive and Significant
Islamic Religiosity -> Financial Reporting Quality	0.049	0.662	0.254	0.05	Not significant
Professionalism -> Good	0.243	2.499	0.007	0.05	Positive

<i>Governance</i>					and Significant
Professionalism -> Financial Reporting Quality	0.345	3.602	0.000	0.05	Positive and Significant
Good Governance -> Financial Reporting Quality	0.194	1.901	0.029	0.05	Positive and Significant

Source: Processed data (SmartPLS)

Based on Table 2, based on the one-tail test at the level of significant 5% or $\alpha = 0.05$, the character of trustworthiness variable had a positive and significant effect on good governance and the quality of Financial Reporting. The results of this research are in line with the research conducted by Ladewi (2014), Ahmad et al. (2017), Mollering (2002), and Linda and Suzana (2014).

Religiosity only had a positive and significant effect on Good Governance. This finding is in line with the research results of Boahen and Mamatzakis (2016) and Kim and Shirley (2016). Meanwhile, on the quality of financial reporting, there was no influence of Islamic religiosity. According to Sumarso (2018), all stages of preparing financial statements are full of interpretations that require special expertise to do so. Adnan (2017) also argues that Amil Zakat must understand the basic and practical concepts of accounting and accountability to be able to prepare financial reports properly. When viewed from the background of the respondents, only 23% have attended training in accounting. This indicates that Amil's understanding of accounting is still low. This can be caused by the influence of Amil's religiosity on the quality of ZMO's financial reporting even though Amil has a high level of religiosity.

The professionalism variable had a significant and positive effect on good governance and the quality of Financial Reporting. These results are consistent with the results of research conducted by Khotanlou (2011), Mahdi and Mohsen (2011), Darwanis et al. (2016), Aifua et al. (2018), Schulte (2009), Nofianti and Suseno (2014), and Donsophon et al. (2015).

The indirect effect of Islamic Amil characteristics on the quality of financial reporting through the mediation of good governance is presented in Table 3.

Table 3. Indirect Effects and Significance

	Indirect Effects	t Value	p-Value	Description	VAF
The character of trustworthiness > Financial Reporting Quality	0.081	1.711	0.044	Significant	16%
Islamic Religiosity -> Financial Reporting Quality	0.036	1.368	0.086	Not significant	-
Professionalism -> Financial Reporting Quality	0.047	1.515	0.066	Not significant	-

Source: Processed data (SmartPLS)

Table 3 shows that the characteristics of Islamic Amil that have an indirect effect on the quality of financial reporting through the mediation of good governance are the only character of trustworthiness variable. It means that good governance only mediates the effect of the character of trustworthiness on Financial Reporting quality with a VAF (Variance Accounted For) value of 16%. This result indicates a weak role of good governance in mediating the influence of trustworthiness

character on the quality of Financial Reporting.

Effect Size

Table 4 shows the Effect Size (f^2) of each exogenous variable against the endogenous variables.

Table 4. Effect Size Values

	Good Governance	Financial Reporting Quality
	f^2	f^2
the character of trustworthiness	0.258	0.28
Islamic Religiosity	0.055	-0.007
Professionalism	0.087	0.19
<i>Good Governance</i>	-	0.054

Source: Processed data (SmartPLS)

Based on Table 4, for endogenous variables of good governance, a trustworthiness character had a moderate effect with an f^2 value of 0.258, while religiosity and professionalism have a low influence.

For the quality of Financial Reporting, the trustworthiness and professionalism character variables had a moderate effect with f^2 values of 0.280 and 0.19, while having a common result.

Goodness of Fit

The suitability of the model (Goodness of Fit) is evaluated using the R-Squares (R^2) value and the predictive relevant Q^2 value, which is presented in Table 5:

Table 5. Goodness of Fit

Endogenous Variable	R^2	Q^2
<i>Good Governance</i>	0.45	0.16
Financial Reporting Quality	0.59	0.20

Source: Processed data (SmartPLS)

Table 5 shows the values of R^2 and Q^2 , which are measures of the Goodness of the model. The good governance model, which consists of the trustworthiness character, religiosity, and professionalism variables as exogenous variables, gives an R^2 value of 0.45, which is included in the moderate category. It means that the diversity that can be explained by the three exogenous variables is 45%. The Financial Reporting quality model, which consists of the character of trustworthiness, religiosity, professionalism, and good governance, has an R^2 value of 0.59, which is included in a substantial or strong category. Both good governance and financial reporting quality have predictive relevance. It is indicated by the value of Q^2 , which is greater than 0 ($Q^2 > 0$).

CONCLUSION AND SUGGESTION

Amil's Islamic characteristics have a positive and significant effect on ZMO's Financial Reporting quality and good governance as an Intervening Variable partially. The results of this research indicate that the character variables of trustworthiness, professionalism, and good governance have a positive and significant effect on the quality of Financial Reporting. At the same time, religiosity is not proven to affect the quality of Financial Reporting. The results of this study also show that religiosity, trustworthiness character, and professionalism have a positive and significant effect on good governance and good governance plays a role in mediating the influence of trustworthiness character on the quality of Financial Reporting.

Limitations in Islamic characteristics that are used as exogenous variables that are relevant to the delivery of quality financial reports and good governance include the characters of Tabligh, Wara 'and Qonaah. The other limitations are territory and the number of ZMO that were used as objects in the study. The results suggest for next research to add other relevant Islamic characteristics as exogenous variables and to expand the geography and number of ZMO which are used as research objects.

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