

Determinant of Transparency, and Its Implications on Technology Based Financial Performance

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Abstract--- Purpose-This is to prove that there is a direct influence of professionalism, internal control and transparency on the Technology-based financial performance of amil zakat institutions and the influence of professionalism and internal control through transparency on the performance of amil zakat financial institutions in Indonesia.

Design- The method used is hypothesis testing by measuring numbers with a descriptive verification approach, using the Smart PLS application for testing the measurement model at the same time testing the structural measurement model.

Findings- The research result is professionalism, internal control, and Transparency directly and positively and significantly influences the Technology-based financial performance of amil zakat institutions, while the influence of professionalism through transparency has a positive and significant effect on the Technology-based financial performance of amil zakat institutions but internal control through transparency has no positive and insignificant effect on the Technology-based financial performance of institutions amil zakat. This research cannot prove that theoretically good internal control will result in transparency affecting Technology-based financial performance, it may be necessary to improve the measurement tools or questionnaires so that they are useful in the future

Originality/Value- This article is original and has not been published in any journal. **Keywords---** *Zakat, Performance, Transparency, technology.*

I. Introduction

Based on research by Baznas, Bogor Agriculture Institute (IPB) and Islamic Development Bank (IDB), the potential for national zakat in 2015 is Rp 237 trillion. Zakat consists of maal zakat, corporate zakat, zakat on sharia banking deposit savings, while zakat absorption is only Rp 2.67 trillion or 1.2% of the existing potential (Baznas, 2014). This shows that the management of zakat is not yet optimal in terms of the receipt and distribution of zakat. One of the factors causing the unfulfilled potential of receiving zakat in Indonesia is the decision of muzaki not to distribute zakat, infaq, and shodaqoh at the existing zakat institutions is a factor of trust that is still low in the organization, causing the muzaki to prefer to channel their zakat funds directly to those who are entitled or 8 asnaf. Factors distrust muzaki in the management of zakat funds in zakat management organizations both the Amil Zakat Agency (BAZ) and the Amil Zakat Institution (LAZ) in Indonesia due to lack of transparency in the Financial Statements, Accountability of the BAZ and LAZ and do not get greater benefits if Zakat funds are channeled through BAZ and LAZ compared to direct distribution (Dina Fitriasia Septiarini, 2011), (A Nasim, 2014.), and (Indri Yuliafitri & Asma Nur Khoiriyah, 2016.)

Problems regarding the performance of Zakat Institutions as Non-Profit Organizations also occur in America. (John E. Spillan, 2011.), said the problem that occurs in some non-profit institutions in America is that donors have difficulty finding good institutional performance measures that reflect credibility and positive perceptions. On the other hand, non-profit institutions do not have concrete and clear benchmarks of success or failure that are reflected in their financial statements.

Several studies have concluded that the efficiency of donations (*charity*) is one of the main factors influencing donors' decision to donate. (Trussel & Parsons, 2008) conclude that certain characteristics of NPOs are related to donation decisions. (Young M, 2006) stated his research results showed that participation in zakat was not only motivated by religious factors but also self-satisfaction and organizational factors.

(R Taha, 2017) found in a study that religiosity and transparency determine the improvement of the performance of a zakat institution. As well (Indri Yuliafitri & Asma Nur Khoiriyah, 2016.), (Abd Halim Mohd Noor MS, 2015), (Roshaiza Taha et al, 2017.) stated that the performance of zakat management is influenced by the transparency and accountability of the amil zakat institution. On the other hand (Nurhasan Hamidi & Eko Suwardi, 2013) focus on the role of aspects of internal control and organizational culture on the accountability and transparency of the Amil Zakat Institution, this is confirmed by research (Abd Halim Mohd Noor RM, 2007).

II. Literature Review

Transparency is generally defined as the open flow of information (Anshari, Almunawar, Masri, & Hamdan, 2019), and the literature on transparency in the relationship between manager of zakat and societies has strongly emphasized this concept of openness. Oliver (2004: 37) argues that ‘transparency in an organization is not only about what’s communicated externally, but about what’s right on the inside, in the guts of its operations’, and introduces the concept of ‘new transparency’ to describe the trend for organizations to face more active demands for disclosure of information Especially for zakat financial management. In the past many manager of zakat passively provided information only on request, and could do so at their own discretion; now they are being required to engage in more active disclosure. Piotrowski (2007: 10) states that ‘manager transparency equates to open financial management’.

The officiated definition of transparency by the Asian Development Bank (1995) is ‘the availability of information to the general public and clarity about management rules, regulations and decisions’. Transparency has become an important agenda in nearly every organization, public and private, large or small, and also zakat organization with Hood (2006: 3) suggesting that it has ‘attained quasi-religious significance in debate over governance and institutional design’. Ball (2009) suggests that transparency is starting to subsume accountability in public discourse about good governance.

This sharply growing demand for transparency is based on many factors. First, transparency is one of the fundamental moral claims in Islamic societies, with the people’s right to have access to zakat management information being widely accepted in representative transparency (Pasquier and Villeneuve, 2007). Second, transparency is one of the practical measures taken to curtail corruption, acting as a deterrent against corrupt behaviour by promoting citizens’ vigilance, thus deterring public officials from misusing public service to attain private gain (Florini, 2007). O’Neill (2006) observes that it can thus serve as a strategy to deter corruption and correct poor performance. Third, transparency has a positive effect on trust and accountability (Heald, 2006). According to Holzner and Holzner (2006: 114), ‘transparency is linked with the values of accountability and technology’, as it allows citizens to monitor the quality of public services and encourages public employees to satisfy citizens.

The literature on transparency advises that organizations should be transparent to increase the degree of trust (Rawlins, 2008), though some scholars urge caution, citing the negative aspects of transparency, such as violation of privacy, direct cost of disclosure, and revelation of sensitive information (Prat, 2006: 91). Chambers (2004: 389, 392) reminds us that although publicity is an important principle in deliberative democracy, secrecy rather than publicity is often what is needed to ensure a high quality of deliberation also very importance for zakat management. Heald (2006: 62) stresses that ‘transparency is expected to contribute positively to trust by building credibility’, and it is to a consideration of the role of trust that we now turn. Zakat management must be transparent. So that technology-based financial performance can facilitate the management of Zakat for transparency in its management.

Zakat has been impeded in the second year of hijrah, whereas the giving and donation was voluntary only (Ali Sarbiji, 1993). Islam has raised the status of the recipients of zakat in which the burden of responsibility to assist them has been handed over to the capable Muslims. Mustafa al-Siba’i (2012) states that granting the right to the person as stated in the verse is in the condition that they raise the head to receive it with dignity. Technology-based of zakat financial management is very importance for zakat organization. This is because the gift is a right that has been assigned to them as a worker who receives a salary for his work. This has illustrated the zakat privilege itself as a pillar of the structure of the Islamic economic system in developing socio-economic society comprehensively. With technology, all expect that zakat financial management will become solution for all Muslim community to increase their economic. Therefore, every individual who is capable of supposedly should embrace this third pillar of Islam with involvement in the production and distribution of zakat (Ghazali, 2005). If this claim is neglected, then the preservation and excellence of zakat instruments in realizing the welfare of the ummah will not be fully realized. Through the zakat system, the socioeconomic gap between the rich and the poor can be bridged through the consciousness of those who have the ability that the needy people also have the right and certain parts of their property (Mahmood, 2003).

III. Methodology

This research is included in quantitative research, which is testing hypotheses by measuring numbers ((WG Zikmund, 2010.) While the approach used in this research is descriptive and verification research methods (explanatory and descriptive research) (Nasir, 2010). This research method is directed through an explanatory survey, to describe the causal relationship between the variables studied.

The data analysis method used is the application of Smart PLS that can resolve multiple regressions when specific data problems occur, such as small study sample sizes, missing data, and multicollinearity. Variant-based PLS that can simultaneously test measurement models at the same time testing structural measurement models (Abdillah, 2009: 11).

The structural equation model is used in the two-way causal (causal) relationship model (reciprocal) and recursive. The estimation of parameters is done at once to make the structural model. The processed data does not need to be standardized normal, so it can be directly analyzed from the raw data. The output of structural equation models is in the form of determinant factors, so it can be used to test relationships and influences.

The measurement model is used to test the validity and reliability, while the structural model is used to test the casualty (hypothesis testing with predictive models).

IV. Result and Discussion

In this study the analysis of respondents' responses to the research variables is through descriptive analysis of each indicator. The variables in this study consisted of Professionalism, Internal Control. Amil Zakat Institution Transparency and Technology-based financial performance. Descriptive analysis is used to find out objective information from respondents on the variables used in the study. The analytical method used in the descriptive analysis of this study is the probability of each answer selected, then grouped, tabulated, and describes the data obtained in the field. The indicators/dimensions of each research variable are as follows:

1. Variable Professionalism.
 - a. Commitment
 - b. Competence
 - c. Partnership.
2. Internal control
 - a. Control Environment
 - b. Risk Assessment
 - c. Control Activity
 - d. Information and Communication
3. Transparency.
 - a. Information on Donors and Muzaki
 - b. Information to the Community
 - c. Zakat Management Information
4. Technology-based financial performance
 - a. Efficiency
 - b. Effectiveness
 - c. Economic Size

Data processing techniques using the SEM method based on Partial Least Square (PLS) requires 2 steps to assess the Fit Model of a research model (Ghozali, 2010)). The stages are as follows:

Assessing the Outer Model or Measurement Model

Measurement model analysis will test the validity and reliability of the construct used. This research uses the reflexive indicator construct. The validity criteria of this construct are measured by convergent validity, while the reliability is measured by Cronbach's alpha and average variance extracted (AVE).

Evaluation of the reflective indicator model includes examining: (1). individual item reliability, (2). internal consistency, or construct reliability, and (3). the average variance extracted and (4). discriminant validity. The first three measurements are categorized into convergent validity.

In convergent validity evaluation from checking individual item reliability, it can be seen from the value of the standardized loading factor. The standardized loading factor illustrates the magnitude of the correlation between each

measurement item (indicator/dimension) and its construct. A loading factor value > 0.7 is said to be ideal, meaning that the indicator/dimension is said to be valid measuring the construct.

Convergent validity measures the magnitude of the correlation between constructs with latent variables. Convergent validity of the measurement model with reflexive indicators/dimensions is assessed based on the correlation between item scores/component scores estimated with PLS software. In convergent validity evaluation from checking individual item reliability, it can be seen from the value of the standardized loading factor. The standardized loading factor illustrates the magnitude of the correlation between each measurement item (indicator/dimension) and its construct. The loading factor value > 0.6 is said to be ideal, meaning that the indicator/dimension is said to be valid measuring the construct.

The results of processing using SmartPLS, outer loading values or correlations between constructs and variables already meet convergent validity because all dimensions have a loading factor value above 0.60.

An explanation of the validity results for each variable is as follows:

a. Variable Professionalism

The most valid indicator with the largest loading factor value is Pr2 namely Competency, with a baseline value of 0.910, second place is Pr1, namely Commitment with a value of 0.809 and the last sequence is Pr3, namely Partnership with a value of 0.674. It can be concluded that the influence of professionalism variables on Amil Zakat Institution is on the indicator/dimension of Amil Zakat Competency.

b. Internal Control Variable

Based on table 1, the most valid indicator/dimension is IK2, namely Risk Assessment with a loading factor of 0.957, the next sequence is IK 3, namely Control Activity with a loading factor of 0.950. The next sequence is IK4, namely information, and communication with a loading factor of 0.938, while the last sequence is IK1, namely the Control Environment with a loading factor of 0.707. From this description, it can be concluded that the highest level of validity of correlation is the Risk Assessment dimension of the Amil Zakat Institution

c. Transparency Variable

The transparency variable has 3 dimensions. From table 1 the highest loading factor is Tr3 about Zakat Management Information with a value of 0.935. the next sequence is the Tr1 dimension, i.e. Information to Donors and Muzaki with outer loading of 0.928. and the last is Tr2, namely Information to the Community with a value of 0.885. The conclusion drawn from the measurement of the most valid Transparency Variable is the Zakat Management Information dimension

d. Technology-based financial performance Variable

Outer loading the highest dimension is KK2, namely Effectiveness with a value of 0.963, while the next sequence is KK1, namely Efficiency with an outer leading value of 0.936 and the last sequence is KK3, which is Economic Size with an outer loading value of 0.745. The conclusion that can be drawn from the correlation between constructs/dimensions of variables is the dimension of effectiveness having the highest validity of Technology-based financial performance variables compared to the dimensions of efficiency and economic size.

Evaluating Reliability and Average Variance Extracted (AVE)

After we evaluate individual item reliability through standardized loading factor values, the next step looks at the internal consistency reliability of Cronbach's Alpha and Composite Reliability (CR) values. Composite Reliability (CR) is better in measuring internal consistency than Cronbach's Alpha in SEM because CR does not assume the same boot of each indicator. Cronbach's Alpha tends to underestimate construct reliability compared to Composite Reliability (CR).

The Composite Reliability (CR) interpretation is the same as Cronbach's Alpha. Limit values > 0.7 are acceptable, and values > 0.8 are very satisfying. Another measure of convergent validity is the Average Variance Extracted (AVE) value. AVE values describe the magnitude of variance or diversity of manifest variables that can be owned by latent constructs. Thus, the greater the variance or diversity of manifest variables that can be contained by latent counterparts, the greater the representation of manifest variables to their latent constructs.

(Larcker, 1981)) and (Yamin, 2011) recommend the use of AVE for a criterion in assessing convergent validity. A minimum AVE value of 0.5 indicates a good measure of convergent validity. That is, latent variables can explain an average of more than half the variants of the indicators. AVE value is obtained from the sum of the squares of the loading factor divided by error.

The validity and reliability criteria in this study can be seen from the reliability value of a construct and the value of the Average Variance Extracted (AVE) of each construct. The construct is said to have a high reliability if the value is 0.70 and AVE is above 0.50. Table 4.8 presents Composite Reliability and AVE values for all variables.

Table 1
Composite Reliability and Average Variance Extracted

Variable	Composite Reliability	Average Variance Extracted (AVE)
Professionalism	0.843	0.645
Internal Control	0.940	0.800
Transparency	0.940	0.840
Technology-based financial performance	0.916	0.786

Source: Data processing with PLS

Based on table 1 it can be concluded that all constructs meet the reliable criteria. This is indicated by composite reliability values above 0.70 and Average Variance Extracted (AVE) above 0.50 as recommended criteria. Transparency is the variable with the highest Composite reliability and Average Variance Extracted, each of 0.940 and 0.840. Whereas Internal Control has the same Composite Reliability value with Transparency of 0.940 but the Average Variance Extracted is lower at 0.800. Technology-based financial performance has a Composite Reliability of 0.916 and Average Variance Extracted of 0.786. The last is Professionalism with Composite Reliability value of 0.843 and Average Variance Extracted of 0.645.

Assessing Discriminant Validity

The discriminant validity reflective model is evaluated through cross-loading, then comparing the AVE value with the square of the correlation value between constructs (or comparing the square root of AVE with the correlation between constructs). The size of cross-loading is to compare the correlation of indicators with the constructs and constructs of other blocks. If the correlation between indicators and constructs is higher than the correlation with other constructs, this shows that the constructs better measure the size of their blocks than other blocks. Another measure of discriminant validity is that the root value of AVE must be higher than the correlation between constructs and other constructs or the value of AVE is higher than the square of the correlation between constructs.

Table 2
Cross Loading

	Pr	IK	Tr	KK
Pr1	.809	0.668	0.650	-0,387
Pr2	0.910	.772	0.863	-0,227
Pr3	.674	0.567	0.582	-0,342
IK1	.368	.707	.355	0.275
IK2	0.864	.957	.771	-0,130
IK3	.852	0.950	0.796	-0,205
IK4	0.763	0.938	.709	-0.006
Tr1	0.850	0.711	0.928	-0,135
Tr2	.776	.647	.886	-0,237
Tr3	0.795	0.765	0.935	-0,183
KK1	-0.310	-0.007	-0,123	0.936
KK2	-0,413	-0,101	-0,242	0.963
KK3	-0,302	-0,105	-0,168	0.745

Source: Data processing with PLS

Based on table 2 shows that the correlation between indicators/dimensions with the construct is higher than the correlation with other block constructs, the correlation value is seen in the green shaded area where each dimension of the research variable has a higher correlation value to the research variable (the construct) than the correlation with correlation values (non-colored areas) other constructs. this shows that the construct better sized the block in their block than the other blocks. So it can be concluded that all constructs meet the discriminant validity criteria.

Structural Model Testing (Inner Model)

Testing the inner model or structural model is done to see the relationship between the construct/research variables, the significance value, and the R-square of the research model. The structural model is evaluated using R-square for the dependent construct of the t-test as well as the significance of the coefficient of structural path parameters.

In assessing a model with PLS it starts by looking at the R-square for each latent dependent variable. Table 3 is the result of R-square estimation using SmartPLS.

**Table 3
R Square Value**

Variable	R Square
Transparency	0.780
Technology-based financial performance	0.418

Source: Data processing with PLS

In principle, this study uses 2 variables that are influenced by other variables, namely variables transparency which is influenced by professionalism and internal control while LAZ's Technology-based financial performance variables are influenced by the professionalism, internal control, and transparency.

Table 3 shows the R-square values for the variables transparency obtained by 0.780, these results indicate that 78% of the variables transparency influenced by variables professionalism and internal control. Whereas for variables LAZ's Technology-based financial performance obtained by 0.418, this result shows that 41.8% of the variables Technology-based financial performance influenced by variables professionalism, internal control, and transparency.

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing hypotheses is the value contained in the output result for inner weight. Table 5 provides the estimated outputs for testing structural models.

**Table 4
Result for Inner Model**

Influence of Variables		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	P Values
<i>Direct Effect</i>	Pr -> Tr	0.786	.678	0.303	2,597	0.010
	IK -> Tr	.113	0.233	0.318	.355	0.723
	Pr -> KK	-1,498	-1,490	.377	3,969	0,000
	IK -> KK	0.787	0.790	.387	2,034	0.042
<i>Indirect Effect</i>	Tr -> KK	.147	.158	0.121	1,217	0.224
	Pr -> Tr -> KK	.401	.361	0.313	1,98	0.047
	IK -> Tr -> KK	0.058	0.087	.229	.251	.282

Source: Data processing with PLS

In PLS statistical testing every hypothesized relationship is carried out using simulations. In this case the bootstrap method is performed on the sample. Bootstrap testing is also intended to minimize the problem of research data abnormalities. The bootstrapping test results from the PLS analysis are as follows:

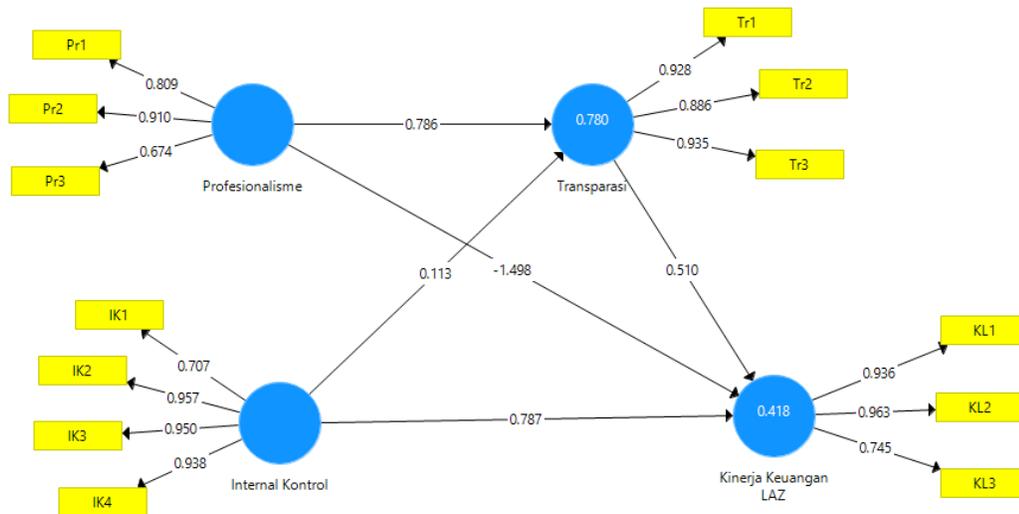


Figure 1
Path Diagram Results

Direct Effect (Direct Effect)

1) Professionalism has a positive and significant effect on Transparency

The results of testing the first hypothesis indicate that the influence of variables Professionalism to Transparency shows the path coefficient of 0.786 with a p-value of 0.010. The p values are smaller than the significant level of 0.05, so these results indicate that professionalism has a positive and significant direct effect on Transparency. In other words Hypothesis 1 was accepted

2) Internal control influential and significant on Transparency

The second hypothesis testing results indicate that the influence of the Internal Control variable on Transparency shows the path coefficient of 0.113 with a p-value of 0.723. The value of p values is greater than the significant level of 0.05, then these results indicate that Internal Control has positive and not significant effect transparency. In other words, Hypothesis 2 was rejected

3) Professionalism has a positive and significant effect on Technology-based financial performance.

The results of testing the third hypothesis indicate that the influence of variables Professionalism on Technology-based financial performance shows a path coefficient of -1.449 with a p-value of 0,000. The p values are smaller than the significant level of 0.05, so these results indicate that professionalism has a negative and significant effect on Technology-based financial performance. Thus Hypothesis 3 was rejected

4) Internal control positive and significant effect on Technology-based financial performance

The fourth hypothesis testing results indicate that the influence of the Internal Control variable on Technology-based financial performance shows a path coefficient of 0.787 with a p-value of 0.042. The value of p values is smaller than the significant level of 0.05, then these results indicate that Internal Control has a positive and significant impact on Technology-based financial performance. Thus Hypothesis 4 was accepted

5) Transparency has a positive and significant effect on Technology-based financial performance.

The results of testing the fifth hypothesis indicate that the influence of variables Transparency on Technology-based financial performance shows the path coefficient of 0.147 with p values of 0.224. The p values are greater than the significant level of 0.05, so these results indicate that Transparency has a positive and not significant effect on Technology-based financial performance. Then Hypothesis 5 was rejected.

Indirect Effect (Indirect Effect)

6) Hypothesis Testing 6 (Professionalism through Transparency has a positive and significant effect on Technology-based financial performance)

The sixth hypothesis testing results indicate that the influence of variables Professionalism towards Technology-based financial performance through Transparency shows the path coefficient of 0.401 with a p-value of 0.0471 meaning that the value is smaller than the significant level of 0.05. This result shows that Professionalism has a

positive and significant influence on Technology-based financial performance through Transparency. Also, it can be seen that transparency can mediate the influence of Professionalism on Technology-based financial performance.

7) Internal Control through transparency has a positive and significant effect on Technology-based financial performance

The seventh hypothesis test results show that the influence of the Internal Control variable to Technology-based financial performance through Transparency shows the path coefficient of 0.058 with a p-value of 0.802 meaning that the value is greater than the significant level of 0.05. These results indicate that Internal Control has a positive but very small effect of only 5.8% and is not significant to Technology-based financial performance through transparency. Also, it can be seen that transparency cannot mediate influence internal control on Technology-based financial performance.

To find out and test the influence between research variables (competence, organizational culture, and employee performance) in this study was carried out through statistical analysis using Structural Equation Modeling (SEM). The data used was obtained by distributing questionnaires to 219 respondents who were employees of the land office in the regional office area of the West Java National Land Agency. The research variables consist of 3 (three) latent variables namely (two exogenous variables namely competency and namely organizational culture as well as one endogenous variabel namely employee performance).

In this study there is a relationship between exogenous variables that will be tested: the relationship between Competence and Organizational Culture. The discussion for the hypothesis in this study consists of four hypotheses, namely: 1) the relationship of Competence with Organizational Culture. The relationship or correlation between competence with organizational culture is significant at 0.5381 with a positive direction. This shows that competence improves, organizational culture will also improve, and vice versa. In the descriptive analysis of this study it was found that the Competency and Culture of the organization were on average in the high category. This can be understood because a high level of competence will lead to a high organizational culture.

The implication of the results of testing the hypothesis of the findings of this study can be reviewed from the point of view of human and managerial resource theory. From the point of view of human resource theory the findings of this study indicate that between Competency and Organizational Culture has a positive and significant relationship; means that the better the competency of employees will also be followed by the good organizational culture in the land office in the regional office area of the national land agency in West Java province. This means that the management of the land office to improve employee competency needs to pay attention to organizational culture.. Thus the findings of this study provide the implication that the competency of land office employees in the regional office area of the national land agency in West Java province still needs to be increased again so that in the future it can reach high or even very high categories.

Based on the results of the research and discussion described above, it can be presented several empirical and theoretical findings of the research from this dissertation as follows: The level of competence at the land office in the regional office of the national land agency in the province of West Java on average is in the high category. The Competency dimension includes orientation to achievement, group work and collaboration, analytical thinking ability, conceptual thinking ability, self-confidence, service orientation being served, in the high category, while the Competency dimension includes initiative, information gathering and gathering, and communication in the category high enough.

The level of organizational culture in the land office in the regional office of the national land agency in the province of West Java on average is in the strong category. The dimensions of Organizational Culture which include Innovation and Taking Risk, Attention to detail, Orientation to Humans, Competitiveness and Aggressiveness, and Stability in the high category while the dimensions of Organizational Culture which include Orientation to Results and Orientation to Teams in the category are quite strong. The level of competence plays a dominant role in improving the performance of land office employees in the regional office area of the national land agency in West Java Province. Organizational Culture Level plays a role in improving the performance of land office employees in the regional office area of the national land agency in West Java Province.

IV. Conclusion

Professionalism has a positive and significant direct effect on Transparency. Internal Control has positive and not significant effect transparency. In other words. Professionalism has a negative and significant effect on Technology-based financial performance. Internal Control has a positive and significant impact on Technology-based

financial performance. Transparency has a positive and not significant effect on Technology-based financial performance. Professionalism has a positive and significant influence on Technology-based financial performance through Transparency. Also, it can be seen that transparency can mediate the influence of Professionalism on Technology-based financial performance. Internal Control has a positive but very small effect and is not significant to Technology-based financial performance through transparency. Also, it can be seen that transparency cannot mediate influence internal control on Technology-based financial performance.

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