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Beyond Transparency: How Institutional Credibility Mediates Digital Transparency and Financial Reporting Quality Effects on Muzakki Trust?

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ABSTRACT

Although Indonesia has enormous zakat potential, the amount collected through formal zakat institutions remains considerably below its estimated capacity, indicating continuing challenges in strengthening muzakki trust. This study investigates the effects of digital transparency and financial reporting quality on muzakki trust, while examining the mediating role of institutional credibility. Drawing on Stakeholder Theory and Sharia Enterprise Theory, This study employs a quantitative research method supported by survey data obtained from 174 zakat payers who distributed their zakat through formal zakat institutions in Indonesia. PLS-SEM is utilized to conduct data analysis to assess measurement and structural models. The results demonstrate that digital transparency and financial reporting quality positively and significantly affect institutional credibility and muzakki trust. Furthermore, the results indicate that institutional credibility has a significant positive influence on trust and serves as an important mediating mechanism in the relationships between digital transparency, financial reporting quality, and muzakki trust. These findings suggest that stakeholders' trust is influenced not only by access to transparent information and reliable financial reporting but also by perceptions of the institution's competence, integrity, and professionalism. The contribution of this research is directed towards literature on zakat governance and Islamic philanthropy by integrating accountability-related practices and institutional credibility within a unified trust formation framework. Beyond that, the findings contribute by enriching zakat institutions and policymakers in their efforts to strengthen digital governance, enhance reporting quality, and build institutional capabilities—strategic measures aimed at boosting public trust and maximizing zakat collection in Indonesia.

1. Introduction

Zakat has increasingly been recognized as a strategic instrument of Islamic social finance that extends beyond its religious function to support socio-economic development and social welfare (Dembele & Bulut, 2021). Through its redistributive mechanism, zakat contributes to poverty alleviation, economic inclusion, and the reduction of social inequality, making it an important component of sustainable development in many Muslim-majority countries (Riani & Indra, 2026; Elshobake, 2025). As the role of Islamic social finance continues to expand, zakat institutions are expected not only to fulfill religious objectives but also to demonstrate their effectiveness in mobilizing and distributing resources to address contemporary socio-economic challenges (Dembele & Bulut, 2021). Consequently, the efficiency of zakat management has become a critical issue that influences the extent to which zakat can

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generate meaningful social and economic impact (Mokodenseho et al. 2024).

Indonesia possesses one of the largest zakat potentials in the world due to its sizable Muslim population and growing awareness of Islamic philanthropy (Kailani & Slama, 2020). The development of formal zakat institutions, supported by regulatory reforms and technological advancements, has significantly improved the management of zakat funds over the last decade (Rachman & Salam, 2018). Nevertheless, the variance between potential and actual zakat remains substantial, posing a major challenge to the effectiveness of zakat as an instrument of socio-economic development. BAZNAS estimates that Indonesia's annual zakat potential exceeds IDR 300 trillion; however, the actual collection of ZIS remains below that figure (Ramadhanty & Ryandono, 2025). Although the value of ZIS collection has shown a positive trend in recent years, the realized amount remains far below its estimated potential, indicating that zakat institutions have not fully optimized their role in mobilizing Islamic philanthropic resources (Ramadhanty & Ryandono, 2025). This disparity suggests persistent challenges in encouraging Muslims to channel their zakat through formal institutions rather than through direct distribution mechanisms (Bin-Nashwan et al., 2021). As a result, maximizing zakat collection remains an important challenge for zakat institutions in Indonesia and highlights the requirement to comprehensively analyze the elements that influence muzakki participation and trust (Pratama & Safitri, 2025).

One explanation for this phenomenon is the issue of trust. In the contemporary zakat landscape, muzakki are presented with various alternatives for fulfilling their zakat obligations, including direct distribution to beneficiaries and contributions through formal zakat institutions (Bin-Nashwan et al. 2021). This flexibility makes trust a decisive factor in determining whether individuals choose institutional channels (Pratama & Safitri, 2025). Muzakki are increasingly concerned not only with fulfilling their religious obligations but also with how effectively institutions manage, report, and distribute entrusted funds (Bin-Nashwan et al. 2021). Therefore, trust has become a valuable organizational asset that influences public participation, institutional sustainability, and the overall effectiveness of zakat management (Sawmar & Mohammed, 2021).

The growing importance of trust has encouraged zakat institutions to strengthen their accountability practices (Bin-Nashwan et al. 2021). Stakeholders increasingly expect institutions to provide transparent information regarding fundraising activities, program implementation, financial performance, and fund distribution (Harris & Neely, 2021). In response to these expectations, many zakat institutions have adopted digital technologies to improve communication and information disclosure (Abdullah et al. 2023). Through websites, mobile applications, social media platforms, and digital reporting systems, institutions can provide stakeholders with easier access to organizational information (Kailani & Slama, 2020). This development has led to the emergence of digital transparency as an important governance mechanism for enhancing openness and reducing information asymmetry between institutions and stakeholders (Shenkoya, 2023).

Organizational accountability in the digital era has a most crucial element or aspect: digital transparency (Lindquist & Huse, 2017). For muzakki, digital transparency reduces information asymmetry by providing accessible and timely information regarding fundraising activities, fund allocation, financial performance, and program outcomes (Haris, 2025). Digital platforms enable zakat payers to monitor organizational activities more effectively and evaluate whether institutions operate in accordance with their stated objectives and commitments (Abdullah et al. 2023). However, the accessibility of information alone may not be sufficient to strengthen trust. Muzakki may still question the reliability, completeness, and credibility of disclosed

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information, particularly when institutional governance is perceived as weak (Rizqon et al. 2024). Consequently, the effectiveness of digital transparency in fostering muzakki trust remains an important issue requiring further investigation (Ramadhan et al. 2026).

Besides transparency, financial reporting quality represents another essential dimension of accountability (Darmawan, 2023). Financial reports serve as a formal communication mechanism through which institutions demonstrate how entrusted resources are collected, managed, and distributed (Garrett et al. 2014). From the perspective of muzakki, The high quality of financial reports in providing accurate, reliable, easy to understand information that facilitates the evaluation of organizational performance and stewardship (Sakina et al. 2024). Quality financial reports reduce uncertainty regarding fund management and assure that resources are utilized responsibly and in accordance with organizational objectives (Churet & Eccles, 2014). Although accounting standards for zakat institutions have been introduced to improve reporting practices, differences in implementation and disclosure quality continue to exist, potentially influencing muzakki perceptions regarding institutional performance and accountability (Ramadhan et al. 2026).

The relationships among these variables can be understood through the accountability and stakeholder perspectives. From an accountability perspective, zakat institutions have an obligation to provide information that enables muzakki to assess how entrusted funds are managed. Digital transparency strengthens the accessibility and timeliness of such information, while financial reporting quality strengthens its reliability, relevance, and usefulness for evaluation. From a stakeholder perspective, however, information does not automatically generate trust; stakeholders interpret the information and form perceptions about the organization behind it. Thus, digital transparency and financial reporting quality can be viewed as accountability mechanisms that provide evidence of institutional openness, competence, and responsible stewardship. These perceptions are expected to shape institutional credibility, which subsequently influences muzakki trust.

Accordingly, digital transparency and financial reporting quality are not necessarily expected to influence trust only through direct relationships (Portes et al. 2020; Garret et al. 2014). Trust is often formed through stakeholders' perceptions and evaluations of the organizations that provide information (Di Maddaloni & Derakhshan, 2024). In many cases, accountability-related information is more likely to be accepted and trusted when stakeholders perceive the institution itself as reliable, competent, and ethical (Jordana & Triviño-Salazar, 2025). Therefore, accountability practices may influence trust indirectly through the development of positive perceptions regarding the institution (Sofyani et al. 2022).

In this context, institutional credibility becomes a critical factor. From the perspective of muzakki, institutional credibility reflects confidence that a zakat institution possesses the integrity, competence, professionalism, and ethical commitment necessary to manage entrusted funds effectively (Fan et al. 2019). A credible institution is more likely to gain stakeholder confidence because its actions, communications, and disclosures are viewed as trustworthy and reliable (Koreh & Mandelkern, 2024). When zakat institutions consistently demonstrate transparency and provide high-quality financial information, muzakki are more likely to perceive them as credible organizations (Harris & Neely, 2021; Sofyani et al., 2022). Consequently, institutional credibility may function as an important mechanism that translates accountability practices into stronger trust among muzakki (Prasetiyo et al. 2025).

Previous studies have therefore established several important relationships: transparency and accountability are relevant to stakeholder trust (Sawmar & Mohammed, 2021), digital technologies can strengthen

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organizational information disclosure (Abdullah et al. 2023), and financial reporting quality contributes to stakeholders' evaluation of organizational performance and stewardship (Sakina et al. 2024). However, these findings also reveal several limitations in the existing literature. First, previous study has mostly scrutinized traditional forms of transparency and accountability, while digital transparency has received relatively limited attention despite the rapid digitalization of zakat services (Sari & Herviana, 2024). Second, digital transparency and financial reporting quality have often been examined separately, leaving limited evidence concerning how these two accountability mechanisms operate together in shaping stakeholder trust (Darmawan, 2023). Third, although institutional credibility has been recognized as an important organizational asset, its role as a mediating mechanism between accountability practices and muzakki trust remains underexplored (Prasetiyo et al. 2025). Thus, the central limitation is not merely the lack of evidence regarding individual determinants of trust, but the limited explanation of the mechanism through which accountability-related information is transformed into perceptions of institutional credibility and, ultimately, muzakki trust (Sawmar & Mohammed, 2021). This difference aligns with context of Indonesian zakat institutions, where the continuing disparity between zakat potential and actual collection makes institutional trust an important practical and theoretical concern.

In light of this gap in literature, the central research question of this research is: how do digital transparency and financial reporting quality influence muzakki trust, and to what extent does institutional credibility mediate these corellations? Therefore, this study intends to explore the direct influence of digital transparency and financial reporting quality on institutional credibility and muzakki trust, in addition to the mediating role of institutional credibility in explaining how accountability practices are translated into stakeholder trust.

The theoretical positioning of this study lies in explaining trust formation as a process rather than merely as a direct outcome of disclosure practices. Digital transparency provides accessible and timely information, whereas financial reporting quality provides information that is more reliable and useful for assessing the stewardship of zakat funds. These accountability mechanisms are expected to shape muzakki perceptions of whether a zakat institution is transparent, competent, professional, and responsible. Such perceptions constitute institutional credibility, which provides the basis for muzakki to develop confidence in the institution. Institutional credibility therefore serves as the mechanism connecting accountability practices with trust. This positioning extends the accountability and stakeholder perspectives by emphasizing that the value of disclosure is realized not only through the availability of information but also through the credibility attributed to the institution that produces and communicates that information.

This research makes several contributions to the existing literature. Theoretically, it expands upon established approaches research on trust formation in Islamic philanthropic institutions by integrating digital transparency, financial reporting quality, institutional credibility, and muzakki trust within a unified framework. Furthermore, it enriches the accountability and stakeholder literature by identifying institutional credibility as a mechanism through which accountability-related practices influence trust. In practical terms, these findings contribute knowledge to zakat institutions and policymakers in their efforts to optimize governance, improve stakeholder engagement, and enhance public confidence in formal zakat management.

The innovation of this study lies in its comprehensive examination of trust formation in zakat institutions through the integration of digital transparency and financial reporting quality with institutional credibility as a mediating variable. Unlike previous studies that primarily focus on direct relationships between accountability practices and trust, this study

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provides a deeper explanation of the process through which accountability initiatives are transformed into stakeholder trust. By doing so, the study offers a more comprehensive understanding of how zakat institutions can strengthen public confidence and improve their effectiveness in supporting socio-economic development.

2. Literature Review

2.1 Conceptual and Theoretical Foundations

The growing digitalization of organizational processes has transformed how institutions communicate with stakeholders and demonstrate accountability. In contemporary governance literature, transparency is viewed as a fundamental mechanism for minimizing information asymmetry and augmenting stakeholder confidence (Portes et al., 2020; Lindquist & Huse, 2017). Within nonprofit and faith-based organizations, transparency is increasingly facilitated through digital technologies that enable real-time communication, information disclosure, and stakeholder engagement (Harris & Neely, 2021; Shenkoya, 2023). In the context of zakat institutions, digital transparency allows muzakki to access information regarding fundraising activities, financial performance, program implementation, and fund distribution more efficiently. Therefore, digital transparency serves not only as an information-sharing mechanism but also as a governance tool that strengthens organizational accountability.

From a theoretical perspective, this study applies Stakeholder Theory and SET as complementary foundations. Stakeholder Theory proposes that organizations must respond to the expectations and information needs of stakeholders in order to maintain legitimacy and support (Freeman, 1984). In zakat institutions, muzakki represent a primary stakeholder group whose trust and participation are essential for organizational sustainability. Consequently, the provision of transparent and reliable information becomes a strategic mechanism for maintaining stakeholder confidence.

Meanwhile, Sharia Enterprise Theory highlights that accountability goes beyond financial duties to encompass social and spiritual accountability to Allah SWT (Triyuwono, 2009). Within this framework, zakat institutions act as trustees responsible for managing zakat funds in consonance with Islamic principles and societal expectations. The concept of amanah requires zakat institutions to manage entrusted resources transparently, ethically, and responsibly. Therefore, transparency and accountability are viewed not only as managerial obligations but also as religious responsibilities.

Besides transparency, financial reporting quality constitutes another important dimension of organizational accountability. Financial reporting quality refers to the extent to which financial information is relevant, reliable, understandable, and useful for stakeholder decision-making (Garrett et al., 2014). High-quality financial reporting enables stakeholders to evaluate organizational performance, assess stewardship, and reduce uncertainty regarding resource management (Churet & Eccles, 2014). In zakat institutions, quality financial reports provide assurance that zakat funds are managed professionally and distributed in consonance with organizational objectives and sharia principles.

Institutional credibility represents stakeholders' perceptions regarding an organization's competence, integrity, reliability, and ability to fulfill its commitments (Fan et al., 2019). Credibility develops when stakeholders consistently observe alignment between organizational disclosures and actual practices. Institutions perceived as credible are more likely to gain stakeholder confidence because their communications and actions are considered trustworthy (Koreh & Mandelkern, 2024). Consequently, institutional credibility efforts a critical role in shaping stakeholder evaluations and organizational legitimacy.

Trust is generally defined as stakeholders' a willingness to trust the organization based on positive expectations

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regarding its competence, integrity, and attitude (Bin-Nashwan et al., 2021). Within the context of zakat institutions, muzakki trust reflects confidence that zakat funds will be managed effectively, distributed fairly, and utilized in accordance with Islamic principles. Therefore, trust is considered a valuable intangible asset that influences stakeholder participation and institutional sustainability.

2.2 Review of Empirical Studies

Previous empirical studies have continually demonstrated the significance of transparency in enhancing stakeholder trust. Digital transparency enables organizations to provide timely and accessible information, thereby reducing information asymmetry and strengthening perceptions of accountability (Portes et al., 2020; Harris & Neely, 2021). In the context of zakat institutions, digital technologies have facilitated broader communication and improved stakeholder engagement through websites, social media platforms, and online reporting systems (Abdullah et al. 2023). However, empirical evidence regarding the influence of digital transparency on trust remains relatively limited, particularly in Islamic philanthropic organizations.

Similarly, financial reporting quality Has been extensively recognized as a predictor of stakeholder confidence. Organizations that provide reliable and transparent financial information are more likely to gain stakeholder support and trust because quality reporting reduces uncertainty and enhances accountability (Garrett et al., 2014; Churet & Eccles, 2014). Empirical findings further suggest that transparent financial reporting contributes positively to perceptions of organizational performance and governance quality (Darmawan, 2023). Nevertheless, past research have generally inspected financial reporting quality as a primary predictor of trust without considering potential intervening mechanisms.

Institutional credibility has also received increasing attention in organizational and governance research. Studies indicate that credibility enhances stakeholder confidence because credible organizations are perceived as more competent, reliable, and trustworthy (Fan et al., 2019; Koreh & Mandelkern, 2024). Moreover, stakeholder evaluations are often influenced not only by the availability of information but also by perceptions regarding the credibility of the institution providing that information (Di Maddaloni & Derakhshan, 2024). Despite these findings, empirical studies investigating institutional credibility within zakat institutions remain limited.

Research focusing on trust in zakat institutions consistently highlights its importance in encouraging zakat compliance and institutional participation. Trust has been shown to significantly influence individuals' willingness to channel zakat through formal institutions rather than through direct distribution mechanisms (Bin-Nashwan et al., 2021; Sawmar & Mohammed, 2021). However, most existing studies primarily focus on direct antecedents of trust and provide limited understanding of the process through which accountability-related practices contribute to trust formation.

2.3 Identification of the Research Gap

In line with the previous analysis, a number of research gaps can be explored. First, prior studies have mainly examined digital transparency and financial reporting quality as separate determinants of stakeholder trust, resulting in limited understanding of their combined influence within a single framework. Second, although institutional credibility has been acknowledged as a significant organizational asset, observational evidence concerning its mediating role remains scarce, especially in the context of zakat institutions. Third, previous studies have largely focused on direct relationships between accountability-related practices and trust, providing limited insight into the core principle behind accountability initiatives are translated into trust among muzakki. Finally, empirical research examining these relationships within

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Indonesian zakat institutions remains limited despite the increasing importance of digital transformation and accountability in contemporary zakat management.

2.4 Development of the Conceptual Framework

This study conceptualizes muzakki trust as the Y variable affected by two key determinants: digital transparency and financial reporting quality. Digital transparency enhances trust by providing stakeholders with accessible, timely, complete, and clear information regarding fundraising activities, fund allocation, and organizational performance, thereby reducing information asymmetry and strengthening accountability perceptions (Portes et al., 2020; Harris & Neely, 2021). Financial reporting quality contributes to trust by ensuring that financial information is relevant, reliable, understandable, and comparable, enabling stakeholders to evaluate the management of zakat funds more effectively (Garrett et al., 2014; Churet & Eccles, 2014).

Institutional credibility is positioned as a mediating variable that clarifies how accountability-related practices are translated into muzakki trust. Through transparent digital disclosures and high-quality financial reporting, zakat institutions tend to be viewed as more capable, possessing integrity, and operating professionally (Fan et al., 2019; Koreh & Mandelkern, 2024). These positive perceptions strengthen stakeholders' confidence in the institution and subsequently increase trust among muzakki (Di Maddaloni & Derakhshan, 2024; Bin-Nashwan et al., 2021). Therefore, institutional credibility serves as an important mechanism through which digital transparency and financial reporting quality influence muzakki trust. By incorporating institutional credibility as a mediating variable, this study gives a more detailed explanation of trust formation within the context of zakat institutions.

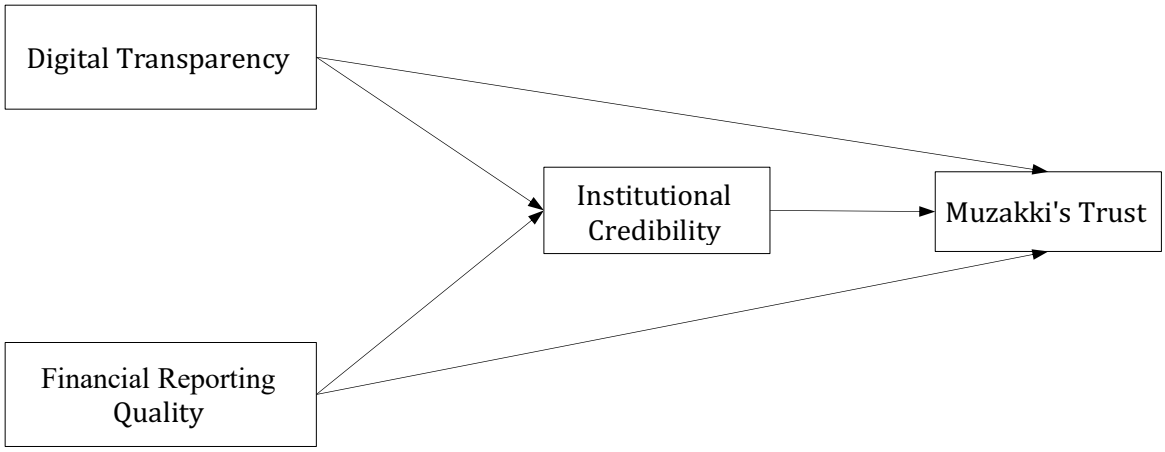

Fig. 1. Conceptual Framework of the Study

2.5 Hypotheses or Research Propositions

Drawing on the conceptual framework and empirical evidence discussed above, this study develops the following hypotheses to examine the relationships among digital transparency, financial reporting quality, institutional credibility, and muzakki trust:

H1: Digital transparency have a positive impact on muzakki trust (Portes et al., 2020; Harris & Neely, 2021).

H2: Financial reporting quality have a positive impact on muzakki trust (Garrett et al., 2014; Churet & Eccles, 2014).

H3: Digital transparency have a positive impact on institutional credibility (Portes et al., 2020; Harris & Neely, 2021).

H4: Financial reporting quality have a positive impact on institutional credibility (Garrett et al., 2014; Churet & Eccles, 2014).

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H5: Institutional credibility have a positive impact on muzakki trust (Fan et al., 2019; Koreh & Mandelkern, 2024).

H6: Institutional credibility mediates the relationship between digital transparency and muzakki trust (Di Maddaloni & Derakhshan, 2024).

H7: Institutional credibility mediates the relationship between financial reporting quality and muzakki trust (Garrett et al., 2014).

3. Research Methods

3.1 Research Design

This research applied a quantitative methodology using a survey method to collect primary data through structured questionnaires. The objective of this paper is to analyze the influence of digital transparency and financial reporting quality on muzakki trust, with institutional credibility acting as a mediating variable. Data were analyzed using PLS-SEM, relevant for testing the complex correlation between latent variables and the mediation effect.

3.2 Research Context and Setting

This study was conducted within the context of formal zakat management institutions in Indonesia, including BAZNAS and LAZ. The research focuses on muzakki who channel their zakat through these institutions. Data collection was conducted through both online and offline questionnaire distribution during the research period.

3.3 Population and Sample / Research Participants

The research population is composed of muzakki who have paid zakat through formal zakat institutions in Indonesia. A purposive sampling method was employed to select participants based on the following criteria: (1) having paid zakat through BAZNAS or LAZ, (2) having made zakat payments through formal zakat institutions within the last year, and (3) having accessed information related to zakat services or activities provided by the institution. A total of 174 valid responses were obtained and used for analysis.

In the opinion of Hair et al. (2019), the minimum sample size in PLS-SEM depends on the complexity of the structural model and the number of structural paths directed toward an endogenous construct. Given the proposed model structure, the sample size of 174 respondents exceeds the recommended minimum requirement and is considered sufficient for conducting PLS-SEM analysis.

3.4 Data Sources and Data Collection

Primary data for this study were collected using a structured questionnaire. The questionnaire was distributed directly and through online platforms to eligible respondents. The distribution was conducted through formal zakat institution networks and online channels to reach muzakki who met the predetermined sampling criteria. Potential respondents were first screened to confirm that they had made zakat payments through BAZNAS or LAZ and that their most recent zakat payment had occurred within the last year. Participation is voluntary and without coercion; the purpose of the research is explained to respondents before they complete the questionnaire.

3.5 Measurement of Variables and Research Instruments

Digital Transparency was measured using indicators adapted from Portes et al. (2020) and Harris and Neely (2021), including information accessibility, timeliness, completeness, and clarity of digital disclosure. The Financial Reporting Quality was measured using indicators adapted from Garrett et al. (2014) and Churet and Eccles (2014), encompassing relevance, reliability, understandability, and usefulness of financial information.

Institutional Credibility was measured using indicators derived from Fan et al. (2019), including perceptions of institutional competence, integrity, professionalism, and

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reliability. Muzakki Trust was measured using indicators adapted from Bin-Nashwan et al. (2021), reflecting confidence in the institution's ability to manage and distribute zakat funds responsibly and transparently. A five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was employed to measure all items.

3.6 Data Analysis Techniques

The study utilized SmartPLS to perform Partial Least Squares Structural Equation Modeling (PLS-SEM) for data analysis. According to Hair et al. (2019), PLS-SEM is suitable for examining complex relationships among latent variables and testing mediation effects. The evaluation of the measurement model and the evaluation of the structural model are two stages carried out during the analysis process.

3.7 Validity, Reliability, and Trustworthiness

The validity and reliability of the constructs were assessed following the guidelines proposed by Hair et al. (2019). Factor loadings and AVE are used to assess convergent validity, while the Fornell–Larcker criterion is used to assess discriminant validity. Cronbach's Alpha and composite reliability are used to examine reliability. The use of measurement instruments adapted from prior studies further supports the validity and reliability of the research constructs.

3.8 Ethical Considerations

Participation in this study is voluntary; respondents were informed of the research objectives prior to completing the questionnaire. Throughout the study, the confidentiality and anonymity of respondents were protected, and the data is intended solely for academic purposes.

3.9 Research Procedure

The research process consisted of multiple phases. First, the survey questions were modified from validated tools used in prior research. Second, the questionnaire was distributed to muzakki who met the sampling criteria. During this stage, potential respondents were screened to verify their eligibility, including their use of BAZNAS or LAZ for zakat payments and the timing of their most recent payment. Third, the collected responses were screened to ensure completeness and suitability for analysis. Finally, the valid responses were analyzed using PLS-SEM to test the proposed hypotheses and mediation effects.

3.10 Methodological Limitations

This research is subject to several limitations. To begin with, the cross-sectional survey design precludes the establishment of causal relationships between variables (Creswell & Creswell, 2018). Second, the findings rely on self-reported perceptions, which may be subject to response bias. Third, the study focuses on muzakki who channel zakat through formal zakat institutions, which may limit the generalizability of the findings to other zakat payment channels.

4. Results and Discussion

4.1 Research Results

4.1.1 Sample Description and Descriptive Statistics

Data analysis in this study was conducted via PLS-SEM utilizing SmartPLS 4 software. A total of 174 valid responses were collected from muzakki who had experience paying zakat through formal zakat institutions, including BAZNAS and LAZ in Indonesia.

Participants were chosen through purposive sampling based on set criteria to ensure that they possessed sufficient experience and knowledge to evaluate the digital transparency, financial reporting quality, institutional credibility, and trustworthiness of zakat institutions. The questionnaires were distributed through both online and offline channels, and all responses were completed anonymously to encourage honest and unbiased answers.

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The demographic profile of respondents was classified based on gender, age, educational level, and experience of paying zakat through formal zakat institutions. Descriptive statistics were subsequently analyzed to provide an overview of respondent characteristics and the distribution of responses across the study variables.

Table 1. Respondent Characteristics

Profile	Sub-Profile	Percent (%)
Gender	Male	58%
	Female	42%
Age	18-25 Years	12%
	26–35	31%
	36–45	29%
	46–55	19%
	>55	9%
Education	High School or Below	16%
	Diploma	12%
	Bachelor's Degree	49%
	Master's Degree	18%
	Doctoral Degree	5%
Experience of Paying Zakat Through Formal Institutions	<1 year	16%
	1–3 years	37%
	4–6 years	28%
	>6 years	19%

Source(s): Authors own work

The demographic profile of respondents is presented in Table 1. The sample was dominated by male respondents, who accounted for 58% of the total participants, while female respondents accounted for 42%. In terms of age, the largest proportion of respondents was concentrated in the 26–35 years age group (31%), followed by those aged 36–45 (29%), indicating that almost all respondents were within the productive age range. Concerning educational status, almost half of the respondents were bachelor's degree holders (49%), followed by those with master's degrees (18%), suggesting a relatively high level of educational attainment among the participants. Furthermore, most respondents had experience paying zakat through formal zakat institutions for 1–3 years (37%), while 28% had been using such institutions for 4–6 years. Overall, these characteristics indicate that the respondents possessed adequate educational qualifications and practical experience with formal zakat institutions, enabling them to provide informed assessments regarding digital transparency, financial reporting quality, institutional credibility, and trust.

4.1.2 Data Quality and Preliminary Analysis

The measurement model was first evaluated to ensure the validity and reliability of the research constructs. Convergent validity was assessed using outer loading and AVE values. In line with the recommendations of Hair et al. (2019), outer loading values should exceed 0.70, indicating that the indicators adequately represent their respective latent constructs, while AVE values must exceed 0.50, indicating that the construct accounts for over half of its indicators' variance. In addition, reliability was evaluated through CA and CR, with values above 0.70 indicating satisfactory

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internal consistency. The results are presented in Table 2.

Table 2. Outer Model Analysis

Variable	Indicators	Outer Loadings	AVE
Digital Transparency	DT.1	0,812	0,692
	DT.2	0,846	
	DT.3	0,835	
	DT.4	0,801	
	DT.5	0,852	
	DT.6	0,834	
	DT.7	0,819	
	DT.8	0,847	
	DT.9	0,826	
	DT.10	0,839	
Financial Reporting Quality	FRQ.1	0,814	0,701
	FRQ.2	0,842	
	FRQ.3	0,857	
	FRQ.4	0,833	
	FRQ.5	0,845	
	FRQ.6	0,824	
	FRQ.7	0,838	
	FRQ.8	0,847	
	FRQ.9	0,853	
	FRQ.10	0,816	
Institutional Credibility	IC.1	0,851	0,734
	IC.2	0,864	
	IC.3	0,878	
	IC.4	0,831	
	IC.5	0,845	
	IC.6	0,852	
	IC.7	0,869	
	IC.8	0,841	
	IC.9	0,857	
Muzakki Trust	MT.1	0,844	0,726
	MT.2	0,862	
	MT.3	0,851	
	MT.4	0,875	
	MT.5	0,839	
	MT.6	0,847	
	MT.7	0,858	
	MT.8	0,832	

Source(s): Authors own work

To examine discriminant validity, the Fornell–Larcker criterion was employed. Discriminant validity is considered satisfactory when the square root of the AVE for each construct exceeds its relations with other constructs. This condition indicates that each construct is more strongly associated with its own indicators than with other latent variables in the model, thereby confirming the distinctiveness of the constructs. Table 3 summarizes the findings.

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Table 3. Fornell-Larcker Criterion Result

Variable	DT	FRQ	IC	MT
DT	0,832			
FRQ	0,612	0,837		
IC	0,674	0,691	0,857	
MT	0,648	0,662	0,781	0,852

Source(s): Authors own work

The consistency of the calculation items was examined through reliability analysis to ensure that each construct was measured accurately and consistently. Reliability was assessed using CA and CR coefficients. Values exceeding 0.70 indicate that the indicators adequately show the same underlying construct and exhibit satisfactory measurement consistency. In addition, Composite Reliability is widely preferred in PLS-SEM because it incorporates the contribution of individual indicators based on their loading values, providing a more robust estimate of construct reliability. The reliability assessment output are reported in Table 4.

Table 4. Reliability Test

Variable	*CA*	*CR*
DT	0,950	0,957
FRQ	0,952	0,959
IC	0,928	0,943
MT	0,946	0,955

Source(s): Authors own work

The output of the measurement model assessment indicate that all constructs satisfied the established validity and reliability requirements. The indicators demonstrated adequate convergent validity and internal consistency, confirming that the measurement instruments were appropriate for representing their respective latent constructs. Since the calculation model met the recommended evaluation criteria, the analysis was subsequently extended to The structural model designed to assess the hypothesized links between study variables.

4.1.3 Main Analytical Results

The output of the structural model analysis demonstrate that all proposed hypotheses are supported. The findings reveal that digital transparency has a positive and strong impact on muzakki trust (H1; $\beta = 0.221$; $t = 3.250$; $p = 0.001$). This output reveals that the availability of accessible, timely, and transparent information contributes to stronger trust among zakat payers. Likewise, financial reporting quality has a positive and strong impact on muzakki trust (H2; $\beta = 0.267$; $t = 3.296$; $p = 0.001$), shows that reliable and understandable financial information enhances stakeholder confidence in institutional fund management practices.

The analysis further shows that digital transparency significantly influences institutional credibility (H3; $\beta = 0.582$; $t = 9.541$; $p < 0.001$). This output implies that transparent digital communication and information disclosure strengthen stakeholders' perceptions regarding the competence, integrity, and professionalism of zakat institutions. Similarly, financial reporting quality has a positive and strong impact on institutional credibility (H4; $\beta = 0.311$; $t = 4.039$; $p < 0.001$). In addition, institutional credibility is found to positively influence muzakki trust (H5; $\beta = 0.354$; $t = 4.917$; $p < 0.001$). This output reveals that higher levels of perceived credibility enhance muzakki confidence in zakat

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institutions.

Moreover, the mediation analysis confirms the crutial role of institutional credibility in explaining how accountability-related practices influence trust. Institutional credibility significantly mediates the correlations among digital transparency and muzakki trust (H6; β = 0.206; t = 3.745; p < 0.001). Likewise, institutional credibility also mediates the correlations among financial reporting quality and muzakki trust (H7; β = 0.110; t = 2.391; p = 0.017). These output suggest that the positive effects of digital transparency and financial reporting quality on trust are strengthened when such practices enhance the perceived credibility of zakat institutions.

4.1.4 Hypothesis Testing Results / Key Findings

Table 5. Hypothesis Test Results

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Results
H1	0,354	0,352	0,072	4,917	0,000	*Supported*
H2	0,221	0,223	0,068	3,250	0,001	*Supported*
H3	0,582	0,580	0,061	9,541	0,000	*Supported*
H4	0,311	0,313	0,077	4,039	0,000	*Supported*
H5	0,267	0,265	0,081	3,296	0,001	*Supported*
H6	0,206	0,204	0,055	3,745	0,000	*Supported*
H7	0,110	0,112	0,046	2,391	0,017	*Supported*

Source(s): Authors own work

Table 5 presents the output of the structural model analysis. The findings reveals that all proposed hypotheses are supported, as evidenced by p-values below the significance threshold of 0.05 and T-statistics exceeding the critical value of 1.96. Specifically, H1 shows a strong positive impact of digital transparency on muzakki trust with a path coefficient of 0.221 (T = 3.250, p = 0.001), while H2 also demonstrates a strong positive impact of financial reporting quality on muzakki trust with a coefficient of 0.267 (T = 3.296, p = 0.001). H3 exhibits the strongest effect among all tested relationships, with a coefficient of 0.582 (T = 9.541, p < 0.001), indicating a substantial influence of digital transparency on institutional credibility.

Furthermore, H4 and H5 are supported, with path coefficients of 0.311 (T = 4.039, p < 0.001) and 0.354 (T = 4.917, p < 0.001), respectively. H4 demonstrates a significant positive effect of financial reporting quality on institutional credibility, while H5 indicates a strong positive impact of institutional credibility on muzakki trust. Similarly, H6 reveals a strong positive impact with a coefficient of 0.206 (T = 3.745, p < 0.001). Although H7 records the smallest coefficient (0.110), the relationship remains statistically significant (T = 2.391, p = 0.017), confirming support for the hypothesis. Overall, the results provide empirical evidence that all hypothesized correlations in the study model are significant and positive, thereby validating the proposed theoretical framework.

4.1.5 Visual Presentation of Results

The presentation of the research result was supported by a series of tables that summarize the characteristics of respondents, measurement model evaluation, and hypothesis testing results. Table 1 provides a comprehensive overview of the respondents' demographic profiles, including gender, age, educational background, and experience in paying zakat through formal zakat institutions. The distribution revealas that most respondents were within the productive age

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group, possessed relatively high educational qualifications, and had sufficient experience interacting with zakat institutions, thereby enhancing the credibility of their responses.

Tables 2, 3, and 4 present the results of the measurement model evaluation. Table 2 demonstrates that all indicator loadings exceeded the recommended threshold of 0.70 and that all constructs achieved AVE values above 0.50, confirming satisfactory convergent validity. Table 3 illustrates the Fornell–Larcker criterion results, showing that the square root of the AVE for each construct was bigger than its correlations with other constructs, thereby establishing discriminant validity. Meanwhile, Table 4 reports Cronbach's Alpha and Composite Reliability values exceeding 0.70 for all constructs, reveals strong internal consistency and reliability of the measurement instruments.

The structural model results are summarized visually in Table 5, which presents the path coefficients, t-statistics, and p-values for all hypothesized correlations. The table clearly demonstrates that all seven hypotheses were statistically supported. Between the direct correlation, the most strong effect was observed among digital transparency and institutional credibility (β = 0.582), highlighting the crucial role of transparent digital information in strengthening stakeholder perceptions of institutional credibility. Furthermore, the mediation results indicate that institutional credibility serves as an important mechanism through which digital transparency and financial reporting quality influence muzakki trust.

Overall, the visual presentation of results facilitates a clearer understanding of the empirical findings by systematically organizing complex statistical information into concise and accessible formats. The tables enable readers to quickly identify key patterns, assess the robustness of the measurement model, and evaluate the significance of the proposed relationships within the research framework.

4.2 Research Discussion

4.2.1 Interpretation of Key Findings

This study offers a comprehensive explanation of how muzakki trust toward formal zakat institutions is developed through digital transparency, financial reporting quality, and institutional credibility. The findings suggest that trust is shaped not only by the availability of information but also by stakeholders' evaluations of the institution responsible for managing zakat funds. The empirical results confirm five direct relationships: digital transparency positively influences muzakki trust (H1) and institutional credibility (H3), financial reporting quality positively influences muzakki trust (H2) and institutional credibility (H4), and institutional credibility positively influences muzakki trust (H5). In addition, the results confirm two indirect relationships in which institutional credibility mediates the effects of digital transparency (H6) and financial reporting quality (H7) on muzakki trust. Thus, the findings distinguish the direct effects of the explanatory variables from the indirect effects transmitted through institutional credibility.

The positive direct effect of digital transparency on muzakki trust (H1) indicates that stakeholders increasingly expect zakat institutions to provide accessible, timely, and comprehensive information regarding organizational activities and fund management. Through digital platforms, muzakki can more easily obtain information about fundraising activities, financial performance, and program implementation, thereby reducing information asymmetry and uncertainty. This finding reinforces the argument that transparency contributes to stronger stakeholder relationships by improving openness and accountability (Portes et al., 2020; Harris & Neely, 2021). In the context of zakat management, the result implies that effective digital communication has become an important factor influencing public confidence in formal zakat institutions.

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The output further shows that financial reporting quality has a storng direct impact on muzakki trust (H2). Financial reports serve as an essential accountability mechanism that allows stakeholders to assess how zakat funds are managed and distributed. When financial information is perceived as relevant, reliable, understandable, and comparable, muzakki are more likely to believe that zakat institutions operate responsibly and professionally. This study align with past research emphasizing that high-quality financial reporting reduces uncertainty and strengthens stakeholder confidence in organizational stewardship (Garrett et al., 2014; Churet & Eccles, 2014). Therefore, transparent and reliable financial reporting represents a critical element in maintaining long-term trust among zakat payers.

Another important finding concerns the direct effects of digital transparency and financial reporting quality on institutional credibility. Digital transparency has a positive and strong impact on institutional credibility (H3), reveals that accessible and timely digital disclosure can shape positive perceptions regarding the competence, integrity, and professionalism of zakat institutions. Financial reporting quality also has a positive and strong impact on institutional credibility (H4), suggesting that reliable, understandable, and useful financial information can strengthen perceptions of institutional reliability and responsible fund management. The results indicate that accountability-related practices contribute to the formation of positive stakeholder perceptions regarding the competence, integrity, and professionalism of zakat institutions. Institutions that consistently disclose information and provide quality financial reports considered more capable and reliable. This finding supports the view that organizational credibility is built through consistent actions and transparent communication that align with stakeholder expectations (Fan et al., 2019; Koreh & Mandelkern, 2024). Consequently, credibility becomes a valuable intangible asset that strengthens institutional legitimacy and public confidence.

The results that institutional credibility has a positive and strong direct impact on muzakki trust (H5) further demonstrates that trust depends on how stakeholders evaluate the institution behind the information and accountability practices. When zakat institutions are perceived as competent, professional, reliable, and possessing integrity, muzakki instills greater confidence in their capability to manage and distribute zakat funds responsibly. Thus, institutional credibility provides an important direct foundation for muzakki trust beyond the effects of transparency and financial reporting quality themselves.

The mediating role of institutional credibility represents one of the most crutial contributions of this research. The findings reveal that institutional credibility mediates the correlation among digital transparency and muzakki trust (H6), as well as the relationship among financial reporting quality and muzakki trust (H7). These are indirect effects and should be distinguished from the direct effects reported for H1 and H2. This suggests that stakeholders do not automatically develop trust simply because information is available; rather, trust emerges when transparency and reporting practices foster perceptions that the institution is competent, ethical, and dependable. These results are in line with the argument that stakeholder evaluations are strongly influenced by perceptions of organizational credibility and fairness (Di Maddaloni & Derakhshan, 2024). Accordingly, institutional credibility functions as a transmission mechanism through which digital transparency and financial reporting quality are translated into additional trust-building effects among muzakki.

Overall, the findings highlight that trust formation within zakat institutions is a multidimensional process involving accountability, information quality, and stakeholder perceptions. The distinction

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between direct and indirect effects indicates that digital transparency and financial reporting quality can strengthen muzakki trust directly while also contributing to trust indirectly by enhancing institutional credibility. At the same time, institutional credibility independently contributes to muzakki trust through its direct effect. As zakat institutions continue to operate in an increasingly digital environment, strengthening transparency initiatives, improving financial reporting quality, and maintaining institutional credibility become essential strategies for enhancing muzakki trust and encouraging greater participation in formal zakat management.

4.2.2 Comparison with Previous Studies

These findings align with previous research emphasizing the importance of transparency as a mechanism for strengthening stakeholder confidence. Previous studies have argued that transparent disclosure practices enable stakeholders to access relevant information and reduce uncertainty regarding organizational activities (Portes et al., 2020; Harris & Neely, 2021). The present study confirms these arguments through two related findings: digital transparency has a direct positive impact on muzakki trust (H1) and a direct positive impact on institutional credibility (H3). These results indicate that the rising integration of digital platforms highlighting by zakat institutions has transformed transparency into a strategic tool for building stronger relationships with stakeholders. Through accessible and timely information, muzakki are able to evaluate institutional performance more effectively, thereby increasing their confidence in formal zakat management.

The results further support existing evidence regarding the importance of financial reporting quality in enhancing stakeholder trust. Earlier studies have demonstrated that high-quality financial reporting improves accountability and facilitates stakeholder assessment of organizational performance (Garrett et al., 2014; Churet & Eccles, 2014). In line with these studies, the present findings indicate that financial reporting quality directly affects muzakki trust (H2) and institutional credibility (H4). For zakat institutions, financial reports function as more than a regulatory requirement; they represent a means of demonstrating transparency, accountability, and responsible stewardship of entrusted funds. Consequently, the provision of reliable and understandable financial information contributes to stronger stakeholder confidence and greater trust in institutional fund management.

The findings also reinforce previous literature emphasizing the significance of organizational credibility in shaping stakeholder perceptions and trust. Prior studies suggest that stakeholders are more likely to trust organizations that are perceived as competent, professional, and acting with integrity (Fan et al., 2019; Koreh & Mandelkern, 2024). Consistent with this perspective, the present research reveals that institutional credibility has a direct positive impact on muzakki trust (H5). Moreover, institutional credibility mediates the effects of digital transparency and financial reporting quality on trust (H6 and H7, respectively). This result provides additional evidence that stakeholders do not evaluate accountability practices in isolation; rather, they interpret such practices through their perceptions of the institution itself. Therefore, credibility serves as a crucial link that transforms transparency and reporting quality into stronger trust among muzakki, extending past research that has predominantly focused on direct relationships between accountability-related practices and trust.

4.2.3 Theoretical Contributions

This study contributes to the body of knowledge on zakat management and Islamic philanthropy by providing empirical evidence regarding the relationships among digital transparency, financial reporting quality, institutional credibility, and muzakki trust. The

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findings support the idea that transparency and financial reporting quality are important governance mechanisms that directly enhance trust among zakat payers. This result strengthens previous arguments that accountability-related practices plays a major role in minimizing information asymmetry and fostering stakeholder confidence in nonprofit and faith-based organizations.

Fundamentally, this study contributes to the literature by identifying of institutional credibility as a mediating mechanism linking digital transparency and financial reporting quality to muzakki trust. The findings indicate that digital transparency and financial reporting quality have both direct impact on muzakki trust and indirect impact through institutional credibility. The significant indirect effects demonstrate that accountability-related practices can contribute to trust by strengthening stakeholders' perceptions of institutional competence, integrity, and professionalism. At the same time, the direct effects indicate that transparency and reporting quality retain their own explanatory roles in shaping muzakki trust. By incorporating institutional credibility as a mediating construct, this study extends existing research on trust formation by providing a more comprehensive explanation of the process through which accountability practices generate stakeholder trust within zakat institutions.

Furthermore, the findings enrich the application of Stakeholder Theory and Sharia Enterprise Theory in the context of zakat management. Stakeholder theory emphasizes the crucial importance of responding to needs. stakeholder information needs through transparent communication and reliable reporting, while Sharia Enterprise Theory highlights accountability as a form of amanah toward both society & Allah SWT. The results suggest that zakat institutions can strengthen stakeholder trust not only through information disclosure but also by developing and maintaining institutional credibility. Therefore, this study offers a more integrated theoretical framework that connects accountability practices, organizational credibility, and trust within formal zakat institutions.

4.2.4 Practical and Policy Implications

The outcome of this study suggest that building muzakki trust requires more than merely fulfilling administrative and reporting obligations. Zakat institutions need to develop a governance approach that combines transparent communication, high-quality financial reporting, and strong institutional credibility. Because digital transparency and financial reporting quality both have direct effects on trust and also contribute to trust indirectly through institutional credibility, institutional strategies should address these dimensions simultaneously rather than treating them as isolated practices. In practice, institutions should optimize the use of digital platforms to provide timely and comprehensive information regarding fundraising activities, program implementation, financial performance, and the distribution of zakat funds. Such efforts can enhance stakeholder engagement and create a stronger sense of confidence among muzakki.

The results also indicate that financial reporting should be viewed as a strategic instrument for strengthening public confidence rather than solely as a compliance requirement. Therefore, zakat institutions are encouraged to improve the clarity, reliability, and accessibility of their financial disclosures so that stakeholders can more easily evaluate organizational performance and accountability. Consistent reporting practices can help reinforce perceptions of professionalism and responsible fund management.

From a policy standpoint, the findings underline the need for greater institutional support in promoting transparency and accountability within the zakat sector. Regulatory bodies and zakat authorities may encourage the adoption of standardized digital disclosure practices and strengthen oversight

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mechanisms to safeguard the integrity of financial reporting across institutions. In addition, initiatives aimed at improving organizational professionalism, governance capacity, and public communication may contribute to enhancing institutional credibility. Strengthening these aspects is expected to increase public confidence in formal zakat institutions and support efforts to maximize zakat collection for broader socio-economic development.

4.2.5 Integration with the Research Gap

This research contributes to addressing several limitations identified in previous zakat management research. Existing studies have extensively examined transparency, financial reporting quality, and trust as separate constructs, yet limited attention has been given to understanding how these factors interact within a comprehensive framework. By simultaneously examining digital transparency and financial reporting quality, this study provides a more integrated point of view on the governance factors that shape muzakki trust in formal zakat institutions.

In addition, although institutional credibility has frequently been acknowledged as an important organizational attribute, empirical evidence explaining its role within the zakat context remains limited. The evidence shows that not only that institutional credibility has a direct positive relationship with muzakki trust (H5), but also that it functions as an intermediary through which digital transparency (H6) and financial reporting quality (H7) influence muzakki trust. This distinction provides a more detailed explanation of how institutional credibility operates within the proposed model. This finding offers a deeper understanding of the process through which accountability-related practices are transformed into stakeholder confidence.

Furthermore, the study responds to the increasing relevance of digital transformation in zakat management. While past research has largely concentrated on conventional forms of transparency and accountability, the present study highlights the significance of digital transparency as a contemporary governance mechanism. The results indicate that digital transparency directly improves muzakki trust (H1) and institutional credibility (H3), while its indirect effect through institutional credibility (H6) further explains the mechanism through which digital disclosure contributes to trust. The results indicate that digital disclosure practices not only improve access to information but also contribute to the development of institutional credibility, which subsequently strengthens trust among muzakki.

By integrating digital transparency, financial reporting quality, institutional credibility, and muzakki trust within a single analytical framework, this study provides a more comprehensive explanation regarding the building of trust in zakat institutions. The model distinguishes direct effects from the indirect effects transmitted through institutional credibility, thereby providing a clearer explanation of the pathways through which accountability practices contribute to muzakki trust. Therefore, the findings help bridge the gap between accountability practices and stakeholder trust, particularly within the context of Indonesian zakat management institutions.

4.2.6 Acknowledgement of Study Limitations

There are several limitations to consider when examining this study. First, the study employs a cross-sectional survey design, which captures views at a single point in time and does not reflect potential changes in trust regarding zakat over time. Second, the analysis relied on self-reported responses, which may be influenced by individual perceptions and subjective judgments regarding the performance of zakat institutions. Furthermore, this study only focuses on muzzaki who pay zakat through zakat institutions, which will limit the research findings to someone who

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tends to have direct distribution.

These limitations provide opportunities for future research. Subsequent Investigations might use longitudinal frameworks to observe how trust evolves extended time, incorporate qualitative approaches to gain deeper insights into stakeholder perceptions, or compare different categories of zakat institutions and distribution channels. Expanding the research scope to different geographical and institutional contexts may also contribute to a broader understanding of trust formation within Islamic philanthropic organizations.

Despite those shortcomings, this study makes a significant contribution to the understanding of factors influencing trust in formal zakat institutions. The study points to the necessity of digital transparency, financial reporting quality, and institutional credibility in strengthening stakeholder confidence. As zakat institutions continue to adapt to evolving stakeholder expectations and digital transformation, these factors are likely to play an increasingly vital role in enhancing public trust and supporting the effectiveness of zakat management.

5. Conclusion

This study proves that muzakki trust in formal zakat institutions is influenced by both accountability-related practices and stakeholders' perceptions of institutional credibility. The data demonstrate that digital transparency and financial reporting quality have significant positive direct effects on muzakki trust and institutional credibility, while institutional credibility also has a strong positive direct impact on muzakki trust. In addition, institutional credibility significantly mediates the relationships of digital transparency and financial reporting quality with muzakki trust. These findings show that the outcomes of digital transparency and financial reporting quality on trust operate through both direct and indirect pathways. Due to the cross-sectional nature of this study, these relationships indicate significant associations rather than causal linkages. This demonstrates that the availability of information is not the sole determinant of trust; rather, by how stakeholders perceive the competence, integrity, and professionalism of zakat institutions. Consequently, the effectiveness of zakat governance depends not only on transparent disclosure and quality reporting but also on the institution's ability to build and maintain credibility among muzakki.

5.1 Summary of Key Findings

The empirical results confirm that digital transparency positively affects both institutional credibility and muzakki trust. Likewise, financial reporting quality is found to enhance institutional credibility and strengthen trust among zakat payers. The study further demonstrates that institutional credibility exerts a strong positive influence on muzakki trust and serves as an crutial mediating mechanism in the relationships among digital transparency, financial reporting quality, and trust. Specifically, the direct effects are represented by H1 (digital transparency → muzakki trust), H2 (financial reporting quality → muzakki trust), H3 (digital transparency → institutional credibility), H4 (financial reporting quality → institutional credibility), and H5 (institutional credibility → muzakki trust), while H6 and H7 represent the indirect effects of digital transparency and financial reporting quality on muzakki trust through institutional credibility, respectively. These findings indicate that governance practices become more effective when they contribute to positive stakeholder perceptions regarding the institution. Overall, the study provides evidence that trust formation in zakat institutions is a multidimensional process involving transparency, reporting quality, and organizational credibility.

5.2 Theoretical Contributions

By advancing an integrated framework, this research enriches the literature surrounding zakat governance and Islamic

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philanthropy that links digital transparency, financial reporting quality, institutional credibility, and muzakki trust. Diverging from previous literature that prioritized relationships between accountability practices and trust, this research highlights the mediating role of institutional credibility in explaining how governance-related practices are translated into stakeholder confidence. In addition, the findings reinforce the relevance of Stakeholder Theory and Sharia Enterprise Theory by demonstrating that accountability and transparency contribute to trust when they strengthen perceptions of institutional competence, integrity, and professionalism. Thus, the study offers a broader understanding of trust formation within formal zakat institutions.

5.3 Practical and Policy Implications

The results indicate that zakat institutions should view transparency and financial reporting not merely as compliance obligations but as strategic instruments for strengthening public confidence. Efforts to improve the accessibility of information, optimize digital communication channels, and enhance the quality of financial disclosures can contribute to stronger stakeholder trust. Furthermore, institutional credibility should be actively developed through consistent governance practices, professional management, and responsible communication with stakeholders. From a policy perspective, zakat authorities and regulators may encourage the adoption of digital disclosure standards, strengthen reporting oversight, and provide institutional support aimed at improving governance quality. Such initiatives can enhance public confidence in formal zakat institutions and support efforts to maximize zakat collection.

5.4 Limitations of the Study

This study acknowledges a number of limitations. First, its cross-sectional design limits the ability to examine changes in stakeholders' views over time. Second, The output is derived from self-reported responses, which are likely based on individual biases and subjective interpretations. Third, the research focused exclusively on muzakki who channel their zakat through formal zakat institutions, potentially limiting the generalizability of the findings to individuals who prefer informal or direct distribution mechanisms. In addition, the model examined only selected governance-related factors and did not include other variables that may influence trust, such as service quality, zakat literacy, religiosity, or organizational reputation.

5.5 Directions for Future Research

Future research could broaden this scope of research by examining additional factors that contribute to trust formation in zakat institutions. Variables such as service quality, digital engagement, organizational reputation, perceived accountability, and zakat literacy may provide further insights into stakeholder behavior. Researchers are also encouraged to employ longitudinal designs to investigate how trust evolves over time and to utilize qualitative or mixed-method to catch deeper stakeholder point of view. Comparative studies involving different regions, types of zakat institutions, or national contexts may further enhance understanding of the mechanisms through which trust is developed and sustained within Islamic philanthropic organizations.

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