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THE EFFECT OF ISLAMIC FINANCIAL REPORT TRANSPARENCY ON CUSTOMER TRUST

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Abstract

This study aims to examine and analyze whether the transparency of Islamic financial reports influences the level of customer trust and to determine the magnitude of this influence within Islamic financial institutions. This study employed a quantitative approach by distributing questionnaires to 30 respondents. The collected data were analyzed using classical assumption tests and simple linear regression. The results indicate that the data are normally distributed and meet the required assumptions for regression analysis. Based on the hypothesis testing (t-test and F-test), a significance value of 0.000 was obtained, indicating that the transparency of Islamic financial reports has a positive and statistically significant effect on customer trust. Furthermore, the coefficient of determination (R Square) was 0.80, suggesting that financial report transparency explains 80% of the variance in customer trust, while the remaining 20% is influenced by other factors outside the scope of this study. These

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findings are consistent with previous studies emphasizing that information transparency plays an important role in preventing suspicion and fostering customer trust and loyalty in Islamic financial institutions. However, the findings should be interpreted with caution due to the relatively small sample size of only 30 respondents, which may limit the statistical power and generalizability of the results. Therefore, future research is recommended to involve larger and more diverse samples from multiple Islamic financial institutions or regions to enhance the external validity of the findings.

Keywords: Transparency, Islamic Financial Reports, Customer Trust, Quantitative

INTRODUCTION

The Islamic banking and financial institution sector in Indonesia has experienced steady growth over the past decade, supported by increasing public awareness of Sharia-compliant financial services and government initiatives to strengthen the Islamic finance ecosystem (Turi & Muharram, 2023). Unlike conventional financial institutions, Islamic financial institutions operate based on Sharia principles, which prohibit *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling), while emphasizing fairness, transparency, and profit-and-loss sharing. These characteristics make customer trust an essential factor influencing the sustainability and competitiveness of Islamic financial institutions (Andinah Alfia Azzahra et al., 2025).

Customer trust is closely associated with the institution's ability to provide reliable information regarding its financial performance and compliance with Sharia principles. In the digital era, customers have become increasingly informed and demand greater accountability from financial institutions regarding the management of their funds (Halmaita, 2024). One of the challenges frequently discussed in the literature is information asymmetry between financial institutions and customers. Customers often possess limited information regarding investment activities, profit-sharing calculations, and the implementation of Sharia contracts, creating uncertainty that may reduce confidence in the institution (Rizki, 2024). Consequently, improving transparency has become an important strategy for reducing information asymmetry and strengthening customer trust.

Financial reporting represents one of the primary mechanisms through which Islamic financial institutions communicate their financial performance and

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accountability to stakeholders. Transparent financial reports provide information regarding financial conditions, business activities, compliance with Sharia principles, and the management of social funds such as zakat, infaq, and sadaqah (Abdul, 2026). Previous studies have suggested that transparent disclosure contributes positively to stakeholders' perceptions of credibility, accountability, and institutional trust (Novianto & Nisa, 2024). Therefore, financial reporting transparency is regarded as an important component of good corporate governance in Islamic financial institutions.

Several previous studies have examined the relationship between transparency and customer trust in Islamic financial institutions. Novianto and Nisa (2024) reported that transparent financial disclosure improves customer confidence by reducing uncertainty regarding institutional performance. Similarly, Rizki (2024) found that information transparency reduces information asymmetry, which subsequently strengthens customer trust. In contrast, Halmaita (2024) argued that customer trust is also influenced by service quality, digital banking experience, and institutional reputation, indicating that transparency is only one of several contributing factors. These findings suggest that although transparency is consistently recognized as an important determinant of trust, the magnitude of its influence remains subject to empirical investigation across different research settings.

Despite the growing body of literature, several limitations remain. Existing studies have predominantly focused on discussing transparency conceptually or examining customer trust using multiple organizational factors without specifically quantifying the contribution of financial report transparency as an independent predictor. In addition, empirical evidence measuring the magnitude of this relationship through simple statistical models in the context of Indonesian Islamic financial institutions remains relatively limited (Pinkan, 2026; Eka, 2025). This research gap indicates the need for further empirical studies that specifically evaluate the extent to which financial report transparency contributes to customer trust.

Based on this gap, the present study aims to examine the effect of Islamic financial report transparency on customer trust using a quantitative approach involving 30 respondents. Specifically, this study seeks to answer two research questions: (1) whether the transparency of Islamic financial reports significantly influences customer trust, and (2) how much financial report transparency contributes to explaining customer trust. The findings are expected to enrich the empirical literature on transparency and trust in Islamic financial institutions while providing practical insights for improving transparency practices. Nevertheless, given the relatively small sample size, the findings should be interpreted cautiously and viewed

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as preliminary evidence that can be validated through future studies involving larger and more diverse samples.

RESEARCH METHOD

This study employed a quantitative research approach to examine the effect of Islamic financial report transparency on customer trust. A quantitative approach was selected because it enables the relationship between variables to be measured objectively using statistical analysis (Sugiyono, 2022). The independent variable in this study was the transparency of Islamic financial reports (Variable X), while the dependent variable was customer trust (Variable Y).

The study used primary data collected through a structured questionnaire distributed to 30 customers of an Islamic financial institution. Respondents were selected using a convenience sampling technique, in which customers who were willing and available to participate during the data collection period were included as research participants. This non-probability sampling technique was chosen because of accessibility and time considerations. The respondents consisted of active customers who had experience using the institution's financial services, enabling them to evaluate the transparency of financial reporting and their level of trust toward the institution. To maintain respondent confidentiality, the name of the Islamic financial institution is not disclosed.

The questionnaire consisted of statements measuring the transparency of Islamic financial reports and customer trust using a five-point Likert scale, where 1 represented "Strongly Disagree" and 5 represented "Strongly Agree" (Kuncoro, 2023). Prior to hypothesis testing, the collected data were processed using SPSS software and subjected to classical assumption testing, including the normality test, to ensure that the data met the assumptions required for regression analysis. The research hypotheses were then tested using simple linear regression analysis, followed by the t-test to examine the partial effect of the independent variable, the F-test to evaluate the overall significance of the regression model, and the coefficient of determination (R^2) to determine the proportion of variance in customer trust explained by financial report transparency.

Although the selected sampling technique was appropriate for the exploratory nature of this study, the relatively small sample size and the use of respondents from a single Islamic financial institution limit the generalizability of the findings. Therefore, the results should be interpreted cautiously, and future studies are encouraged to

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employ probability sampling techniques with larger and more diverse samples from multiple Islamic financial institutions.

RESULTS AND DISCUSSION

Normality Test

Table 1.
One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			30
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.19380258
Most Extreme Differences	Absolute		.144
	Positive		.097
	Negative		-.144
Test Statistic			.144
Asymp. Sig. (2-tailed)[c]			.113
Monte Carlo Sig. (2-tailed)[d]	Sig.		.109
	99% Confidence Interval	Lower Bound	.101
		Upper Bound	.117
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.			

Prior to conducting the regression analysis, the normality of the residuals was examined using the One-Sample Kolmogorov-Smirnov (K-S) test. As presented in Table 1, the Asymp. Sig. (2-tailed) value was 0.113, which is greater than the significance level of 0.05. This result indicates that the residuals are normally distributed. Therefore, the normality assumption for linear regression was satisfied, allowing the regression analysis to be conducted. However, it should be noted that normality represents only one of the assumptions underlying linear regression. Consequently, the regression results should be interpreted within the scope of the diagnostic tests performed in this study.

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Simple Linear Regression Analysis

Table 2.
Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.633	1.691		1.557	.131
	X	.879	.080	.901	10.998	.000
a. Dependent Variable: Y						

A simple linear regression analysis was conducted to examine the effect of Islamic financial report transparency on customer trust. Based on the regression output presented in Table 2, the regression equation is expressed as follows:

$$Y = 2.633 + 0.879X$$

The regression coefficient for financial report transparency was 0.879, indicating a positive relationship between transparency and customer trust. This coefficient suggests that an increase in the level of financial report transparency is associated with an increase in customer trust.

The hypothesis was evaluated using the t-test. The analysis produced a t-value of 10.998 with a significance value of 0.000, which is lower than the significance level of 0.05. Therefore, the null hypothesis was rejected, indicating that transparency of Islamic financial reports has a positive and statistically significant effect on customer trust. The constant value of 2.633 represents the estimated customer trust score when the transparency variable equals zero. Although this value forms part of the regression equation, its practical interpretation should be approached cautiously because the transparency variable was measured using a Likert scale.

Coefficient of Determination

Table 3.
Model Summary

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901[a]	.812	.805	1.21493
a. Predictors: (Constant), X				
b. Dependent Variable: Y				

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The coefficient of determination was used to evaluate the extent to which financial report transparency explains customer trust. As presented in Table 3, the correlation coefficient (R) was 0.901, indicating a very strong positive relationship between the two variables. The R Square value was 0.812, indicating that approximately 81.2% of the variation in customer trust can be explained by the transparency of Islamic financial reports. The remaining 18.8% is associated with factors outside the regression model.

Discussion

The findings of this study indicate that the transparency of Islamic financial reports has a positive and statistically significant effect on customer trust. The positive regression coefficient demonstrates that customers tend to report higher levels of trust when they perceive financial reports to be more transparent. These findings suggest that transparency plays an important role in strengthening customers' confidence in Islamic financial institutions.

One possible explanation for this finding is that transparent financial reporting reduces information asymmetry between financial institutions and customers. Customers generally have limited access to information regarding financial performance, investment activities, and the management of their funds. By providing complete, accurate, and understandable financial information, Islamic financial institutions can reduce uncertainty and increase customers' confidence in the institution's accountability.

The findings are consistent with those reported by Novianto and Nisa (2024), who found that transparent financial disclosure enhances customer confidence by improving organizational accountability. Similarly, Rizki (2024) concluded that greater transparency reduces uncertainty regarding financial management and strengthens customer trust. These consistent findings indicate that transparency remains an important factor influencing trust within Islamic financial institutions.

The present findings can also be interpreted using Agency Theory. Agency Theory explains that information asymmetry arises because managers possess more information than customers. In Islamic financial institutions, management acts as the agent responsible for managing customers' funds, while customers act as principals who expect accountability for those funds. Transparent financial reporting helps reduce information asymmetry by providing relevant information regarding institutional performance and financial management. As customers gain better access to such information, their level of trust toward the institution is likely to increase.

The coefficient of determination indicates that financial report transparency explains 81.2% of the variation in customer trust. This relatively high proportion

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suggests that transparency is an important predictor of customer trust within the sample studied. Nevertheless, transparency should not be interpreted as the only factor affecting customer trust. Approximately 18.8% of the variation remains unexplained by the regression model, indicating that other variables also contribute to trust formation.

Previous studies have identified several factors that may influence customer trust, including service quality, institutional reputation, customer satisfaction, digital banking services, perceived security, and customer religiosity (Halmaita, 2024; Pinkan, 2026). These factors were not included in the present study and therefore represent opportunities for future research to develop more comprehensive models of customer trust.

The findings also support previous literature emphasizing transparency as one of the essential principles of good governance in Islamic financial institutions. Transparent financial reporting enables customers to obtain information regarding institutional performance, compliance with Sharia principles, and accountability in managing financial and social funds. Such disclosure contributes to strengthening institutional credibility and improving customers' perceptions of organizational reliability.

Despite these findings, several limitations should be acknowledged. The study involved only 30 respondents selected using a convenience sampling technique from a single Islamic financial institution. Consequently, the findings cannot be generalized to all Islamic financial institutions. In addition, this study reports only the normality test as a regression diagnostic, while other regression assumptions, including homoscedasticity, linearity, independence of errors, and influential observations, were not examined. Future studies are therefore encouraged to involve larger and more diverse samples, include additional explanatory variables, and perform more comprehensive regression diagnostic tests to improve the robustness and generalizability of the findings.

CONCLUSION

Based on the series of quantitative data tests and in-depth analysis elaborated in the preceding chapters, this study draws two main conclusions to answer the research questions posed. First, the transparency of Islamic financial reports is legitimately and convincingly proven to have a positive and significant effect on the level of customer trust. This is demonstrated by the significance value of 0.000 (less than 0.05), meaning that the more open, honest, and easily comprehensible an Islamic bank's financial

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report, the higher the level of trust and peace of mind that customers will feel in depositing their money. Second, the magnitude of the influence of financial report transparency on customer trust at Islamic financial institutions is 80% (based on the R Square value of 0.80). This confirms that information openness dominates the reason why customers trust Islamic banks, while the remaining 20% is influenced by other variables such as service quality, physical facilities, and the ease of digital technology — none of which were discussed in this study. Islamic banks must continue to uphold this standard of honesty if they wish to keep competing and growing in the future.

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