



From Accounting to Trust: How Islamic Worldview Strengthens Financial Performance in Islamic Microfinance

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ABSTRACT

This study examines the influence of accounting information quality, financial reporting transparency, and financing transparency on the financial performance of Islamic Microfinance Institutions (IMFIs), while positioning the Islamic worldview as a moderating construct that embeds ethical-spiritual foundations into Islamic financial governance. Motivated by persistent challenges of weak transparency, uneven *Shariah* compliance, and fragmented reporting practices in IMFIs, this research integrates Islamic philosophical principles particularly *tawhid*, justice, *maslahah*, and accountability into a performance model that aligns financial viability with ethical legitimacy. Using a quantitative causal design, data were collected from 360 BMT members in Palembang, Indonesia, and analyzed through Moderated Regression Analysis (MRA). The findings demonstrate that accounting information quality, financial reporting transparency, and financing transparency each exert a positive and significant effect on financial performance. More critically, the Islamic worldview significantly strengthens all three relationships, confirming its role as a normative and operational mechanism that enhances trust, reinforces ethical accountability, and improves institutional resilience. These results provide theoretical contributions by integrating Islamic worldview into performance measurement and advancing Islamic-based accountability beyond technical metrics, while offering practical implications for strengthening governance, reporting quality, and stakeholder confidence in IMFIs. The study concludes by underscoring the inseparability of ethical accountability and financial sustainability in Islamic finance and highlights avenues for future research on non-financial outcomes and cross-regional comparisons.

Keywords: Islamic Governance, Ethical Accountability, Islamic Ethics, Stakeholder Trust, Governance Quality

JEL Classifications: M41, G39, G30, Z12, Z13

1. INTRODUCTION

The financial performance of Islamic Financial Institutions (IFIs), particularly Islamic Microfinance Institutions (IMFIs), remains pivotal in linking financial stability with social welfare, given their dual mission of profitability and adherence to Islamic ethical principles. Yet, achieving this equilibrium remains a persistent challenge. While diversification of income sources has been identified as essential for sustaining waqf-based institutions and mitigating financial shocks, many IMFIs still rely heavily on narrow revenue streams, limiting their resilience. Although Indonesia's Baitul Maal wat Tamwil is often cited as a successful

example of integrating commercial and social finance (Robbani et al., 2020; Ascarya et al., 2022), the scalability of such models remains underexplored. Governance and ethical financing practices are equally critical to reinforce *Shariah* compliance (Akbar and Siti-Nabiha, 2021; Hussain and Ahmed, 2023), yet empirical evidence suggests that many IMFIs face operational weaknesses and governance deficits that hinder transparency and accountability. Despite growing recognition that financial inclusion must be accompanied by social responsibility to promote sustainable development (Hossain et al., 2024; Wahab et al., 2023; Yusgiantoro et al., 2023), IMFIs often struggle to innovate beyond conventional microfinance products (Sultan et al.,

2024; Shamsudheen and Mahomed, 2022). Moreover, although accounting standards such as IFRS strengthen transparency and stakeholder confidence (Calandra, 2024; Marzuki et al., 2021), their adoption within IMFIs remains uneven, raising questions of comparability and legitimacy. While CSR initiatives are increasingly embedded in reporting (Meskovic et al., 2023), their translation into measurable improvements in financial and social performance, as shown in Islamic banks (Sultan et al., 2024; Syamlan and Mukhlisin, 2020), requires further investigation in the microfinance context.

Aligning reporting standards with *Maqāsid al-Sharī'ah* is critical for Islamic Microfinance Institutions (IMFIs) as it strengthens sustainability by embedding ethical compliance alongside long-term viability (Syamlan and Mukhlisin, 2020; Khalil and Taktak, 2020). This integration enhances holistic accountability by combining financial and social performance, thereby reflecting the interests of diverse stakeholders who depend on IMFIs for both economic empowerment and ethical legitimacy (Butt et al., 2023; Naz and Gulzar, 2023). However, the sector continues to face structural challenges in transparency, reporting quality, and accountability. The lack of standardized reporting practices generates inconsistent interpretations and erodes stakeholder trust (Ngaha and Mbenda, 2023). Differing applications of *Shariah* principles across institutions further exacerbate communication gaps, fostering information asymmetry and weakening accountability mechanisms (Mutamimah and Saputri, 2022). These weaknesses are compounded by low financial literacy, which restricts inclusion and hinders informed decision-making among beneficiaries (Yusfiarto et al., 2022). Moreover, perceptions of Islamic finance as opaque and overly complex discourage broader participation (Shamsudheen and Mahomed, 2022), while inconsistent *Shariah* practices contribute to legal disparities and confusion. To strengthen long-term credibility, IMFIs require higher-quality reporting frameworks that prioritize transparency and accountability. Specialized standards aligned with *Shariah* are essential to enhance trust (Mansour, 2020), yet fragmented regulatory approaches have led to uneven implementation (Hasan et al., 2020; Hassan and Rabbani, 2022). Without unified reporting systems, financial information loses reliability, undermining decision-making and stakeholder confidence (Addou et al., 2024). Thus, strengthening Islamic financial literacy within an Islamic mindset is not merely a complementary strategy but a fundamental prerequisite for fostering inclusive and accountable IMFIs (Dewi and Ferdian, 2021; Ali et al., 2020).

A major gap in prior research is the limited integration of Islamic philosophical foundations, particularly the Islamic worldview, into the study of Islamic Microfinance Institutions (IMFIs). These institutions are mandated to align financial outcomes with the ethical objectives of Islam, thereby linking profitability with social responsibility. Calls for CSR frameworks grounded in *Maslahah* and *Maqasid al-Shari'ah* highlight the necessity of embedding ethical principles into IMFIs' operations to maximize societal benefit (Jusoh and Ibrahim, 2020; Umar, 2022). This requires elevating governance and social performance to complement profitability and expanding accountability beyond shareholders toward wider stakeholders (Meskovic et al., 2023). Integrating

Islamic values into reporting and performance analysis is therefore critical for IMFIs (Tarique et al., 2021). Unlike conventional approaches that focus predominantly on quantitative outcomes, Islamic perspectives emphasize qualitative values such as trust, accountability, and *Shariah* adherence (Salem and Abdelkader, 2023). Empirical findings show that stronger Islamic governance disclosures enhance stakeholder trust and financial outcomes (Rahim et al., 2023), while embedding Islamic values in reporting fosters transparency and long-term confidence (Zain et al., 2024). Such integration reflects the objectives of *Maqasid al-Shari'ah*, which prioritize societal welfare and sustainability beyond profit maximization (Monawer et al., 2021; Calandra, 2024). Accountability in IMFIs is inherently moral, grounded in divine ownership and oriented toward welfare and environmental stewardship (Yıldız, 2020). Mechanisms such as effective *Shariah* Supervisory Boards, zakat-based initiatives, and ethical reporting reinforce trust, reduce poverty, and improve both reputation and performance (Minaryanti and Mihajat, 2023; Herianingrum et al., 2023). By integrating Islamic philosophy, IMFIs can advance a holistic model that balances profitability with ethical and social objectives, ensuring both viability and legitimacy.

This study responds to a significant research gap by examining how reporting dimensions; information quality, transparency, and financing disclosure interact with the Islamic worldview to influence the performance of Islamic Microfinance Institutions (IMFIs). Existing scholarship often reduces performance to technical efficiency, neglecting the ethical-spiritual underpinnings of Islamic finance. By positioning the Islamic worldview as a moderating construct, this study extends the discourse on Islamic-based accountability beyond compliance to include moral and societal responsibilities. Theoretically, it challenges conventional performance models by embedding Islamic philosophy into Islamic accounting. Managerially, it highlights the risks of fragmented reporting and weak accountability in IMFIs, offering pathways to strengthen transparency, trust, and sustainability. Thus, this study contributes by integrating Islamic worldview into performance frameworks; advancing accountability beyond technical metrics; and addressing legitimacy and resilience challenges specific to IMFIs.

2. REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

2.1. Islamic Worldview

The Islamic worldview, grounded in the principles of *Tawhid*, *maslahah*, justice, and blessings, offers a critical counter-narrative to dominant secular paradigms that often privilege individualism and material accumulation. *Tawhid* embodies not merely theological monotheism but also an epistemological foundation that unifies knowledge and anchors economics within divine accountability, contrasting with secular frameworks that separate morality from economic rationality (Aydin, 2020). *Maslahah* redirects focus from neoliberal self-interest to collective welfare by mandating integration of material prosperity with spiritual and social well-being, thereby shaping financial policies and practices that advance the public good (Rasban et al., 2020; Haq et al., 2021;

Kholidah et al., 2024). Justice, a non-negotiable Islamic virtue, demands fairness and equity in governance and distribution, thereby standing against utilitarian ethics and systemic inequalities inherent in conventional banking (Umar, 2022; Taufik et al., 2023; Mahmoud et al., 2024). Likewise, blessings redefine success beyond GDP-driven accumulation by emphasizing holistic well-being, spiritual enrichment, and communal solidarity (Kholidah et al., 2024; Pranata and Laela, 2020). This epistemic orientation fosters the organic unity of knowledge, integrating economics and social sciences with Islamic teachings (Alam et al., 2023; Mawardi et al., 2022), operationalized in Islamic finance through *Shariah* compliance, prohibition of *riba*, risk-sharing, zakat, microfinance, ethical governance, and sustainability, thereby resisting profit-maximization logics and reframing growth as ethically and socially grounded (Salleh et al., 2025; Furqani and Echchabi, 2022; Polyzos et al., 2022; Naveenan et al., 2023).

2.2. Accounting Information Quality

Accounting Information Quality (AIQ) is more than a technical feature of financial reporting; it is a cornerstone of governance integrity that safeguards against opportunistic practices undermining stakeholder trust. Its core dimensions relevance, reliability, timeliness, and completeness set accountability benchmarks that resist bias and manipulation. Relevance grounds decision-making in useful information (Li, 2020), while reliability ensures accuracy and protects investor confidence from distortions (Salehi, 2022; Karapinar and Zaif, 2021; Thakerngkiat et al., 2021). Timeliness and completeness counter selective disclosure, ensuring stakeholders access to current and comprehensive data, reinforcing transparency and discipline (Barrios, 2021). Accounting Information Quality (AIQ) further reduces asymmetry and aligns managerial decisions with operational realities (Lem, 2024; Choi et al., 2023; Xiong et al., 2020). Yet, in Islamic microfinance, AIQ assumes a normative dimension by embedding *Sharia* principles that prohibit *riba* and mandate justice, thereby institutionalizing fairness and ethical integrity (Umar et al., 2021; Hassan and Rabbani, 2022; Salem and Abdelkader, 2023; Minaryanti. and Mihajat, 2023). *Sharia*-compliant reporting curbs discretion, strengthens governance, and links performance with poverty alleviation and welfare (Irfan et al., 2020; Sukmana et al., 2024), embodying *amanah* (trust) and positioning Islamic microfinance as an ethical corrective to conventional systems (Puspitasari et al., 2023; Bugshan and Bakry, 2023; Mejri et al., 2022).

2.3. Financial Reporting Transparency

Financial reporting transparency is widely regarded as essential for enhancing market efficiency and reducing information asymmetry, yet conventional frameworks often fail by permitting discretionary practices that undermine credibility and stakeholder trust. While improved readability and accruals quality may strengthen transparency and limit opportunism (Xu et al., 2022), persistent cases of selective disclosure and symbolic CSR reporting reveal that transparency is frequently treated as compliance rather than genuine accountability (Hambali and Adhariani, 2022). Even the adoption of International Financial Reporting Standards (IFRS), though enhancing comparability, cannot fully prevent manipulation or address the ethical void within value-neutral

economics (Tarca, 2020). By contrast, Islamic microfinance institutions (IMFIs) embed transparency in a normative *Shariah* framework that integrates material performance with social responsibility (Rahim et al., 2023; Hassan and Rabbani, 2022). This dual accountability, oriented toward poverty alleviation and community welfare, requires disclosures beyond profit indicators (Wahab et al., 2023; Shikur and Akkaş, 2024). Governance frameworks mandated by AAOIFI compel IMFIs to disclose compliance, risk management, and ethical practices, ensuring transparency is substantive rather than symbolic (Gadhoum et al., 2022; Tahri et al., 2023). Consequently, *Shariah*-compliant reporting reinforces credibility and positions IMFIs as an ethical corrective to conventional systems (Calandra, 2024; Mansori et al., 2020; Akbar and Siti-Nabiha, 2021).

2.4. Financing Transparency

Financing in Islamic microfinance institutions (IMFIs) is pivotal in alleviating poverty while strictly adhering to *Shariah* principles, primarily through instruments such as *murabaha* (cost-plus financing), *mudarabah* (profit-sharing), and *musharakah* (joint venture), which aim to deliver fair and ethical access to capital for low-income households and small enterprises (Robbani et al., 2020; Khalequzzaman et al., 2023). These financing mechanisms not only expand financial inclusion but also embed socio-economic development within an ethical framework (Umar et al., 2021; Jedidia, 2020). Recent studies underscore the potential of Islamic social finance to mitigate poverty, especially in the wake of systemic shocks such as the COVID-19 pandemic, by balancing financial sustainability with social welfare objectives (Robbani et al., 2020; Khalequzzaman et al., 2023; Srairi et al., 2021). Central to this process is financing transparency, which sustains stakeholder trust, ensures compliance with *Shariah*, and demonstrates accountability in serving marginalized communities (Akbar and Siti-Nabiha, 2021; Wahab et al., 2023; Azman et al., 2021; Hassan and Rabbani, 2022). Enhanced disclosure regarding fund utilization, particularly from zakat and *waqf* resources, coupled with digital reporting innovations, strengthens Islamic governance, improves risk management, and positions IMFIs as credible, ethically grounded institutions (Ascarya and Masrifah, 2022; Mohaiyadin et al., 2022; Robbani et al., 2020).

2.4.1. Hypothesis development

The quality of accounting information is a critical determinant of the financial performance of Islamic microfinance institutions (IMFIs), as it underpins transparency, accountability, and efficient resource allocation within *Shariah*-compliant operations (Sevriana et al., 2022). High-quality reporting enhances stakeholder trust, particularly in profit-sharing mechanisms such as *mudarabah* and *musharakah*, where accurate disclosure of financial health is essential. Evidence shows that financial literacy and adherence to AAOIFI standards strengthen accounting practices, fostering investor confidence and sustainability (Hassan and Rabbani, 2022; Ali et al., 2020). Thus, it is hypothesized that accounting information quality positively influences IMFIs' financial performance.

H₁: Accounting Information Quality has a positive effect on the Financial Performance of Islamic Microfinance Institutions.

Financial reporting transparency plays a pivotal role in shaping the financial performance of Islamic microfinance institutions (IMFIs), as it strengthens stakeholder trust, reinforces accountability, and ensures adherence to Shariah principles ((Rahim et al., 2023)). Transparent reporting enhances institutional credibility, thereby attracting funding and resources that can be mobilized for poverty alleviation (Mansori et al., 2020), while also fostering customer loyalty, particularly among financially literate clients (Alshater et al., 2020). Furthermore, compliance with AAOIFI standards improves reporting accuracy and sustainability (Hassan and Rabbani, 2022; Gadhoum et al., 2022). Thus, it is hypothesized that financial reporting transparency positively affects IMFIs' financial performance.

H₂: Financial Reporting Transparency has a positive effect on the Financial Performance of Islamic Microfinance Institutions.

Financing transparency is a critical determinant of financial performance in Islamic microfinance institutions (IMFIs), as it strengthens stakeholder trust and ensures accountability in fund utilization, particularly when resources are derived from zakat and other *Shariah*-compliant instruments (Rofik et al., 2025). Clear disclosure of financing activities and outcomes enhances sustainability and growth by attracting greater investments (Darmawan and Wandirah, 2025). Moreover, transparency fosters confidence among clients, supports participation in profit-sharing schemes, and mitigates risks, while the adoption of international reporting standards further enhances credibility and operational efficiency (Mutamimah and Saputri, 2022; Jarbou et al., 2024; Hasnat et al., 2025). Thus, financing transparency positively influences IMFIs' financial performance.

H₃: Financing Transparency has a positive effect on the Financial Performance of Islamic Microfinance Institutions.

The Islamic worldview serves as a crucial moderating construct in both organizational and financial domains, shaping ethical orientations and influencing decision-making processes. Prior research demonstrates that Islamic work ethics significantly affect behavioral outcomes by fostering knowledge-sharing behaviors through the mediating role of organizational identification (Suryani et al., 2021). Similarly, CEOs' Islamic religiosity has been found to moderate tax-related behavior, particularly in family firms, indicating how religious values influence managerial practices (Abu-Rajab et al., 2024). Moreover, empirical findings reveal that Islamic religiosity enhances investor engagement in stock markets, reinforcing ethical investment behavior consistent with *Shariah* principles (Parvin et al., 2024). These insights collectively affirm that the Islamic worldview not only shapes individual attitudes and conduct but also plays a pivotal moderating role in understanding organizational dynamics and financial practices embedded in Islamic frameworks (Zakiy and Ramadhani, 2024; Raza et al., 2024; Yusufarto et al., 2022). Building on this theoretical foundation, the following hypotheses are proposed:

H₄: The Islamic Worldview moderates the effect of Accounting Information Quality on Financial Performance.

H₅: The Islamic Worldview moderates the effect of Financial Reporting Transparency on Financial Performance.

H₆: The Islamic Worldview moderates the effect of Financing Reporting on Financial Performance.

3. RESEARCH METHODOLOGY

3.1. Data Collection and Sampling Technique

This study focuses on the members or customers of *Baitul Maal wa Tamwil* (BMT) (an Islamic microfinance institution) in Palembang City, South Sumatra, Indonesia employing a quantitative method with a causal approach to analyze the effects of accounting information quality, financial reporting transparency, and financing reporting on financial performance, with the Islamic worldview as a moderating variable. Causal relationships are tested using Moderated Regression Analysis (MRA) to assess both direct effects and variable interactions. Primary data are collected through questionnaires distributed via WhatsApp and Google Forms with the assistance of BMT administrators. Participants rated all statements on a five-point Likert scale, extending from 1 (strongly disagree) through 5 (strongly agree). The research population consists of all active BMT members in Palembang City, totaling 3,570 members and administrators, while the sample is determined using simple random sampling with the Slovin formula, resulting in 358 respondents.

3.2. Item Measurement

The measurement of the constructs in this study draws on established scales refined in prior literature. Accounting information quality is operationalized through indicators of relevance, reliability, and comparability, given their documented influence on financial performance and reporting credibility. Empirical evidence shows that IFRS adoption constrains earnings management and enhances stakeholder trust, earnings quality is positively associated with financial returns (Duarte et al., 2022), and disclosure comparability supports more effective decision-making (Mehrabanpour et al., 2020). The measurement also incorporates technological dimensions, as advanced digital tools have been shown to improve reporting quality (Saleh et al., 2022; Awwad et al., 2024), artificial intelligence enhances accuracy and timeliness, and *blockchain* reinforces transparency while reducing fraud (Afifa et al., 2022; Al-Okaily et al., 2023). Consistent with this, IFRS harmonization is included as a reliability and decision-usefulness indicator (Khan et al., 2025; Hlel et al., 2020). Financial reporting transparency is measured through governance and disclosure attributes, supported by findings that board diversity improves reporting credibility (Salehi et al., 2022), strong governance reduces earnings management (Shira, 2022), and integrated reporting aligns corporate transparency with sustainability objectives (Nwachukwu, 2021; Nakajima and Inaba, 2021). Additional items reflect the role of governance structures in reducing information asymmetry and building market confidence (Mekaoui et al., 2020; Queiri et al., 2021). Financing transparency is assessed through indicators capturing clarity of reporting, asymmetry reduction, and governance integrity, as clear disclosures lower crash risk (Bakhiet, 2024), earnings transparency supports market integrity (Qayoom, 2025), and oversight mechanisms such as independent boards and audit committees enhance accountability (Salehi et al., 2022); sustainability-related disclosures are also incorporated due to their proven role in promoting responsible investment (Wild and Wild, 2023; Oubahou, 2025). Finally, the Islamic worldview construct is adapted from validated measures that conceptualize it as a comprehensive paradigm encompassing morality, justice,

and social cohesion (Helmy et al., 2021; Nasir and Rijal, 2021), encouraging tolerance and balanced intellectual development (Santoso and Khisbiyah, 2021; Yusuf et al., 2023; Mujahid, 2021), and nurturing peaceful coexistence within society (Suciati et al., 2022).

4. RESULTS

4.1. Respondents' Demographics

A total of 360 valid responses were analyzed in this study, with the majority of participants drawn from BMT Insan Mulia (n = 308, 85.6%) and a smaller portion from BMT Darussalam (n = 52, 14.4%). In terms of age distribution, respondents are predominantly concentrated in the productive age groups, with 142 individuals (39.4%) between 26 and 35 years and 170 individuals (47.2%) between 36 and 45 years, while younger participants under 25 years account for only 5 respondents (1.4%) and older participants above 45 years total 43 respondents (11.9%). Membership duration also reflects stability, as the vast majority (n = 295, 81.9%) have been members for 4-6 years, compared to 47 respondents (13.1%) with less than three years of membership, 15 respondents (4.2%) with 7-9 years, and only 3 respondents (0.8%) with over 10 years. Regarding financing purposes, saving is the most common reason (n = 133, 36.9%), followed by productive financing (n = 86, 23.9%), while a notable share combine saving and productive purposes (n = 51, 14.2%), and smaller proportions either use all three purposes (n = 44, 12.2%) or focus on consumption (n = 37, 10.3%), with 9 respondents (2.5%) not selecting a purpose. For financing amounts, most respondents fall into the IDR 6-20 million category (n = 185, 51.4%), followed by those borrowing less than IDR 5 million (n = 105, 29.2%) and those receiving IDR 21-49 million (n = 57, 15.8%), while only a small minority (n = 12, 3.3%) access financing above IDR 50 million, and one respondent (0.3%) did not specify an amount. These patterns suggest that BMT membership is largely dominated by economically active individuals, with strong loyalty reflected in membership duration, and financial preferences that prioritize saving and productive financing over consumption. The detailed characteristics of the respondents are presented in Table 1.

4.2. Validity and Reliability Test

The results of the instrument testing collectively demonstrate that the measurement tools employed in this study are empirically robust, statistically sound, and fully adequate for subsequent multivariate analyses. The validity tests show consistently strong item-total correlations across all constructs, with r-values substantially exceeding the critical threshold of 0.1033 and significance levels far below 0.05, confirming that each indicator accurately captures the theoretical dimensions it represents. The reliability analysis further reinforces the strength of the instrument, as all variables exhibit Cronbach's Alpha values between 0.705 and 0.753, surpassing the minimum accepted criterion of 0.60 and indicating internal consistency and stability of responses over time. The factor analysis provides additional evidence of measurement adequacy. The KMO value of 0.578 denotes acceptable sampling adequacy, while Bartlett's Test of Sphericity ($\chi^2 = 6271.055$, $P < 0.001$) confirms that the correlation matrix is suitable for factor extraction. Anti-image matrices reveal

Measures of Sampling Adequacy above 0.40 for all indicators, validating their inclusion in the factor model. The Total Variance Explained indicates that two dominant factors account for 69.87% of total variance, underscoring the strong explanatory power of the constructs. Moreover, the factor extraction process clearly segregates indicators into two coherent latent dimensions, one representing the cluster of information quality and transparency variables, and the other capturing financing reporting dynamics demonstrating a theoretically consistent and empirically stable factor structure. The rotated component matrix further displays clean and conceptually aligned factor loadings, confirming the logical grouping of constructs. Taken together, these results affirm that the instrument and the data generated are both reliable and trustworthy, providing a solid empirical foundation for the subsequent structural and hypothesis testing phases of the research.

4.3. Hypotheses Testing and Moderated Regressions Analysis

The statistical analysis results indicate that the research data are of sufficient quality for regression testing. The mean values of all variables are relatively high, reflecting respondents' positive tendencies toward financial performance (FP), accounting information quality (AIQ), financial reporting transparency (FRT), financing transparency (FT), and the Islamic worldview (IW). The normality test confirms that the residuals are normally distributed (Sig. = 0.200 > 0.05), thereby fulfilling the classical assumptions. The multicollinearity test shows no issues, as all VIF values are below 10 and Tolerance values exceed 0.1. The Glejser test further confirms the absence of heteroskedasticity, since both independent and interaction variables are insignificant in relation to the residuals. Similarly, the Runs Test demonstrates the absence of autocorrelation (Sig. = 0.073 > 0.05). The

Table 1: Respondent characteristics

Demographic variables (n=360)	n	%
BMT name		
BMT Insan Mulia	308	85.6
BMT Darussalam	52	14.4
Age		
<25 years	5	1.4
26-35 years	142	39.4
36-45 years	170	47.2
>45 years	43	11.9
Membership duration		
<3 years	47	13.1
4-6 years	295	81.9
7-9 years	15	4.2
>10 years	3	0.8
Financing purpose		
Saving funds	133	36.9
Consumption	37	10.3
Productive	86	23.9
Both saving and productive	51	14.2
All three purposes	44	12.2
No purpose selected	9	2.5
Financing amount		
<IDR 5 million	105	29.2
IDR 6-20 million	185	51.4
IDR 21-49 million	57	15.8
>IDR 50 million	12	3.3
No amount selected	1	0.3

coefficient of determination ($R^2 = 0.369$) reveals that the model explains 36.9% of the variance in financial performance, a reasonably representative figure for social research involving complex variables. Moreover, the simultaneous test results confirm that the regression model is statistically significant ($F = 29.449$; $\text{Sig.} = 0.000$), indicating that all independent and interaction variables collectively influence the financial performance of BMTs.

Table 2 presents the results of the Moderated Regression Analysis (MRA), which confirm both significant direct effects and moderating influences. Directly, Accounting Information Quality (AIQ) ($\beta = 0.277$; $\text{Sig.} = 0.000$), Financial Reporting Transparency (FRT) ($\beta = 0.286$; $\text{Sig.} = 0.000$), and Financing Transparency (FT) ($\beta = 0.278$; $\text{Sig.} = 0.000$) all exert a positive and significant impact on financial performance. This finding indicates that higher levels of accounting information quality, reporting transparency, and financing transparency contribute to enhanced performance of BMTs. More importantly, the interaction terms with the Islamic worldview strengthen these relationships: AIQ*IW ($\beta = 0.253$; $\text{Sig.} = 0.000$), FRT*IW ($\beta = 0.179$; $\text{Sig.} = 0.007$), and FT*IW ($\beta = 0.141$; $\text{Sig.} = 0.023$) are all statistically significant. These results demonstrate that the Islamic worldview functions as a moderating variable, reinforcing the influence of accounting practices and transparency on financial performance. Thus, the integration of the Islamic worldview serves not merely as a normative value, but also as a practical mechanism that consolidates the nexus between Islamic-based financial governance and the tangible performance of BMTs.

5. DISCUSSION

5.1. Direct Effects

Grounded in the Islamic principles of *amanah* and *mas'uliyah* (trust and accountability), the results confirm that Accounting Information Quality (AIQ) exerts a positive and significant influence on financial performance ($\beta = 0.277$; $\text{Sig.} = 0.000$). This finding supports the notion that high-quality information reduces asymmetry and strengthens accountability, which is central to Islamic-based governance (Sevriana et al., 2022; Hassan and Rabbani, 2022). Prior studies demonstrate that AIQ mitigates earnings manipulation, enhances reporting reliability, and improves investment efficiency (Đông et al., 2024; Islam et al.,

2023; Raimo et al., 2021). Empirical evidence from corporate contexts further shows that IFRS adoption and effective oversight structures are critical for ensuring high AIQ (Saji, 2021; Kalembe et al., 2023). For Islamic microfinance institutions (IMFIs), the implication is clear: strengthening AIQ not only fulfills regulatory requirements but also embodies ethical commitments, thereby enhancing long-term sustainability and stakeholder confidence.

Aligned with the Qur'anic emphasis on truthfulness (*sidq*) and fairness (*'adl*), Financial Reporting Transparency (FRT) also significantly enhances financial performance ($\beta = 0.286$; $\text{Sig.} = 0.000$). Transparent reporting fosters stakeholder trust and institutional credibility, creating access to broader financial resources (Rahim et al., 2023; Mansori et al., 2020). Empirical studies confirm that FRT reduces information asymmetry, lowers the cost of capital, and improves firm valuation (Đông et al., 2024; Xu et al., 2022; Nicolò et al., 2021). Moreover, strong governance mechanisms, such as audit committees, reinforce reporting accuracy and accountability (Islam et al., 2023). From a managerial perspective, adopting robust FRT practices positions IMFIs as credible institutions aligned with AAOIFI standards, thereby securing competitive advantage while ensuring adherence to Islamic ethics.

In line with Islamic principles of justice (*'adl*) and stewardship (*khilafah*), Financing Transparency (FT) demonstrates a positive and significant impact on financial performance ($\beta = 0.278$; $\text{Sig.} = 0.000$). Transparency in financing ensures accountability in the use of zakat and other Shariah-compliant instruments, fostering trust and institutional resilience (Rofik et al., 2025). This result is consistent with evidence that clear financing disclosures enhance stakeholder trust, mitigate risks, and attract greater investment flows (Darmawan and Wandirah, 2025; Mutamimah and Saputri, 2022; Hasnat et al., 2025). Furthermore, adherence to international reporting standards strengthens operational credibility and financial stability (Jarbou et al., 2024). For IMFIs, this implies that robust financing transparency not only fulfills compliance but also serves as a strategic tool to reinforce legitimacy, attract capital, and sustain growth.

5.2. Moderating Role of the Islamic Worldview

Rooted in *tawhidic* values, the Islamic worldview (IW) significantly moderates the relationship between AIQ and financial performance ($\beta = 0.253$; $\text{Sig.} = 0.000$). Empirical findings show that accounting practices informed by Islamic ethics strengthen disclosure and enhance trust among stakeholders (Harun et al., 2020; Boudawara et al., 2023). This synergy between ethical imperatives and accounting quality reduces financial misconduct and improves risk management (Agbodjo et al., 2020). In practical terms, IMFIs that align AIQ with Islamic principles not only enhance accountability but also secure a sustainable competitive advantage grounded in ethical legitimacy. Similarly, IW strengthens the effect of FRT on financial performance ($\beta = 0.179$; $\text{Sig.} = 0.007$), underscoring the importance of *Shariah*-aligned transparency. Islamic ethics emphasize openness and accountability, fostering investor confidence and institutional credibility (Harun et al., 2020; Boudawara et al., 2023). Prior research indicates that enhanced FRT reduces agency costs

Table 2: Results of the moderated regression analysis

Model		Coefficients ^a			t	Sig.
		Unstandardized coefficients		Standardized coefficients		
		B	Standard error	Beta		
1	(Constant)	3.890	1.365		2.851	0.005
	AIQ	0.250	0.042	0.277	5.992	0.000
	FRT	0.293	0.047	0.286	6.251	0.000
	FT	0.281	0.044	0.278	6.316	0.000
	AIQ_IW	0.008	0.002	0.253	3.814	0.000
	FRT_IW	0.006	0.002	0.179	2.703	0.007
	FT_IW	0.004	0.002	0.141	2.278	0.023

^aDependent Variable: FP. Source: Processed Data, 2025

and strengthens stakeholder trust, particularly in Islamic banks (Elnahass et al., 2023; Agbodjo et al., 2020). For managers, this suggests that integrating Islamic principles into reporting practices enhances customer loyalty, improves access to funding, and ensures operational resilience. Finally, IW also moderates the relationship between FT and financial performance ($\beta = 0.141$; Sig. = 0.023). Financing transparency, framed within Islamic ethics of justice and accountability, is not merely procedural but reflects a moral responsibility to safeguard communal wealth (Boudawara et al., 2023). Evidence suggests that IMFIs adhering to Islamic governance and ethical financing disclosures achieve stronger financial outcomes and lower capital costs (Rahman et al., 2023; Rosa and Bernini, 2022). This highlights the managerial implication that IW-oriented FT can enhance credibility, secure sustainable funding, and reinforce legitimacy in serving the *ummah*. Collectively, these findings affirm that the Islamic worldview is a powerful moderating force that strengthens the nexus between accounting practices, transparency, and financial performance. This aligns with prior research showing that Islamic religiosity and ethical values enhance organizational conduct and financial outcomes (Suryani et al., 2021; Abu-Rajab et al., 2024; Parvin et al., 2024).

6. CONCLUSION

This study demonstrates that Accounting Information Quality (AIQ), Financial Reporting Transparency (FRT), and Financing Transparency (FT) each exert a positive and significant effect on the financial performance of Islamic microfinance institutions (IMFIs), reflecting the Islamic principles of *amanah* (trust), *mas'uliyah* (accountability), *adl* (justice), and *sidq* (truthfulness). The findings confirm that high-quality information, transparent reporting, and clear financing practices reduce information asymmetry, strengthen accountability, and enhance institutional credibility, thereby fostering stakeholder trust and long-term sustainability. More importantly, the results highlight the pivotal moderating role of the Islamic worldview (IW), which significantly amplifies the relationship between AIQ, FRT, FT, and financial performance. Rooted in *tawhidic* values, the IW embeds ethical and spiritual dimensions into financial practices, ensuring that transparency and accountability are not merely compliance requirements but moral imperatives that reinforce legitimacy and resilience. In practical terms, this implies that IMFIs integrating Islamic ethics into governance and reporting practices can achieve stronger investor confidence, sustainable funding access, and competitive advantage while fulfilling their broader responsibility to the *ummah*. Overall, this study underscores that financial growth in Islamic finance cannot be separated from ethical accountability, and that the Islamic worldview provides a strategic paradigm to harmonize profitability with justice, stewardship, and social welfare.

Despite its significant contributions, this study is not without limitations. First, the research design is cross-sectional, which restricts the ability to infer causality and to capture dynamic interactions between accounting information quality, transparency, and financial performance over time. Longitudinal or panel data could provide deeper insights into the sustainability of these

relationships. Second, the study is geographically concentrated on BMTs in Palembang, which may limit generalizability to other Islamic microfinance institutions (IMFIs) across Indonesia or different cultural and regulatory environments. Future research should expand the scope to include diverse regions and cross-country comparisons to test the robustness of findings. Third, the measurement of the Islamic worldview relies on self-reported perceptions, which may introduce social desirability bias and limit objectivity; future studies could triangulate with qualitative approaches such as interviews or ethnographic methods to capture richer dimensions of ethical and spiritual orientations. Fourth, while this study focuses on financial performance, broader non-financial outcomes such as social impact, empowerment, and community well-being central to the *maqasid al-shari'ah* remain underexplored. Integrating multi-dimensional performance indicators could provide a more holistic evaluation. Finally, future research may also investigate technological innovations in enhancing *Shariah*-compliant transparency and accountability within IMFIs.

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