



How does sharia compliance affect the fraud of the Islamic bank?

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Abstract

This study aimed to examine the Effect of Shariah Compliance on Fraud in Islamic Banks. The independent variable of this study is shariah compliance proxied by Islamic Income Ratio (IsIR), Zakat Performance Ratio (ZPR), and Islamic Investment Ratio (IsIVR). In comparison, the control variables used Islamic Corporate Governance (ICG) and Profit Sharing Ratio (PSR). The dependent variable used is Fraud in Islamic Banks. The sample in this study used a purposive sampling technique, namely 7 Islamic Banks with 42 observations. The observation period was from 2016-2021 and the data analysis method used the data regression panel which was processed using E-views 9 software. Based on the test results, it was shown that the Zakat Performance Ratio (ZPR) effect Fraud Islamic Banks, while Islamic Income Ratio (IsIR) and Islamic Investment Ratio (IsIVR) do not affect Fraud Islamic Banks.

Keywords: Fraud, Islamic Bank, Sharia Compliance; Islamic Income Ratio, Zakat Performance Ratio, Islamic Investment Ratio.

Abstrak

Penelitian ini bertujuan untuk menguji Pengaruh *Sharia Compliance* terhadap *Fraud* pada Bank Syariah. Variabel independen penelitian ini adalah *Sharia Compliance* yang diproksikan dengan *Islamic Income Ratio* (IsIR), *Zakat Performance Ratio* (ZPR) dan *Islamic Investment Ratio* (IsIVR). Sedangkan variabel kontrol menggunakan *Islamic Corporate Governance* (ICG) dan *Profit Sharing Ratio* (PSR). Variabel dependen yang digunakan adalah *Fraud* pada Bank Syariah. Sampel dalam penelitian ini menggunakan teknik purposive sampling yaitu 7 Bank Syariah dengan jumlah observasi sebanyak 42 data. Periode penelitian ini dari tahun 2016-2021 dan metode analisis data menggunakan panel regresi data yang diolah menggunakan *software E-views 9*. Berdasar dari hasil pengujian diketahui bahwa *Zakat Performance Ratio* (ZPR) berpengaruh terhadap *Fraud Bank Syariah*, sedangkan *Islamic Income Ratio* (IsIR) dan *Islamic Investment Ratio* (IsIVR) tidak berpengaruh terhadap *Fraud Bank Syariah*.

Kata Kunci: *Fraud, Islamic Bank, Sharia Compliance; Islamic Income Ratio, Zakat Performance Ratio, Islamic Investment Ratio.*

INTRODUCTION

The birth of Islamic Commercial Banks in Indonesia was motivated by the awareness of Muslims who have the desire to carry out their economic activities in line with religious teachings, Islam banking activities must be free from interest, as we know if the interest system in conventional banks is considered *riba*, therefore Muslims should saving money at Islamic Banks. Data according to Islamic banking statistics published by the Otoritas Jasa Keuangan (OJK) on May 31, 2022, with data examined up to January 2022 of 198 Islamic Banks including 14 Islamic Commercial Banks (BUS). Data on the

14 Islamic Banks still registers 3 banks that have merged, namely BNIS, BRIS, and BSM, then there are 20 Islamic Business Units (UUS) and 164 Islamic People's Financing Banks (BPRS) in Indonesia. Thus, many Islamic financial institutions should be available for use by Muslims according to their needs and beliefs.

A large number of Islamic financial institutions also reflects the development of the LKS which also results in more and more obstacles being experienced by Islamic Banks, the challenge is to maintain the image and also the good name of the bank in the eyes of customers so that it is considered trusted which affects customer loyalty (Najib & Rini, 2016). As we know, Bank Syariah is a bank that carries out business activities guided by Sharia principles and based on Al-Qur'an, Al-Hadith, and Ijmak ulama which are applied in the work environment or outside the work environment.

Thus there will be a question: Does the existence of sharia elements guarantee that sharia institutions will be free from fraud? In reality, it is not like that, because there is still widespread news about corruption cases in Islamic banks. Like the corruption case committed by Bank Jabar Banten Syariah officials in 2017 regarding the provision of a fictitious fee of IDR 10.9 billion (Ridho, 2022). Then in 2021 the AGO also arrested the head of the Sidoarjo branch of Bank Syariah Mandiri, which provided fictitious financing worth IDR 14.25 billion (Rahma, 2021). Regarding this matter, there is no guarantee that Islamic Banks are free from fraud. It has a very negative impact not only on the company but also on the understanding of people's confidence in Islamic Banks. Sharia Banks such as mudharib do not carry out their business activities by the principles. Weak corporate governance and the minimal level of compliance with sharia have an impact on work results, thus providing opportunities for fraudulent behavior in Islamic banks. A strategy that can be implemented to minimize problems between agents and principals is through corporate governance and sharia compliance. In terms of compliance with the Islamic Bank compliance, there is a recommendation on the Islamic Disclosure Index (IDI) developed based on three indicators of Islamic disclosure, namely sharia compliance, corporate governance, and social/environmental disclosure (Ibrahim *et al.*, 2004).

Previous research using three indicators of Islamic disclosure of fraud has been carried out several times, but the research results do not always produce the same results from one researcher to another. Study Najib & Rini (2016) Sharia compliance with the proxy Islamic Income Ratio, Islamic Investment Ratio, and Islamic Corporate Governance does not affect fraud, while Sharia compliance with the Profit Sharing Ratio has a significant negative effect on fraud in Islamic Banks during the 2010-2014 reporting period. In contrast, research by Muhammad, Kusumadewi, & Saleh (2019) shows that Profit Sharing Ratio and Islamic Investment Ratio have a significant effect on fraud, while Islamic Corporate Governance has no significant effect on fraud in the financial statements of Islamic Banks from 2013 to 2017. Research by Nusron (2017) resulted in that the Islamic Investment Ratio, Islamic Income Ratio, and Equitable Distribution Ratio had a negative and significant effect on Islamic Bank fraud during the 2013-2015 financial reporting period. And research Karmina & Majidah (2020) with Islamic Bank financial report data for the 2014-2018 period showing the results of Islamic Corporate Governance, Islamic Income Ratio, Profit Sharing Ratio does not affect fraud, only the Zakat Performance Ratio has a positive effect on fraud.

An important reason behind this research is that there is a gap between some of the researchers above, thus making researchers interested in researching financial report data annual Islamic Bank period 2016-2021 which is outside the merger of several Islamic Banks, namely BRIS, BNIS, and BSM. Because these banks merged on February 1, 2021, their financial statements will become one in 2021 and will be non-compliant with

the research sample criteria. And not including the 3 large Islamic banks is something new for the results of the research that will be carried out. Because these 3 Islamic banks are one of the best choice banks for Muslims in Indonesia. In addition, the emergence of issues related to the weakness of corporate governance in Islamic banking is increasingly attracting the attention of economists as well as Islamic finance. [Asrori \(2014\)](#) expressed two main issues regarding the weakness of corporate governance in Islamic banking. One of them is regarding sharia compliance, in which sharia banking management cannot provide certainty of sharia compliance for every product and banking service offered. Islamic Corporate Governance, namely the principles of Islamic governance are primarily no different from conventional financial institutions. However, there is an unusual risk that does not exist in conventional financial organizations, namely Islamic banks are at risk because their operations apply Islamic principles and are recognized by a sharia committee that functions to reduce risk. Through the application of proper governance following Islamic principles, it will be able to minimize the level of fraud that will occur.

This research is based on agency theory which is used to understand how principles and agents are related. This agency relationship is a legal arrangement in which one or more parties employ another person to provide services on their behalf and empower those persons to make decisions ([Jensen & Meckling, 1976](#)). Decision-making will impact the company's health condition, which is reflected in the financial statements, where external parties see the company's health through financial reports ([Annisa, Rochmah, & Ekasari, 2022](#)). Based on this theory, apart from causing agency problems, the separation between principals and agents will also result in information asymmetry or situations where agents have access to knowledge that principals do not. Based on the assumption of human nature which states that every human being has a greater desire to prioritize their interests. Thus there is a difference in needs and causes the agent to abuse his responsibility in conveying the information requested by the principal if it is profitable for the agent. Therefore, to overcome this, it is imperative to apply good corporate governance along with its principles and procedures to protect the relationships and rights of all stakeholders. And in this case, also the roles and responsibilities of Islamic Banks in society are not only providing financial needs to stakeholders but also providing social and welfare functions for the wider community and creating justice ([Asutay & Harningtyas, 2015](#)).

Fraud refers to International Standards On Auditing (ISA) section 240 announced by IAPI (effective January 1, 2021) as follows, "Fraud is an action carried out intentionally by a person or group of people in management or a party with responsibility for management, employees, as well as third parties by involving the use of deception to gain an advantage without justice or referred to as a violation of the law". Fraud is an "action carried out intentionally by members of company management, parties who have a role in the company, employees or third parties who commit fraud or deception to gain unilateral or illegal benefits" ([Fadhistri & Triyanto, 2019](#)). Research on Fraud in Islamic Banks that the authors carry out is based on research that has been carried out by previous researchers, referring to research by [Karmina & Majidah \(2020\)](#) Fraud is still rife in Islamic banks in Indonesia, such as corruption and misuse of assets which are very detrimental to the company. Study [Supriatna, Umiyati, & Kamal \(2022\)](#) expressing Fraud in Islamic Banks can be done through management levels from the lowest to the owner, therefore the entity has a large operational risk when dealing with fraud so the precautionary principle of sharia compliance is very much needed. And according to [Ibrahim et al. \(2004\)](#) research [Najib & Rini \(2016\)](#), [Amin, Pagalung, & Kara \(2022\)](#), and [Nusron \(2017\)](#) to provide information related to sharia banking compliance with sharia

principles, the Islamic Disclosure Index (IDI) is a recommendation from Islamic accounting experts based on 3 Islamic elements including Shariah Compliance, Corporate Governance, and Social Or Environment-Disclosure. In Islamic Commercial Banks, every fraud that occurs during the year will be disclosed in the GCG report of each Islamic Bank where irregularities in Islamic Banks must be disclosed. In this study, indications of fraud can be measured using a nominal scale whose reports are included in the GCG annual report.

The benefit of sharia compliance in Islamic banks is to apply Islamic principles to financial transactions, banking, and related business activities. Islamic banks must comply with the existence of sharia regulations during their operational practices. Compliance with sharia principles is fulfilling sharia principles as a whole in all banking activities as a manifestation of the characteristics of the institution. According to [Zirman, Basri, & Fitriasari \(2019\)](#) reputation and trust in Islamic Banks is an achievement of the company towards the goals set by the company, therefore sharia compliance is a significant indicator when implementing Good Governance (GCG) so Islamic Banks must be very careful in carrying out their operational activities.

Islamic income is generated through sharia activities and investments that adhere to Islamic sharia principles. Sharia principles prohibit transactions involving *riba*, *gharar*, gambling, and other illegal matters so that it is sufficient to carry out legal transactions. Islamic Banks must disclose non-halal income and its utilization at Islamic Banks using the annual report on the implementation of GCG. When revenue management is in line with applicable sharia principles, Islamic banks can be responsible for what has been entrusted by customers and high halal income means a high level of compliance of Islamic banks with sharia principles, this will reduce the level of fraud that occurs. Thus the Islamic Income Ratio affects Fraud. Backed by research [Karmina & Majidah \(2020\)](#) and [Supriatna, Umiyati, & Kamal \(2022\)](#) argues that the Islamic Income Ratio (IsIR) has a significant impact on fraud. Based on the description described, the first hypothesis examined is:

H₁: Islamic Income Ratio (IsIR) affect the Fraud

Some of the assets that must be distributed so that they are handed over to individuals who have rights and payments are carried out based on regulations and are in the form of characteristics in the Islamic economy known as *zakat*. *Zakat* is a main purpose in Islamic accounting because generally, *zakat* is an order in Islam. The calculation of *zakat* measures the amount of *zakat* submitted by Islamic Banks and compared it to net income. The better the implementation of Sharia compliance in banking operations, the more convincing customers will be if transactions are carried out in line with Islamic law. Disclosure of *zakat* is a form of corporate social responsibility to the community. Then *zakat* is a pillar of Islam, so it becomes one of the accounting goals in sharia companies. When Islamic Banks calculate *zakat* expenditures with full responsibility and by Islamic law, fraud to manipulate *zakat* funds will be avoided. This means that the Zakat Performance Ratio influences fraud.

According to research by [Karmina & Majidah \(2020\)](#), Zakat Performance Ratio has an impact on fraud either simultaneously or partially. Furthermore, [Amin, Pagalung, & Kara \(2022\)](#) found that the Zakat Performance Ratio has a significant effect on fraud. The second hypothesis in this study is based on this explanation:

H₂: Zakat Performance Ratio (ZPR) Affects the Fraud

Investment by Islamic law is an investment that intends to obtain profits in accordance with laws. The calculation of the Islamic Investment Ratio is by comparing halal and non-halal investments as much as investments carried out by Islamic banks. There is also value received in the form of measuring the halal component as well as success in implementing the basic principles of Islamic banking, namely not containing riba components. In this case, when halal investment is high, Islamic banks must manage investment funds by implementing sharia compliance. If an Islamic Bank manages customer funds correctly and honestly, it means that it tends to avoid fraudulent acts where the Fraud value will decrease, and raises an indication that when the IsVR is high, Fraud will decrease. So, the Islamic Investment Ratio influences Islamic Fraud Banks.

It is supported by the research undertaken by [Muhammad, Kusumadewi, & Saleh \(2019\)](#) as well as [Nusron \(2017\)](#) which shows that the Islamic Investment Ratio influences Islamic Bank Fraud. Seeing this, the third hypothesis in the research undertaken is:

H₃: Islamic Investment Ratio (IsIVR) Affects the Fraud

METHOD

The research carried out is quantitative research with secondary data, namely secondary data, namely annual financial reports, and annual reports on the implementation of GCG for the period 2016 to 2021. The population in the research carried out is Islamic Commercial Banks (BUS) which are registered with Bank Indonesia from 2016 to 2021. The reason the author uses Banks as the research population is because of the research conducted by the ACFE (Association of Certified Fraud Examiners). According to [Najib & Rini \(2016\)](#), a bank is a company that is the most victim of fraud and the attractiveness of choosing an Islamic bank is because Islamic banks have their principles when carrying out their activities. Therefore, research on Islamic bank fraud is still difficult to find. The process of selecting the sample used in research is the method of selecting a sample with a purpose (purposive sampling). The use of non-random samples must meet all the criteria that have been aligned with the purpose or research problem. Furthermore, there are also criteria as below:

Table 1. Sample Criteria

No	Sample Criteria	Amount
1	The population of Sharia Commercial Banks registered with Bank Indonesia periode 2016-2021	14
2	BUS which publishes annual financial statements and GCG reports during the 2016-2021 period	7
3	BUS that does not publish annual financial statements and GCG reports during the 2016-2021 period	(7)
Number of research samples		7
Research period		6
Final sample		42

This study uses the dependent variable, namely Fraud. Fraud in this study is calculated by observing the total Fraud contained in Islamic Banks revealed in the annual report on the implementation of GCG for each Islamic Bank. After that, the independent variable in the study, namely sharia compliance, was calculated using three proxies. The following ratios are processed by the author, namely:

Table 2. Operational Definition and Variable Measurement

Variable	Variable	measurement	Scale
Fraud (Y)	Fraud contained in occupational fraud with three branches, namely corruption, asset misappropriation, and financial statement fraud.	Measured through observation of the amount of internal fraud stated in the annual report of Islamic commercial banks	Nominal (Najib & Rini, 2016)
Sharia compliance	Islamic Income Ratio (IsIR), Assessing the percentage of Islamic income from the overall income, both halal and non-halal.	$\frac{\text{Halal Income}}{\text{Halal Income} + \text{Non Halal Income}}$	Ratio (Yusnita, 2019)
	Zakat Performance Ratio (ZPR), The mandatory wealth of a bank is based on net assets and not net income, as emphasized in conventional methods.	$\frac{\text{Zakat}}{\text{Net Asset}}$	Ratio (Hayati & Ramadhani, 2021)
	Islamic Investment Ratio (IsIVR), The ratio that calculates the halal aspect is also the successful implementation of the basic principles of Islamic banks, namely that it does not contain a riba component that can be observed on the investment side.	$\frac{\text{Halal Investment}}{\text{Halal Investment} + \text{Non Halal Investment}}$	Ratio (Yusnita, 2019)
Control Variables Profit Sharing Ratio(PSR)	This ratio is measured from financing by utilizing a profit-sharing scheme, namely mudharabah and musyarakah which are distributed to the total financing	$\frac{\text{Mudharabah} + \text{Musyarakah}}{\text{Financing Total}}$	Ratio (Hayati & Ramadhani, 2021)
Islamic Corporate Governance (ICG)	The composite value of GCG self-assessment of Sharia Banks in GCG reports distributed by Sharia Banks.	The value of all aspects after being linked to the composite value weight of GCG Sharia Bank	Nominal (Budiman, 2017)

The research was undertaken using panel data, namely the regression technique by combining time series data as well as cross-section data. Referring to [Muhammad,](#)

Kusumadewi, & Saleh (2019) the estimation method for the panel data regression model can be carried out with three approaches, which include the Common Effect (CE) model, Fixed Effect (FE) model, and Random Effect (RE) model. And selecting the right model when estimating panel data through three ways, namely the Chow, Hausman, and LM Tests. The Chow test to select the best model between Common Effect (CE) or Fixed Effect (FE) models to be used in research. The Hausman test functions to select the right Fixed Effects or Random Effects model to be used in research. While the LM test is carried out to find out whether the Random Effect model is more appropriate than the Common Effect. The classic assumption tests that will be carried out in panel data regression are the normality, multicollinearity, and heteroscedasticity tests. The hypothesis test is also an analysis of panel data containing the F test, t-test, and coefficient of determination test. There is also a regression equation formula used during research as below:

$$Y_{it} = c + \beta_1 IsIR_{it} + \beta_2 ZPR_{it} + \beta_3 IsIVR_{it} + \beta_4 ICG_{it} + \beta_5 PSR_{it} + e$$

Y : Fraud
c : Constanta
IsIR : Islamic Income Ratio
ZPR : Zakat Performance Ratio
IsIVR : Islamic Investment Ratio
ICG : Islamic Corporate Governance
PSR : Profit Sharing Ratio
i : cross-section
t : time series
e : error

RESULTS AND DISCUSSION

This study uses 42 data taken from the financial reports of Islamic banks in the 2016-2021 period, namely banks that meet the criteria are BCA Syariah, Bank Muamalat Indonesia, Bank Jabar Banten Syariah, Bank Syariah Bukopin, Bank Aladin Syariah, Bank Aceh Syariah, and BTPN Syariah. The first data analysis performed was the selection of the Panel Data Regression Model.

Table 3. Chow-test

Effect Test	Statistic	d.f	Prob.
Cross-section F	8.79777	(6.30)	0.0000
Cross-section Chi-square	42.632922	6	0.0000

Looking at the results of the Chow test or likelihood test using Eviews, we get a Chi-square probability value of $0.0000 < (\alpha) 5\%$. Thus the most appropriate model used in the research undertaken is the Fixed Effect Method.

Table 4. Hausman-test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	52.313603	5	0.0000

Looking at the results of the Hausman test using Eviews, we get a probability value of $0.0000 > (\alpha) 5\%$. Thus, the Fixed Effect Method is the most appropriate model to be used in research.

In the hypothesis testing research undertaken, the model used is the Fixed Effect, this model also fulfils the classic assumption test, namely the normality test which shows a Jarque-Bera value of 0.230276, a prob value of $0.891243 > 0.05$, so based on these results it can fulfil the assumption that normally distributed data. Furthermore, the multicollinearity test produces values between independent variables that have a relationship below 0.8, so that multicollinearity does not occur in the regression model. Continuing with the heteroscedasticity test using the Glejser test method and showing the probability of all variables is greater than 0.05, this means that there is no heteroscedasticity in this study. And these results also provide a conclusion if the model has passed the tests carried out. Therefore, the estimated results are persistent and unbiased. The following is the result of the panel data regression estimation:

Table 5. Regression Estimation Results with the Fixed Effect Model Dependent Variable: Fraud

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	1011.818	550.9615	1.836459	0.0762
IsIR	-1013.132	553.1340	-1.831662	0.0770
ZPR	29855.91	8764.490	3.406463	0.0019
IsIVR	4.390328	3.836621	1.144321	0.2615
ICG	0.426524	1.909740	0.223341	0.8248
PSR	-3.462911	16.31789	-0.212216	0.8334
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared				0.772579
Adjusted R-squared				0.689191
S.E. of regression				5.032856
Sum squared resid				759.8893
Log-likelihood				-120.4010
F-statistic				9.264905
Prob(F-statistic)				0.000001

$$\text{Fraud} = 1011.81 - 1013.13\text{IsIRit} + 29855.91\text{ZPRit} + 4.39\text{IsIVRit} + 0.42\text{ICGit} - 3.46\text{PSRit}$$

Based on Table 5 above, the results of the Fixed Effect Model (FEM) t-test show that the IsIR probability value is $0.0770 > 0.05$, so H_0 is accepted, and H_1 is rejected. This means that IsIR (the independent variable) does not have a significant or individual effect on fraud (the dependent variable). Then the ZPR probability value is 0.0019 which is smaller than the considerable value < 0.05 , then H_0 is rejected, and H_2 is accepted. Therefore, ZPR (independent variable) has a significant or individual influence on fraud (dependent variable). Furthermore, the IsIVR probability value is $0.2615 > 0.05$ H_0 is accepted, and H_3 is rejected. This means that IsIVR (the independent variable) does not have a significant or individual effect on fraud as (the dependent variable). Then the ICG probability value is $0.8248 > 0.05$ then H_0 is accepted, and H_4 is rejected. This means that ICG (the control variable) does not have a significant or individual effect on fraud (the dependent variable). Furthermore, the PSR probability value is $0.8334 > 0.05$ H_0 is accepted, and H_5 is rejected. This means that PSR (control variable) does not have a significant or individual effect on fraud (the dependent variable).

Thus, based on the t-test of the fixed effect model, one variable has a significant effect, namely ZPR, while the IsIR, IsIVR, ICG, and PSR variables do not have a significant effect. Then the F value test results aim to find out whether all independent variables simultaneously affect the dependent variable, namely fraud. The results of Table 4 above show that the calculated F value is 9.264905 with the result of an F-Statistic

probability <0.05 . This shows that all independent variables simultaneously influence fraud.

Furthermore, the results of the test for the coefficient of determination used in this test are used to meet the influence of the independent variable on the dependent variable and the R-Square value to show the presence of the level of correctness of the prediction from the regression test performed. In Table 4 it is known that the R-Squared value is 0.772579 indicating that the variation of the IsIR, ZPR, IsIVR, ICG, and PSR variables is 77% and the remaining 23% is explained by other variables outside the variables in this study.

The effect of Islamic Income Ratio (IsIR) on fraud

The first hypothesis is to say that the Islamic Income Ratio has an impact on fraud. Based on the research results, X1 (Islamic Income Ratio) gives statistical results with a probability level of $0.0770 > 0.05$ and the value of the regression coefficient with a magnitude of -1013.132 thus the Islamic Income Ratio aspect has a significant impact on fraud, thus H1 is rejected.

Based on the data processing that has been carried out in this study, the results show that the Islamic Income Ratio does not have an impact on fraud in Islamic banks. This is obtained from a percentage close to 100% between the amount of halal income and non-halal income compared to the amount of income. Seeing this the financial reports of non-halal income must be disclosed honestly, to avoid fraud and the results of these values prove that Islamic banks have good performance. These results do not answer the hypothesis and there is a discrepancy between the results studied by [Karmina & Majidah \(2020\)](#) and [Supriatna, Umiyati, & Kamal \(2022\)](#) argument that the Islamic Income Ratio (IsIR) has a significant impact on fraud.

The activity carried out by Islamic Banks is to comply with existing Islamic principles, because the higher the Islamic compliance, the lower the occurrence of Fraud and this includes a strategy for people's trust in the selection of Islamic Banks. However, there are still fraudulent acts at Islamic banks, this is caused by income that is classified as an easily manipulated account that is also stolen. The description is contained in the research by [Najib & Rini \(2016\)](#) if the Fraud technique that generally occurs is related to the recognition of income that is not appropriate. According to [Okyanta \(2017\)](#) in banking operations, the basic principles of halal and tayyib spiritual are applied. As an industrial bank, revenue management in Islamic banking must be very professional and according to the procedures determined by the Sharia Supervisory Board. And also in Islamic principles, there are values of honesty, transparency, and openness that must be respected. Realized income refers to sharia rules unable to make a significant contribution to reducing fraudulent acts in Islamic banks.

The effect of Zakat Performance Ratio (ZPR) on fraud

Looking at the results studied, X2 found a probability level of $0.0019 < 0.05$ with a regression coefficient value of 29855.91, the Zakat Performance Ratio (ZPR) factor has a significant influence on fraud. Then H2 is accepted.

Zakat Performance Ratio is a tool to detect sharia compliance which is the aim of the aspect of sharia finance. According to [Ibrahim et al. \(2004\)](#), this ratio is important because zakat is an order in Islamic teachings. Because of the order, zakat is obligatory in Islam. The ratio in calculating this variable uses net assets which aim to describe the total assets of Islamic banks as a benchmark for the amount of zakat to be paid by Islamic banks. Because the higher the value of the Zakat Performance Ratio, the higher the potential for fraud to occur. According to research by [Raudhah, Ayumiati, & Isnaliana \(2020\)](#), the vulnerability of ZPR to fraud is because Islamic banks are classified as profit

institutions and their job is to manage finances, therefore financial management manipulates the amount of wealth so that the zakat to be paid is reduced. So, these activities are not by sharia principles.

Zakat paid should be able to boost the company's image because zakat has a social component, to comply with sharia regulations. Disclosure of zakat is one of the priorities in financial reporting and is a form of social responsibility of Islamic banks to the public. Zakat can be used to prevent excessive consumption patterns which have a negative impact on the economy, inequality, and inflation (Muhammad, Kusumadewi, & Saleh, 2019). And with the existing elaboration also supports the research carried out by Karmina & Majidah (2020) and Amin, Pagalung, & Kara (2022) that the Zakat Performance Ratio has a significant effect on fraud.

The effect of Islamic Investment Ratio (IsIVR) on fraud

Research X3 produces a probability level of $0.2615 > 0.05$ and the regression coefficient value is 4.390328, the Islamic Investment Ratio (IsIVR) does not have a significant impact on fraud, thus H3 is rejected.

The Islamic Investment Ratio factor has no effect, this proves that the activities of Islamic Banks that have been carried out so far are already by Islamic principles and by Islamic principles. This is evidenced by the results of the calculated percentage ratio, which is on average close to 100%. However, this does not rule out the possibility that Islamic banks, which are not included in the sample of this study, have fraudulent problems with the Islamic Investment Ratio. Because investment activities are one of the bank products that play the most role in the continuity of the bank. Fraudulent acts committed in investment activities are closely related to the assets owned because assets, namely accounts that are very easily manipulated and also stolen, make investments carried out under sharia provisions unable to contribute significantly to minimizing fraud in Islamic banks. Thus these results are inconsistent with research by Muhammad, Kusumadewi, & Saleh (2019) and Nusron (2017) which shows that the Islamic Investment Ratio has an impact on Islamic Bank Fraud.

Managers are considered to have managed investors' funds well according to agency theory when the investment value given or invested is high. If the manager wants to be honest, he will avoid fraudulent acts that reduce the fraudulent value of the company. In this case, the research carried out means that Islamic banks have implemented principles by sharia, and the findings of this study are by the findings of Najib & Rini (2016) who found that the Islamic Investment Ratio (IIR) does not affect fraud.

Effect of Profit Sharing Ratio (PSR) and Islamic Corporate Governance (ICG)

The results, control variables are used to produce a level of profitability for Islamic Corporate Governance (ICG) with a magnitude of 0.8284 and Profit Sharing Ratio (PSR) with a magnitude of 0.8334, exceeding the value of 0.05, therefore the variables used do not have an impact on Fraud.

Islamic Corporate Governance or corporate governance in the Islamic way in this study has no impact on fraud in Islamic Banks. According to research by Najib & Rini (2016) which is also in line with this research which reveals that Islamic banks are still in the growth stage so the corporate governance of Islamic banks is said to have not been effective in having an impact on existing fraud. Whereas Dari, Nor, & Rasidah (2021) fraud can be carried out in ways that are increasingly sophisticated and diverse as time goes by, awareness and understanding of humanity, as well as conscience, are needed to avoid fraud. And in this case, it is necessary to actualize corporate governance which results in implementation based on sharia concepts and is effective for implementation. With the implementation of good ICG and sharia principles, Islamic Banks will work

prudently, because that is a form of responsibility to the community in the application of good governance.

Whereas the PSR does not have an impact on fraud, namely the profit sharing offered by Islamic Banks is limited to being used as a directive of funds and as a difference from conventional banks, not as an obligation that applies the principles of Islamic law so that it has nothing to do with fraud. Islamic banks operate according to sharia principles if the profit-sharing ratio is high and the fraud rate is low. Research by [Marheni \(2017\)](#) reveals that disclosure of profit-sharing financing according to sharia principles in the implementation and management of sharia banking businesses can reduce people's fears of losing the benefits they seek from sharia banking services, thereby influencing their decision to choose or continue to use sharia banking services. Profit-sharing financing improves health finance because profit-sharing financing based on sharia principles is one way to maintain public trust in Islamic Commercial Banks. However, the higher the ratio of mudharabah and musyarakah financing in Islamic Banks, the more vulnerable the occurrence of fraud, so PSR does not contribute to reducing existing fraud. These results are the same as the study by [Karmina & Majidah \(2020\)](#) where PSR does not affect fraud.

CONCLUSION

Based on the results of the study, shows that the independent variables Islamic Income Ratio (IsIR), Islamic Investment Ratio (IsIVR), Islamic Corporate Governance (ICG), and also Profit Sharing Ratio (PSR) partially have no effect and are significant to Fraud Islamic Commercial Banks that have been registered with Bank Indonesia during 2016-2021. Based on the results of the research conducted, shows that the independent variable Zakat Performance Ratio (ZPR) has partially had a significant positive impact on Islamic Commercial Bank Fraud which has been registered with Bank Indonesia during 2016-2021.

The research carried out has limitations that can be considered for further research to get the best results in the future, namely: This research only takes the object of research of Sharia Commercial Banks, until the results obtained cannot be generalized to all Islamic banks like the research objects of the Sharia Business Unit (UUS) and the Sharia People's Financing Agency (BPRS).

Looking at the results of the research and discussion as well as several conclusions that have been presented in this study, there are also suggestions that the author would like to give to future researchers who are interested in similar research and to obtain better results, namely for further research it is better to expand the variants of other Islamic institutions like Sharia Business Units (UUS), Sharia People's Financing Agency (BPRS) and Sharia Insurance., and further research it is better to add other different variables to obtain the best results, and further research is recommended to expand the research year range to obtain maximum results.

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