

Analysis of the Influence of Islamic Corporate Governance (ICG) and Sharia Compliance on Fraud Prevention

Wulida Oktihandani^{1*}, Indah Oktari Wijayanti²

^{1,2}Faculty of Economics and Business, Universitas Bengkulu, Indonesia
Email: ¹⁾ wulidaoha@gmail.com, ²⁾ indahoktari24@gmail.com

Received : 22 March - 2025

Accepted : 29 April - 2025

Published online : 30 April - 2025

Abstract

This study investigates how Islamic Corporate Governance (ICG) and Sharia Compliance impact the prevention of fraud in Sharia Commercial Banks and Sharia Business Units during the observation period of 2021-2023. It also, examines whether these two aspects have a real or symbolic influence, given that previous findings show a mismatch between normative governance structures and the effectiveness of their implementation. The Sharia Supervisory Board, Board Commissioners, and Board Directors contribute to the establishment of Islamic Corporate Governance. The Islamic Income Ratio (IsIR) and Profit Sharing Ratio (PSR) are used to evaluate compliance with Sharia principles. The dependent variable fraud calculated by calculating amount audits internal. Research studied all Islamic Commercial Banks and Business Units Indonesia from 2021-2023. Sample selected using purposive sampling method. Data obtained from annual report for the year 2021-2023 was processed using Eviews 12. The findings of the research indicate that the Board of Commissioners has a favourable impact on preventing fraud, whereas the Sharia Supervisory Board, Board of Directors, Islamic Income Ratio (IsIR), and Profit Sharing Ratio (PSR) do not contribute to fraud prevention. It should be noted that the adjusted R-squared value in this study is a modest 11.354%. The Sharia Compliance variable is determined based on only two indicators, namely the Islamic Income Ratio (IsIR) and Profit Sharing Ratio (PSR).

Keywords: Islamic Corporate Governance (ICG), Sharia Compliance, Fraud Prevention, Islamic Commercial Banks.

1. Introduction

Islamic banking in Indonesia is represented by Sharia Commercial Banks (BUS), Sharia Business Units (UUS), and Sharia People's Financing Banks (BPRS). The presence of these financial entities is a clear indication of the expanding Islamic banking sector in Indonesia. A Sharia Commercial Bank (BUS), for example, operates in accordance with sharia principles and offers payment traffic services. Meanwhile, a Sharia Business Unit (UUS) is a department within a Conventional Commercial Bank's main office that operates in line with sharia principles and oversees sharia sub-branch offices and/or units (Addiarrahman et al., 2022). This growth has implications for the challenges that Islamic banking must face, even with the attached sharia label does not make all these challenges overcome. The widespread deception in Islamic banking is evident.

Evidence that fraud can occur in the Islamic banking environment based on Islamic principles can be seen in the case of Bank Nusa Tenggara Barat Syariah in 2021, namely a case of misappropriation of funds by a non-cash service supervisor of Rp10 billion (Hernawardi, 2021). Fraud case at Bank Aceh Syariah in 2022 engage the embezzlement of tax funds by



employees amounting to IDR 1.4 billion (Natalia, 2022). Yet, the fraud case carried out by the Branch Head of Bank Victoria Syariah in 2024 resulted in a loss of IDR 35 billion (Puspadini, 2024).

In addition to the three fraud cases that have been mentioned, based on data collected until April 2025 from various news sources, there are at least six fraud cases involving Islamic banking in Indonesia every year from 2021 to 2025. These cases generally involve internal bank employees who abuse their positions or authority to commit fraud, embezzlement of customer funds, disbursement of fictitious funds, falsification of documents, and misuse of People's Business Credit (KUR) funds. This fact shows the low application of sharia governance principles, the lack of optimal internal supervision, and the ineffectiveness of early detection systems in preventing overcrowding (Hardianti, 2022).

According to the regulations set by the Financial Services Authority for commercial banks, fraud is defined as a deliberate dishonest act aimed at deceiving the bank, customers, or other parties. It involves the misuse of the bank's resources to cause losses to the bank, customers, or other parties, while the fraudsters themselves gain financial advantages, either directly or indirectly (POJK, 2019).

Factors that can affect fraudulent actions are Islamic Corporate Governance (ICG). Islamic Corporate Governance (ICG) is the management of a company or organization based on Sharia principles, applies fairness, transparency, accountability, also social responsibility. As well affirm fairness in distribution profits between shareholders and other parties involved. Islamic Corporate Governance (ICG) plays important role ensuring companies or organizations operate accordance with sharia principles and maintain trust external parties (Ananda & NR, 2020).

Even though Islamic Corporate Governance has been implemented, Islamic banking must also have a high awareness of sharia compliance. Because by complying with sharia compliance, Islamic banking can prevent and reduce the occurrence of fraud. When sharia principles are applied, such as the absence *riba*, *gharar* and *maysir* elements, more halal transactions carried and halal income is larger, allows fraud to occur lower (Wakhidah, 2023).

The previous study that became a reference for this study was Addiarrahman et al. (2022) found that Sharia Supervisory Board and Board of Directors had no influence on fraud. Putri et al. (2023) found Sharia Supervisory Board negative influence in fraud and Board of Directors has a positive influence on fraud. Putriana et al. (2024) states that Sharia Supervisory Board positive influence in fraud, but Board of Commissioners and Board of Directors have no influence on fraud. Lejab et al. (2024) found Board of Commissioners negative influence in fraud. Triyanto (2022) found that Islamic Income Ratio does not influence in fraud. Ridha and Umiyati (2022) stated that Islamic Income Ratio and Profit Sharing Ratio negative influence in fraud. Supriatna et al. (2022) stated that Islamic Income Ratio positive influence in fraud and Profit Sharing Ratio negative influence in fraud. Subkhi and Puspitasari (2023) found that Profit Sharing Ratio no influence in fraud.

Nonetheless, it must be acknowledged that there exists a discrepancy between the ideals of Islamic Corporate Governance (ICG) and the actual adherence to sharia principles in order to deter fraudulent activities, a situation that can be attributed to conflicting and inconclusive research findings. The main objective of this research is to address this disparity by examining and thoroughly assessing the efficacy of Islamic Corporate Governance (ICG) and the degree of sharia compliance within Sharia Commercial Banks as well as Sharia Business Units. Especially on the structure, effectiveness, implementation of responsibilities based on sharia principles and a more comprehensive measurement approach from the Sharia Supervisory

Board, Board of Commissioners, and Board of Directors in preventing fraud. That said, sharia compliance is analyzed not only as administrative compliance with fatwas, but as a basic value that suppresses the potential for fraud through halal transactions and clean sharia revenue. By combining the analysis of Islamic Corporate Governance (ICG) and sharia compliance simultaneously, this study makes an empirical and conceptual contribution to strengthening fraud prevention systems that are not only structural, but also based on substantive sharia values.

2. Literature Review

2.1. Agency Theory

Agency theory is a concept that focuses on the divide between owners, known as principals, and managers, known as agents. Principals grant managers the authority and responsibility to run the company on their behalf and in their best interests. Due the delegation of authority, managers make strategic, tactical and operationally profitable decisions, as result agency conflicts intractable arise (Marietza et al., 2020).

The link between agency theory and fraud in Islamic banking is as a result that may arise from the agency problem in Islamic banking. Although Islamic banking is built on Islamic principles, there is no assurance that it is immune to fraud, as fraudulent activities can stem from the internal workings of Islamic banking. Implementing effective Sharia Corporate Governance (ICG) and adhering to Sharia Compliance are essential in order to combat fraud within Islamic banking (Addiarrahman et al., 2022).

2.2. Islamic Corporate Governance (ICG)

Mardiani et al., (2019) highlight that Islamic Corporate Governance (ICG) is a governance structure that is carried out in Islamic banking that applies the principle transparency based Islamic law. Purpose Islamic Corporate Governance (ICG) is creating corporate governance that has moral and social values in accordance with Islamic law. In 2023, the National Committee on Governance Policy (KNKG) stated that the key factors behind the success of Islamic banking include the Sharia Supervisory Board, the Board of Commissioners, and the Board of Directors.

2.3. Sharia Supervisory Board

Sharia Supervisory Board obliged ensure that every Islamic banking operation accordance by sharia law. Enforcing the obligations and tasks of the sharia supervisory board is crucial for upholding the integrity of the institution and preventing any actions that go against sharia principles, such as engaging in deceitful behaviour (Putri et al., 2023).

2.4. Board of Commissioners

In Islamic banking, the primary role of the Board of Commissioners is to guarantee the effective execution of banking plans, oversee the leadership of the Board of Directors in the banking sector, guarantee the responsibility of Islamic banking in line with the articles of association, and offer advice to the Board of Directors. Essentially, the Board of Commissioners acts as a monitoring tool and offers support and instruction to the Board of Directors (Astuti, 2022).

2.5. Board of Directors

Board of Directors has an important responsibility in management, namely making strategic plans and principles for reference Sharia Financial Institutions (LKS). The board of

directors must succeed in realizing good Islamic Corporate Governance (ICG) so that Islamic banking can avoid practices that will be detrimental to banking, such as fraud practices that are very vulnerable to occur in Islamic banking (Putri et al., 2023).

2.6. Sharia Compliance

Sharia compliance in Islamic banking involves adhering to all principles of sharia law that reflect the characteristics, integrity, and credibility of Islamic banking (Alfiyati, 2023). Islamic finance incorporates sharia principles, such as the avoidance of gambling, deceit, fraud, high interest rates, and investments related to adult content or alcohol (Rosiyana, 2024).

2.7. Fraud

The Financial Services Authority states that fraud involves deliberate breaches aimed at tricking and manipulating banks, customers, or other parties. This typically results in financial losses for banks, customers, or other parties, while the perpetrators benefit either directly or indirectly (POJK, 2019). Fraud can be committed by anyone in an Islamic bank, regardless of their position or level of authority. This is because there is always a possibility of fraudulent activity happening, be it at the top management level or amongst lower-ranking staff members (Putri et al., 2023).

2.8. Hypothesis

2.8.1. The Influence of the Sharia Supervisory Board on Fraud Prevention

The Sharia Supervisory Board serves as an autonomous overseer, ensuring that Islamic banking practices are in line with sharia principles and the edicts of the National Sharia Council. Following the principles of agency theory, the board is tasked with minimizing the risk of fraudulent activities by monitoring business operations and financial reports to align with the owner's interests (Nugroho, 2020). In addition, Sharia Supervisory Board strengthens internal audits by providing strategic direction in sharia-based audit procedures, assisting in the identification of specific fraud risks such as contract manipulation and misuse of sharia funds, and ensuring operational compliance. The synergy between Sharia Supervisory Board and internal audit increases the effectiveness of supervision, reduces the potential for fraud, and maintains transparency and accountability of Islamic banking (Wibowo, 2023).

Research performed by Putriana et al. (2024) found that Sharia Supervisory Board positive influence on fraud. However, different from research of Putri et al. (2023) found that Sharia Supervisory Board negative influence in fraud. Further, Addiarrahman et al. (2022) found that Sharia Supervisory Board no influence fraud. Based on description, hypothesis can be made:

H1: Sharia Supervisory Board positive influence in the prevention of Fraud.

2.8.2. The Influence of the Board of Commissioners on Fraud Prevention

The Board of Commissioners is responsible for supervising the activities of Islamic banking as well as providing advice to the Board of Directors. Based on agency theory, they ensure that agents do not act opportunistically and comply with sharia principles to prevent fraud. Besides, Board of Commissioners supports internal audits to run independently, follow up on audit invention, also improve weaknesses in the control system to minimize fraud risks (Intia & Azizah, 2021).

Research performed by Lejab et al. (2024) which states Board of Commissioners negative influence in fraud prevention. However, according to Putriana et al. (2024), Board of Commissioners no influence in fraudulent actions. Based on description, hypothesis can be made:

H2: Board of Commissioners positive influence on the prevention of Fraud.

2.8.3. The Influence of the Board of Directors on Fraud Prevention

The Board of Directors is responsible for overseeing and supervising Islamic banking operations in compliance with Sharia principles, with oversight from the Sharia Supervisory Board and Board of Commissioners. They aim to establish a robust internal control culture by implementing clear policies and procedures, and ensuring that internal audits are conducted impartially. The audit findings are used to inform strategic decision-making and enhance operational processes to prevent fraudulent activities. And Board of Directors encourages employed digital technology too monitoring systems to maximize reporting accuracy and early detection of irregularities, so as to prevent fraud risks in Islamic banking (Purnama et al., 2022).

Research conducted by Putri et al. (2023) found that the Board of Directors has a positive influence on fraud actions. However, Addiarrahman et al. (2022) and Putriana et al. (2024) found that the Board of Directors had no influence on fraud. Based on description, hypothesis can be made:

H3: Board of Directors has a positive influence on the prevention of Fraud.

2.8.4. The Influence of Islamic Income Ratio on Fraud Prevention

Islamic Income Ratio (IsIR) plays a role in assessing banks' compliance with sharia principles and increasing the effectiveness internal audits in fraud prevention. The Islamic Income Ratio (IsIR) provides clear indicators for internal audits to identify non-halal revenues and develop more targeted audit procedures. Based on agency theory, a high Islamic Income Ratio (IsIR) score can reduce the risk of irregularities in financial statements because it encourages transparency and accountability. Thus, the optimal implementation of Islamic Income Ratio (IsIR) strengthens supervision and prevents fraud in Islamic banking (Hasti, 2023).

Research conducted by Ridha and Umiyati (2022) states Islamic Income Ratio negative influence in fraud. However, this finding is unlike from Supriatna et al. (2022) research found that Islamic Income Ratio positive influence in fraud. Triyanto (2022) found that Islamic Income Ratio no influence in fraud. Based on description, hypothesis can be made:

H4: Islamic Income Ratio positive influence on fraud prevention.

2.8.5. The Influence of Profit Sharing Ratio on Fraud Prevention

Profit Sharing Ratio (PSR) not only measures the proportion of profit sharing based financing in Islamic banking, but also strengthens internal audits in detecting and preventing fraud. Profit Sharing Ratio (PSR) is an indicator of compliance with sharia principles, assisting internal audits in evaluating contracts, profit distribution, and financial statement transparency. And agency theory states that the higher Profit Sharing Ratio (PSR) applied accordance with sharia, less risk of fraud, thus supporting financial integrity and increasing the transparency of Islamic banking operations (Hasti, 2023).

Research conducted by Ridha and Umiyati (2022) and Supriatna et al. (2022) which found Profit Sharing Ratio negative influence in fraud. These yield contradict the research Subkhi and Puspitasari (2023) which found Profit Sharing Ratio no influence in fraud. Based on description, hypothesis can be made:

H5: Profit Sharing Ratio positive influence on fraud prevention.

For the hypothesis above, the framework of thinking used contains fraud prevention as a dependent variable and an independent variable Sharia Supervisory Board, Board of Commissioners, Board of Directors, Islamic Income Ratio, and Profit Sharing Ratio.

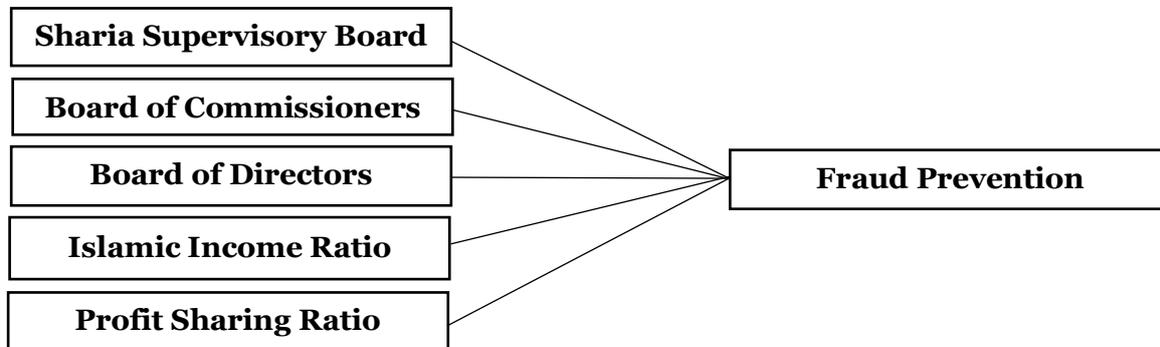


Figure 1. Framework of Mind

3. Methods

This study utilises quantitative methods and associative research to explore the level of explanation. The research focuses on the population of Islamic banking in Indonesia, specifically Sharia Commercial Banks and Sharia Business Units, for the period from 2021 to 2023. Data for the study was gathered from the Financial Services Authority (OJK) website as well as from websites of Indonesian Islamic banks for the years 2021-2023.

3.1. Dependent Variables

3.1.1. Fraud Prevention

Dependent variable of this study is fraud prevention with measuring the number of audits internal listed in the annual report of Islamic banking (Utami, 2018).

3.2. Independent Variables

3.2.1. Sharia Supervisory Board

According to Silalahi (2020), there are several indicators in Sharia Supervisory Board, namely number members (at least 2), number meetings (at least 12), the percentage of meeting attendance (at least 75%), the background of sharia education (at least 2 of the members number), sharia expertise (at least 2), dual positions, remuneration (non-in-kind), and female representation.

$$SSB = \frac{\text{Number of items disclosed}}{\text{Maximum number of disclosures}} \times 100\%$$

3.2.2. Board of Commissioners

According to Silalahi (2020), there are several indicators in Board of Commissioners, namely number members (at least 2), number meetings (at least 12), the percentage of meeting attendance (at least 75%), economic or financial education background (at least 2 of the members number), share ownership, concurrent positions, remuneration (non-in-kind), the proportion of the Board of Commissioners (at least 0.5), and female representation.

$$BC = \frac{\text{Number of items disclosed}}{\text{Maximum number of disclosures}} \times 100\%$$

3.2.3. Board of Directors

According to Silalahi (2020), there are several indicators in Board of Directors, namely number members (at least 2), number meetings (at least 12), the percentage of meeting attendance (at least 75%), economic or financial education background (at least 2 of the members number), dual positions, remuneration (non-in-kind), and female representation.

$$BD = \frac{\text{Number of items disclosed}}{\text{Maximum number of disclosures}} \times 100\%$$

3.2.4. Islamic Income Ratio

Islamic Income Ratio is ratio halal-sourced income that has been obtained by Islamic banks by comparing halal income with total income (Hasti, 2023).

$$IsIR = \frac{\text{Islamic income}}{\text{Islamic income} + \text{non-halal income}} \times 100\%$$

3.2.5. Profit Sharing Ratio

The Profit Sharing Ratio is used to assess the utilization of profit-sharing practices by Islamic banks, specifically in mudharabah and musharakah financing, with an emphasis on total financing (Hasti, 2023).

$$PSR = \frac{\text{Mudharabah financing} + \text{musyaraakah financing}}{\text{Total financing}} \times 100\%$$

3.2.6. Data Analysis Methods

The method used in this study involves analysing data through multiple linear regression using Eviews 12. The analysis covers a range of techniques including Panel Data Regression, Model Selection, Classical Assumption Testing, and Hypothesis Testing. The regression model utilises a specific formula for calculations:

$$Y = \alpha + \beta_1SSB + \beta_2BC + \beta_3BD + \beta_4IsIR + \beta_5PSR + \epsilon$$

Information:

Y	= Audit Internal	IsIR	= Islamic Income Ratio
α	= Constant	PSR	= Profit Sharing Ratio
SSB	= Sharia Supervisory Board	β1- β5	= Regression coefficient
BC	= Board of Commissioners	ε	= Error standard
BD	= Board of Directors		

4. Results and Discussion

4.1. Research Results

The study focuses on banks regulated by the Financial Services Authority (OJK), specifically Sharia Commercial Banks and Sharia Business Units for the years 2021-2023. Purposive sampling methods were used to select the participants. Below is an example table from the study.

Table 1. Acquisition of Research Samples

No	Criteria	Total
1	Sharia Commercial Banks and Sharia Business Units in Indonesia listed in OJK 2021-2023 period.	38
2	Inconsistent Sharia Commercial Banks and Sharia Business Units Listed at the OJK 2021-2023 period.	(15)
3	Total samples	23
4	Research period	3
5	Final sample count	69

Source: processed data, 2025

4.1.1. Research Model Selection Test

The purpose of the model selection test is to determine the most appropriate model for the research in question. Below are the outcomes of the model selection test:

Table 2. Chow Results of Research Model Selection

Chow Test		Hausman Test		Lagrange Multiplier Test	
Statistic	Prob.	Chi-Sq. Statistic	Prob.	Cross-Section-BP	Prob.
87.625	0.477	3.734	0.588	18.938	0.303

Source: data processed using eviews 12, 2025

The Chow test results indicate that the Common Effect Model is more precise than the Fixed Effect Model, with a probability value of $0.477 > 0.05$. Similarly, the Hausman test results suggest that the Random Effect Model is more accurate compared to the Fixed Effect Model, with a probability value of $0.588 > 0.05$. Furthermore, the Lagrange Multiplier test results show that the Common Effect Model is more reliable than the Random Effect Model, with a probability value of $0.303 > 0.05$.

4.1.2. Classical Assumption Test

The classical assumption test is designed to check that the data used for variables is not affected by issues such as normality, multicollinearity, heteroscedasticity, and autocorrelation.

1) Normality Test

Normality test is used to test the level of normality of the residual value of the data.

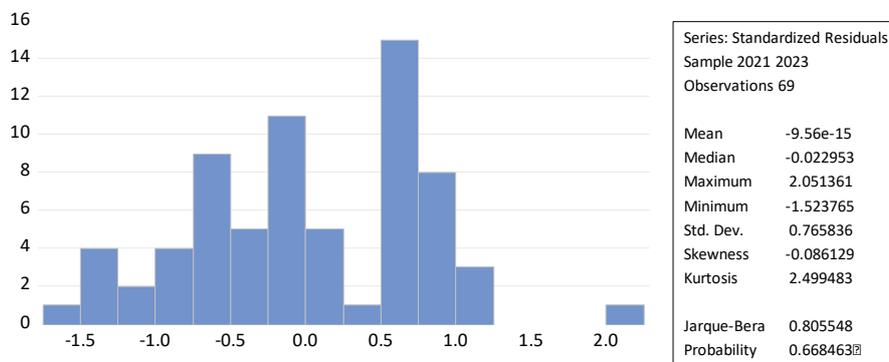


Figure 2. Normality Test

Source: data processed using eviews 12, 2025

Accordinging figure, normality test results probability value $0.668463 > 0.05$, indicating assumption of a normally distributed model.

2) Multicollinearity Test

The classical assumption test is designed to check that the data used for variables is not affected by issues such as normality, multicollinearity, heteroscedasticity, and autocorrelation.

Table 3. Results of Multicollinearity Test Analysis

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1943627.	92037.23	NA
DPS	2280.735	64.68776	1.267491
DK	3476.909	89.55370	1.555748
DD	4530.853	140.5592	1.392394
ISIR	1952999.	92261.26	1.232399
PSR	169.1507	3.223593	1.156758

Source: data processed using eviews 12, 2025

There was no multicollinearity issue in regression model in this research, because multicollinearity test results show Centered VIF value each independent variable X1, X2, X3, X4, and X5 < 10.

3) Heteroscedasticity Test

A successful regression model exhibits either homoskedasticity or the absence of heteroscedasticity.

Table 4. Results of Heteroscedasticity Test Analysis

F-statistic	0.507812	Prob. F(5,63)	0.7693
Obs*R-squared	2.673138	Prob. Chi-Square(5)	0.7502
Scaled explained SS	17.96555	Prob. Chi-Square(5)	0.0030

Source: data processed using eviews 12, 2025

Results Breusch Pagan Godfrey heteroscedasticity test showed that there was no problem with heteroscedasticity in this research, because value Prob. Obs*R-Squared is $0.7502 > 0.05$.

4) Autocorrelation Test

In this research, Breusch-Godfrey LM Test was used to detect the presence or absence of autocorrelation by looking at the Durbin Watson (DW-Test) value.

Table 5. Autocorrelation Test Analysis Results

F-statistic	2.334066	Durbin-Watson stat	1.972819
Prob(F-statistic)	0.035352		

Source: data processed using eviews 12, 2025

With a critical threshold of 0.05, there are a total of 69 observations (n) and 5 independent variables (k=5) in the study. The Durbin Watson (DW) value is calculated at 1.972819, with DL at 1.4588 and DU at 1.7680. The relationship between DW and DU, specifically 4-DU, shows a value of $1.7680 > 1.972819 < 2.2320$, indicating no presence of autocorrelation in the regression analysis.

4.1.3. Hypothesis Test

Hypothesis test aims to see the influence the variables Sharia Supervisory Board, Board of Commissioners, Board of Directors, Islamic Income Ratio, also Profit Sharing Ratio in fraud prevention at Sharia Commercial Banks and Sharia Business Units.

Table 6. Results of Hypothesis Test Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	998.6360	1394.140	0.716310	0.4764
DPS	-9.399610	47.75704	-0.196821	0.8446
DK	181.5287	58.96532	3.078568	0.0031
DD	-21.62150	67.31161	-0.321215	0.7491
ISIR	-1061.070	1397.497	-0.759265	0.4505
PSR	-5.823709	13.00579	-0.447778	0.6558
R-squared	0.178721	Mean dependent var		43.97101
Adjusted R-squared	0.113540	S.D. dependent var		40.54336
S.E. of regression	38.17238	Akaike info criterion		10.20504
Sum squared resid	91799.21	Schwarz criterion		10.39931
Log likelihood	-346.0740	Hannan-Quinn criter.		10.28212
F-statistic	2.741928	Durbin-Watson stat		0.698546
Prob(F-statistic)	0.026442			

Source: data processed using eviews 12, 2025

In the t-test findings above, the likelihood value for the Sharia Supervisory Board is 0.8446, which is greater than 0.05, indicating that the board has no impact on preventing fraud. Conversely, the Board of Commissioners has a probability value of 0.0031, lower than 0.05, and a coefficient value of 181.5287, showing a positive influence on fraud prevention. The Board of Directors, with a probability value of 0.7491 and a coefficient value of -21.62150, does not affect fraud prevention. The Islamic Income Ratio and Profit Sharing Ratio also show no influence on fraud prevention based on their probability values and coefficient values.

The F test outcome above indicates a significant impact of the Sharia Supervisory Board, Board of Commissioners, Board of Directors, Islamic Income Ratio, and Profit Sharing Ratio collectively on fraud prevention in Sharia Commercial Banks and Sharia Business Units, as the probability grade (F-statistic) is 0.026442, below 0.05.

The Coefficient of Determination (R^2) results reveal that the adjusted R-squared value is 0.113540 or 11.354%, meaning that the Sharia Supervisory Board, Board Commissioners, Board Directors, Islamic Income Ratio, and Profit Sharing Ratio are accountable for 11.354% of fraud prevention, while other variables not studied cover the remaining 88.646%.

4.2. Discussion

4.2.1. The Influence of the Sharia Supervisory Board on Fraud Prevention

Based on Prob value of $0.8446 > 0.05$ with Coefficient value of -9.399610, hypothesis 1 was rejected because Sharia Supervisory Board had no influence in fraud prevention. These findings contrary to agency theory that existence Sharia Supervisory Board can prevent fraud by supervising business activities and financial statements to be in match with interests of owner, strengthening internal audit by providing strategic direction in sharia-based audit procedures, helping to identify fraud risks such as contract manipulation and misuse of sharia funds so as to prevent fraud (Wibowo, 2023).

However, these findings are consistent with the findings of Addiarrahman et al., (2022) research which states Sharia Supervisory Board no influence in fraud because of its limited authority and focuses more on sharia compliance than detecting fraud in financial statements. Internal audits focused on identifying and preventing fraud tend to have more communication with the Board of Commissioners and Board of Directors rather than the Sharia Supervisory

Board. Moreover, the Sharia Supervisory Board often lacks the necessary resources and knowledge to detect sophisticated fraud schemes, diminishing its impact on fraud prevention.

4.2.2. The Influence of the Board of Commissioners on Fraud Prevention

According to the statistical analysis, with a prob value of 0.0031 which is less than 0.05 and a Coefficient value of 181.5287, hypothesis 2 was deemed valid due to the advantageous impact of the Board of Commissioners in deterring fraudulent activities. This finding aligns with the agency theory, which suggests that the Board's presence can act as a deterrent to fraud by overseeing agents' adherence to ethical principles, ensuring independent internal audits, addressing audit findings promptly, and enhancing control systems to reduce the likelihood of fraud (Intia & Azizah, 2021).

Board of Commissioners is tasked with supervising management to remain transparent and accountable, especially in Islamic banking. Strict supervision increases the effectiveness of internal audits in preventing fraud. In addition to providing strategic direction, the Board of Commissioners follows up on audit findings and ensures that recommendations are implemented. They also encourage policies to strengthen internal control, including increasing auditor competence and technology-based supervision. With its active role, the Board of Commissioners contributes positively to fraud prevention. However, these results contradict the research of Lejab et al., (2024) and the research of Putriana et al., (2024).

4.2.3. The Influence of the Board of Directors on Fraud Prevention

Based on the Prob value of $0.7491 > 0.05$ with Coefficient value of -21.62150, hypothesis 3 was rejected because Board of Directors no influence in fraud prevention. These findings contrary to agency theory that existence Board of Directors can prevent fraud by creating a strong culture of internal control through transparent policies and procedures, and ensuring that internal audits run independently. Integrating audit results in strategic decision-making, encouraging employed digital technology too monitoring systems to maximize reporting accuracy and early detection of irregularities, so as to prevent fraud risks in Islamic banking (Purnama et al., 2022).

However, these findings are consistent with the findings of Addiarrahman et al., (2022) and Putriana et al., (2024) research states Board of Directors has no influence on fraud. Due to a conflict of interest, where Board of Directors as a decision-maker is also a party supervised by internal audit. In some cases, they may intervene in internal audits, by limiting the scope of audits, delaying the implementation of audit recommendations, or not providing full support for the independence of internal auditors. It can be concluded that Board of Directors has no influence on fraud prevention, especially due to potential conflicts of interest and intervention in internal audits. As a result, supervision of potential fraud becomes weak, and internal audits lose their influence in preventing fraud.

4.2.4. The Influence of Islamic Income Ratio on Fraud Prevention

Based on the Prob value of $0.4505 > 0.05$ and the Coefficient value of -1061.070, this shows Islamic Income Ratio (IsIR) no influence in fraud prevention, so hypothesis 4 is rejected. This result contradicts the agency's theory that a high Islamic Income Ratio (IsIR) score can reduce the risk of irregularities in financial statements because it encourages transparency and accountability. Thus, the optimal implementation Islamic Income Ratio (IsIR) strengthens supervision and prevents fraud in Islamic banking (Hasti, 2023).

However, these findings are consistent with the findings of Triyanto, (2022) research states Islamic Income Ratio (IsIR) no influence on fraud. Islamic Income Ratio (IsIR) focuses more on sharia compliance with sources of income, rather than on the detection and

prevention of fraud directly. Audits internal rely more on the analysis of internal control systems and compliance procedures than simply halal revenue ratios. Fraud in Islamic banking not only occurs in the form of non-halal income, but also manipulation of financial statements, misuse of funds, and other procedural violations that are not reflected in Islamic Income Ratio (IsIR). Thus, although Islamic Income Ratio (IsIR) can be an indicator of sharia compliance, its role in fraud prevention is not significant because it does not directly influence the effectiveness of internal audits in identifying, preventing, and addressing fraud.

4.2.5. The Influence of Profit Sharing Ratio on Fraud Prevention

Based on the Prob value of $0.6558 > 0.05$ and the Coefficient value of -5.823709 , hypothesis 5 was rejected because Profit Sharing Ratio (PSR) no influence in fraud prevention. These findings contrary to agency theory that the higher Profit Sharing Ratio (PSR) applied in accordance with sharia, the less risk of fraud occurring. Profit Sharing Ratio (PSR) also strengthens internal audits in detecting and preventing fraud in Islamic banking (Hasti, 2023).

However, these findings are consistent with the findings of Subkhi & Puspitasari, (2023) research which states Profit Sharing Ratio (PSR) no influence in fraud. Profit Sharing Ratio (PSR) measures the proportion of profit sharing based financing in Islamic banking, not directly contributing to fraud prevention through internal audits. The main focus of Profit Sharing Ratio (PSR) is to assess compliance with sharia principles in profit distribution, not on detecting or mitigating fraud in bank operations. In addition, internal audits rely more on internal control systems, compliance with operational procedures, and risk analysis to identify fraud, rather than just looking at the profit-sharing financing ratio. Thus, although Profit Sharing Ratio (PSR) reflects compliance with sharia principles, this ratio has no direct relationship with the influence of internal audits in preventing fraud.

5. Conclusion

After conducting research, it has been determined that the Board of Commissioners plays a significant role in preventing fraud. Conversely, the Sharia Supervisory Board, Board of Directors, Islamic Income Ratio (IsIR), and Profit Sharing Ratio (PSR) do not have an impact on fraud prevention in Sharia Commercial Banks and Sharia Business Units between 2021 and 2023.

The findings of this study confirm that the symbolic and formal approach of sharia governance has not been effective in preventing fraud in Islamic banking. Therefore, governance reform is needed that is multi-level and functional, with a focus on the effectiveness, integrity, and internalization of sharia values in operational practices. This reform includes redefining the role of the Sharia Supervisory Board to have strong audit authority and relevant managerial competence, as well as strengthening the Board of Commissioners as a link between conventional governance principles and sharia values. In addition, the Board of Directors must carry out trustworthy strategic leadership, build a sharia-based risk management and internal audit system. Formal indicators such as the Islamic Income Ratio (IsIR) and the Profit Sharing Ratio (PSR) cannot be used as the sole benchmark for Sharia Compliance. Instead, sharia values must be internalized into work culture, operating systems, and outcome-based governance, especially in terms of success in preventing fraud.

There are several limitations that can be considered for coming researchers, namely adjusted R-squared value of only 11.354%, which shows that Sharia Supervisory Board, Board of Commissioners, Board of Directors, Islamic Income Ratio, and Profit Sharing Ratio of

11,354% are responsible for fraud prevention. The indicators of the Sharia Compliance variable only use two indicators, namely the Islamic Income Ratio and the Profit Sharing Ratio. Based on the limitations of this study, there are suggestions that can be considered for future researchers, namely adding indicators to the Sharia Compliance variables, namely Islamic Investment Ratio and/or Zakat Performance Ratio.

6. References

- Addiarrahman, Khairiyani, & Sari, D. I. (2022). Pengaruh Islamic Corporate Governance Dan Internal Control Terhadap Fraud Pada Bank Umum Syariah Di Indonesia Periode 2016-2020. *Jurnal Ilmiah Manajemen, Ekonomi Dan Akuntansi*, 2(2), 107–117. <https://doi.org/10.55606/jurimea.v2i3.159>
- Alfiyati, A. N. E. (2023). Pengaruh Sharia Compliance dan Islamic Corporate Governance Terhadap Kinerja Keuangan pada Bank Umum Syariah Periode 2017-2021. In *AT-TAWASSUTH: Jurnal Ekonomi Islam*. Universitas Islam Negeri Raden Intan Lampung.
- Ananda, C. Z., & NR, E. (2020). Pengaruh Islamic Corporate Governance Dan Islamic Corporate Social Responsibility Terhadap Kinerja Perbankan Syariah (Studi Empiris pada Bank Umum Syariah yang Terdaftar di Bursa Efek Indonesia Tahun 2012-2018). *Jurnal Eksplorasi Akuntansi*, 2(1), 2065–2082. <https://doi.org/10.24036/jea.v2i1.198>
- Astuti, V. Y. (2022). *Pengaruh Islamic Corporate Governance (ICG) Dan Internal Audit Terhadap Terjadinya Fraud Bank Syariah*. Universitas Islam Sultan Agung Semarang.
- Hardianti, V. (2022). Restructuring Policy for Problematic Murabahah Financing for MSME Customers due to the 2019 Coronavirus Disease (Covid-19) Pandemic. *CASHFLOW: Current Advanced Research on Sharia Finance and Economic Worldwide*, 1(4), 21–28. <https://doi.org/https://doi.org/10.55047/cashflow.v1i4.241>
- Hasti, F. (2023). *Pengaruh Sharia Compliance Dan Good Corporate Governance Terhadap Fraud Pada Bank Umum Syariah Tahun 2017-2021*. Universitas Islam Negeri Prof. K.H. Saifuddin Zuhri Purwokerto.
- Hernawardi. (2021). *Bank NTB Syariah Laporkan Raibnya Dana Rp10 Miliar*. Gatra.Com.
- Intia, L. C., & Azizah, S. N. (2021). Pengaruh Dewan Direksi, Dewan Komisaris Independen, Dan Dewan Pengawas Syariah Terhadap Kinerja Keuangan Perbankan Syariah Di Indonesia. *Jurnal Riset Keuangan Dan Akuntansi*, 7(2). <https://doi.org/10.25134/jrka.v7i2.4860>
- Lejab, S. B. B., Rahayu, M., & Emarawati, J. A. (2024). Dewan Komisaris, Kepemilikan Institusional dan Pergantian Auditor terhadap Fraud. *Ikraith-Ekonomika*, 7(2), 193–203. <https://doi.org/10.37817/ikraith-ekonomika.v7i2.3348>
- Mardiani, L., Yadiati, W., & Jaenudin, E. (2019). Islamic Corporate Governance dan Kinerja Keuangan Unit Usaha Syariah (UUS). *Jurnal Akuntansi : Kajian Ilmiah Akuntansi*, 6(2), 128–142.
- Marietza, F., Wijayanti, I. O., & Agusrina, M. (2020). Pengaruh Good Corporate Governance dan Reporting Lag Terhadap Kinerja Keuangan Perusahaan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016). *Jurnal Riset Terapan Akuntansi*, 4(2), 109–129.
- Natalia, F. (2022). *Pegawai Bank Aceh Syariah Diduga Gelapkan Dana Pajak Hingga Rp 1,4 M, Kejaksaaan Dalami Modusnya*. Kompas.Tv. <https://www.kompas.tv/article/312462/pegawai-bank-aceh-syariah-diduga-gelapkan-dana-pajak-hingga-rp-1-4-m-kejaksaaan-dalami-modusnya>
- Nugroho, A. (2020). Studi Efektivitas Dewan Pengawas Syariah Terhadap Profitabilitas dan Resiko Pembiayaan Perbankan Syariah. *Proceeding of National Conference on Accounting & Finance*, 2, 60–68. <https://doi.org/10.20885/ncaf.vol2.art6>
- POJK. (2019). *Peraturan Otoritas Jasa Keuangan No 39 Tahun 2019 Tentang Penerapan*

Strategi Anti Fraud Bagi Bank Umum.

- Purnama, D., Mutiarani, G., Mahasti, Y., & Jurica, L. (2022). Pengujian Kecurangan Laporan Keuangan Menggunakan Fraud Hexagon Model. *Media Riset Akuntansi*, 12, 2088–2106.
- Puspadini, M. (2024). *Duit Miliaran Raib, Satu Petinggi Bank Victoria Syariah Tersangka!* Cnbcindonesia.Com.
- Putri, R., Iskandar, D., & Mutia, E. (2023). Pengaruh Islamic Corporate Governance Terhadap Kecurangan Pada Perbankan Syariah Di Indonesia. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi*, 8(3), 442–451. <https://doi.org/10.24815/jimeka.v8i3.28338>
- Putriana, A., Abdillah, M. R., Anjaswari, G., & Fitriyani, Y. (2024). Islamic Corporate Governance dan Kecurangan Laporan Keuangan pada Bank Syariah di Indonesia: Analisis Konten. *Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (JEBMA)*, 4(1), 428–437. <https://doi.org/10.47709/jebma.v4i1.3591>
- Ridha, M., & Umiyati. (2022). Sharia Compliance, Islamic Corporate Governance dan Non Performing Financing Terhadap Pengungkapan Fraud Bank Umum Syariah. *Jurnal Akuntansi Dan Governance*, 3(1), 1–15. <https://doi.org/10.24853/jago.3.1.1-16>
- Rosiyana, A. V. (2024). *Pengaruh Sharia Compliance (Islamic Income Ratio, Profit Sharing Ratio dan Zakat Performance Ratio) Terhadap Kinerja Keuangan Bank Umum Syariah Tahun 2018-2023*. Universitas Islam Negeri Prof. K.H. Saifuddin Zuhri Purwokerto.
- Silalahi, R. (2020). *Kajian Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Bank Syariah*. Universitas Bakrie.
- Subkhi, A. N., & Puspitasari, E. (2023). Pengaruh Tata Kelola Dan Kepatuhan Syariah Terhadap Kecurangan Pada Bank Umum Syariah. *KRISNA: Kumpulan Riset Akuntansi*, 14(2), 175–188. <https://doi.org/10.22225/kr.14.2.2023.175-188>
- Supriatna, A., Umiyati, & Kamal, M. (2022). The Influence of Sharia Compliance and Islamic Corporate Governance on Fraud. *ITQAN: Journal of Islamic Economics, Management, and Finance*, 1(2), 73–85.
- Triyanto, D. (2022). Sharia Compliance, Islamic Corporate Governance, and Fraud: A study of Sharia Banks in Indonesia. *Journal of Intelligence Studies in Business*, 12(1), 34–43. <https://doi.org/10.37380/JISIB.V12I1.925>
- Utami, L. (2018). Pengaruh Audit Internal Dan Whistleblowing System Terhadap Pengungkapan Kasus Kecurangan Perusahaan Sektor Jasa di Bursa Efek Indonesia. *Akurasi: Jurnal Studi Akuntansi Dan Keuangan*, 1(2), 77–90. <https://doi.org/10.29303/akurasi.v1i2.6>
- Wakhidah. (2023). *Pengaruh Islamic Corporate Governance dan Sharia Compliance Terhadap Terjadinya Fraud di Perbankan Syariah (Studi Kasus Bank Umum Syariah Tahun 2018-2022)*. Universitas Islam Negeri Walisongo Semarang.
- Wibowo, D. (2023). Pencegahan Fraud Melalui Audit Internal dan Pengendalian Internal pada Bank Syariah Indonesia. *Jurnal Ilmiah Ekonomi Islam*, 9(01), 1485–1491.