

SHARIAH COMPLIANCE, ISLAMIC CORPORATE GOVERNANCE, AUDIT COMMITTEE, AND SHARIA SUPERVISORY BOARD EFFECT ON FRAUDFatkhur Rohman^{1a}, Syaharani Noer Fathia^{2b}, Widya Rizki Eka Putri^{3c}, Ayu Dwiny Octary^{4d}, Rona Majidah^{5e}¹²³⁴⁵Accounting Department, Faculty of Economics and Business, University of Lampung, Bandar Lampung, Indonesiafatkhurrohman@feb.unila.ac.id^a, syaharani.noer@feb.unila.ac.id^b, widya.rizki@feb.unila.ac.id^c, ayu.dwiny@feb.unila.ac.id^d,rona.majidah@feb.unila.ac.id^e**ARTICLE INFO****Received:** 20 December 2025;**Accepted:** 21 December 2025;**Publish:** 28 January 2026;Volume 31. Number 1,
January 2026, pp. 46-56<http://doi.org/10.23960/jak.v31i1.4468>**ABSTRACT**

This study aims to examine the influence of Shariah Compliance, Islamic Corporate Governance (ICG), Audit Committee, and Sharia Supervisory Board (SSB) on fraud in Indonesian Sharia banking. This research uses a quantitative approach with panel data analysis. The sample consists of 13 Islamic commercial banks in Indonesia observed during the period 2022–2024. Shariah compliance is measured using the Islamic Income Ratio, Profit Sharing Ratio, and Zakat Performance Ratio. Panel data regression analysis was employed using the Common Effect Model (CEM) as the selected estimation model. The findings show that the Profit-Sharing Ratio and Sharia Supervisory Board have a significant effect in increasing fraud, indicating that these variables are associated with a higher occurrence of fraud. Meanwhile, the Islamic Income Ratio, Zakat Performance Ratio, Islamic Corporate Governance, and Audit Committee do not have a significant effect on fraud. The results suggest that several governance and compliance mechanisms in Islamic banks have not yet effectively strengthened fraud prevention. The effectiveness of profit-sharing mechanisms and the supervisory role of the Sharia Supervisory Board require further attention. This study is limited by the short observation period and small sample size. However, it contributes to the literature by providing empirical evidence on the role of Shariah compliance and governance mechanisms in influencing fraud in Islamic banking, offering insights for regulators and banking practitioners to improve fraud prevention.

Keywords: Audit, Compliance, Fraud, ICG, SSB**ABSTRAK**

Penelitian ini bertujuan untuk menguji pengaruh Shariah Compliance, Islamic Corporate Governance (ICG), Komite Audit, dan Dewan Pengawas Syariah (DPS) terhadap fraud pada perbankan syariah di Indonesia. Penelitian ini menggunakan pendekatan kuantitatif dengan analisis data panel. Sampel penelitian terdiri dari 13 bank umum syariah di Indonesia yang diamati selama periode 2022–2024. Shariah compliance diukur menggunakan Islamic Income Ratio, Profit Sharing Ratio, dan Zakat Performance Ratio. Analisis regresi data panel dilakukan dengan menggunakan Common Effect Model (CEM) sebagai model estimasi yang dipilih dalam penelitian ini. Hasil penelitian menunjukkan bahwa Profit Sharing Ratio dan Dewan Pengawas Syariah memiliki pengaruh signifikan dalam meningkatkan fraud, yang mengindikasikan bahwa variabel tersebut berkaitan dengan meningkatnya kejadian fraud. Sementara itu, Islamic Income Ratio, Zakat Performance Ratio, Islamic Corporate Governance, dan Komite Audit tidak menunjukkan pengaruh yang signifikan terhadap fraud. Hasil penelitian menunjukkan bahwa beberapa mekanisme tata kelola dan kepatuhan syariah pada perbankan syariah belum secara efektif memperkuat pencegahan fraud. Oleh karena itu, efektivitas mekanisme bagi hasil serta peran pengawasan Dewan Pengawas Syariah perlu mendapat perhatian lebih lanjut. Penelitian ini terbatas pada periode observasi yang singkat dan jumlah sampel yang relatif kecil. Namun, penelitian ini memberikan bukti empiris mengenai peran kepatuhan syariah dan mekanisme tata kelola dalam memengaruhi fraud pada perbankan syariah serta memberikan wawasan bagi regulator dan praktisi perbankan untuk meningkatkan upaya pencegahan fraud.

Kata Kunci: Audit, Compliance, Fraud, ICG, SSB**Corresponding author:**

Fatkhur Rohman

(Jalan Prof. Dr. Ir. Soemantri Brojonegoro

No.1, Bandar Lampung)

Email: fatkhurrohman@feb.unila.ac.id

A. INTRODUCTION

The Indonesian Islamic banking industry has experienced rapid growth over recent decades as an alternative financial system based on Islamic principles of justice, transparency, and honesty. However, despite this development, Islamic banks continue to face significant challenges, particularly the increasing occurrence of internal fraud cases. Fraud incidents such as financial statement manipulation, fictitious financing, and misuse of customer funds have caused financial losses and reduced public trust, indicating that adherence to Islamic principles alone is insufficient without effective governance and supervision mechanisms. Several recent cases further demonstrate that fraud risks still exist within Islamic financial institutions. For example, Indonesian financial regulators identified indications of fraud in the case of PT Dana Syariah Indonesia, where investigators found numerous fictitious projects and irregularities in fund management, resulting in substantial financial losses for lenders (CNBC Indonesia, 2026). This case highlights the vulnerability of Islamic financial institutions to fraud when governance and supervisory mechanisms are not effectively implemented.

Fraud in Islamic banking clearly contradicts Islamic values that strictly prohibit deceit and injustice. Therefore, a comprehensive supervisory system is necessary to ensure accountability and integrity within Islamic financial institutions. The implementation of shariah compliance, Islamic corporate governance (ICG), audit committees, and the Shariah Supervisory Board (SSB) are considered key mechanisms in strengthening internal control and preventing fraud. Nevertheless, the effectiveness of these supervisory mechanisms still faces challenges related to human resources, authority, and the optimization of internal and external control functions.

Previous studies provide important insights regarding these governance mechanisms. Swandaru and Muneza (2022) found that high levels of shariah compliance significantly reduce fraud potential because operational activities are evaluated based on *fiqh muamalah* principles. Anggraini (2024) argue that strong Islamic corporate governance promotes transparency and ethical behavior, thereby reducing fraud risk. Maisaroh and Nurhidayati (2021) highlight the important role of an independent audit committee in detecting financial irregularities. Mildawati, Maharani, and Masyhuri (2025) shows that an effective DPS with regular access to financial reports can detect fraud earlier. However, Refgiani and Rosyidi (2016) reveal that the effectiveness of DPS may be limited due to multiple positions held by members and limited auditing expertise. Although previous studies have examined governance mechanisms in Islamic banking, most studies analyze these mechanisms separately and rarely integrate shariah compliance indicators with governance structures in a single empirical model. Furthermore, empirical evidence using recent data after the rapid expansion of Islamic banking in Indonesia remains limited.

Therefore, this study offers novelty by simultaneously examining shariah compliance, Islamic corporate governance, audit committees, and the Sharia Supervisory Board as determinants of fraud using panel data from Indonesian Islamic banks during the 2022–2024 period. By integrating these governance and compliance mechanisms in one analytical framework, this research provides a more comprehensive understanding of supervisory effectiveness in preventing fraud within the Islamic banking sector. Based on this background, this research aims to empirically analyze the influence of shariah compliance, Islamic corporate governance, audit committees, and the Sharia Supervisory Board on fraud in Indonesian Islamic banking during the 2022–2024 period.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The theory on Islamic corporate governance and fraud prevention emphasizes that Islamic corporate governance integrates sharia principles with good corporate governance practices, aiming to create a comprehensive framework that aligns business operations with Islamic ethics and legal requirements. Central to this framework is the presence of a Sharia Supervisory Board (SSB) which plays a critical role in overseeing and ensuring compliance with sharia principles. The frequency of SSB meetings is used as an indicator of active supervision and has been linked to higher adherence to sharia principles and lower fraud incidence.

Research by Supriatna and Kamal (2022) indicates that effective Islamic corporate governance, including the active role of sharia supervisory boards and audit committees, can significantly reduce fraudulent behavior in financial institutions. Fraud tends to occur more in companies with unhealthy financial conditions or excess funds but can be mitigated by sound governance practices. Dewi, Sunarsih, and Rustiarini (2024) further assert that Islamic corporate governance positively impacts the bank's performance and strengthens reputation and customer trust.

Studies also highlight that Islamic corporate governance helps suppress moral hazard in banks, even when non-performing financing ratios increase, by providing an ethical oversight framework that discourages fraudulent

conduct. The Capital Adequacy Ratio (CAR) alone is insufficient to prevent fraud unless supported by robust Islamic corporate governance mechanisms, particularly regular supervisory board meetings.

Overall, the literature indicates that the interplay of sharia compliance, the effectiveness of Islamic corporate governance, and the roles of audit committees and sharia supervisory boards forms an effective barrier against fraud in Islamic banking institutions. These governance structures enhance transparency, accountability, and adherence to Islamic ethical standards, thereby strengthening internal control systems to prevent fraud and protect institutional integrity (Angraini, 2024; Maisaroh & Nurhidayati, 2021; Mildawati et al., 2025; Refgiani & Rosyidi, 2016; Swandaru & Muneeza, 2022).

Fraud in Islamic banking refers to intentional deviations or deceitful acts aimed at gaining personal or group benefits while harming others. In this context, such fraud not only violates positive law but also Islamic principles that emphasize honesty (*amanah*), justice (*'adl*), and prohibit deception (*gharar*) and usury (*riba*). According to Dinda, Mohammad, and Khairiyani (2023), fraud in the financial sector can take various forms including financial statement manipulation, asset misuse, and internal corruption. In Indonesia, cases of fraud within Islamic banking have increased over recent years, raising concerns about the effectiveness of supervisory systems and the implementation of sharia values in banking operations. The Financial Services Authority reported several BPRS (Islamic Rural Banks) experiencing internal fraud, highlighting the urgency of strengthening internal control systems based on sharia principles.

Shariah compliance denotes the extent to which Islamic financial institutions adhere to sharia principles in all operational activities, products, and financial services. It is crucial for maintaining legitimacy in the eyes of the public and regulators. Pramadita, Fata, and Pujiastuti (2026) argues that effective shariah compliance can prevent deviations and fraud as business processes are monitored based on Islamic values. Research by Swandaru and Muneeza (2022) found an inverse relationship between high levels of shariah compliance and fraud occurrence, meaning higher compliance reduces fraud potential. Islamic Corporate Governance (ICG) integrates good corporate governance principles with Islamic values, focusing on transparency, accountability, responsibility, fairness, and independence, all rooted in Islamic ethics. Ahmed and Chapra (2002) suggest ICG provides a moral foundation for managing Islamic financial institutions and helps prevent fraud by fostering an ethical organizational culture. Angraini (2024) concluded that comprehensive application of ICG principles effectively reduces opportunities for internal fraud.

The audit committee is a part of the internal supervisory structure responsible for assessing the effectiveness of internal control systems, risk management, and ensuring financial statement integrity. In Islamic banking, audit committees must also understand sharia principles to holistically evaluate transactions and business activities. Maisaroh and Nurhidayati (2021) emphasize that an active and competent audit committee significantly enhances early fraud detection, yet their effectiveness depends on independence, professional capacity, meeting frequency, and reporting quality. The Shariah Supervisory Board (SSB) is an internal supervisory board tasked with ensuring that all operational activities comply with sharia principles. The SSB has the authority to issue fatwas and recommendations on banking products and services. Mildawati et al. (2025) highlights the SSB's central role in maintaining sharia integrity and preventing fraud, especially related to financing and financial reporting. However, the effectiveness of the SSB is often hindered by limited resources and insufficient active involvement in strategic decision-making. Overall, these components fraud awareness, shariah compliance, Islamic corporate governance, audit committees, and the Shariah Supervisory Board play significant roles in fraud occurrence within Islamic banking institutions, although challenges remain in fully optimizing their impact.

Hypothesis Development

The Effect of Islamic Income Ratio on Fraud

The Islamic Income Ratio shows how much of an institution's income comes from activities that comply with sharia principles. A dominant halal income indicates an ethical orientation and spiritual responsibility in the company's operations. As halal activities increase, sharia controls become stronger, thereby reducing the potential for fraud.

H_1 : The Islamic Income Ratio has a negative effect on fraud.

The Effect of Profit-Sharing Ratio on Fraud

Profit-sharing financing schemes (mudharabah/musyarakah) create a participatory relationship between the bank and customers. This encourages transparency, openness, and accountability, which minimizes the potential for fraud due to asymmetric information or misuse of authority.

H₂: The Profit-Sharing Ratio has a negative effect on fraud.

The Effect of Zakat Performance Ratio on Fraud

The Zakat Performance Ratio represents the institution's social responsibility. Compliance in paying zakat reflects the organization's morality, which upholds honesty, trustworthiness (amanah), and justice, thereby fostering a strong anti-fraud culture.

H₃: The Zakat Performance Ratio has a negative effect on fraud.

The Effect of Islamic Corporate Governance on Fraud

Islamic Corporate Governance combines principles of accountability, justice, and transparency with sharia values such as amanah and maslahah. Strong implementation of ICG creates a solid control structure that inhibits potential fraud committed by management.

H₄: Islamic Corporate Governance has a negative effect on fraud.

The Effect of Audit Committee on Fraud

The audit committee, as an internal supervisory mechanism, is responsible for assessing financial reports and the effectiveness of the internal control system. An effective and independent audit committee can detect irregularities early, thereby hindering the potential for fraud.

H₅: The Audit Committee has a negative effect on fraud.

The Effect of Shariah Supervisory Board (SSB) on Fraud

The Shariah Supervisory Board holds a strategic position in maintaining sharia validity and system integrity in Islamic financial institutions. Through active and independent supervision, the SSB can prevent fraud practices from the planning phase to reporting.

H₆: The Shariah Supervisory Board has a negative effect on fraud.

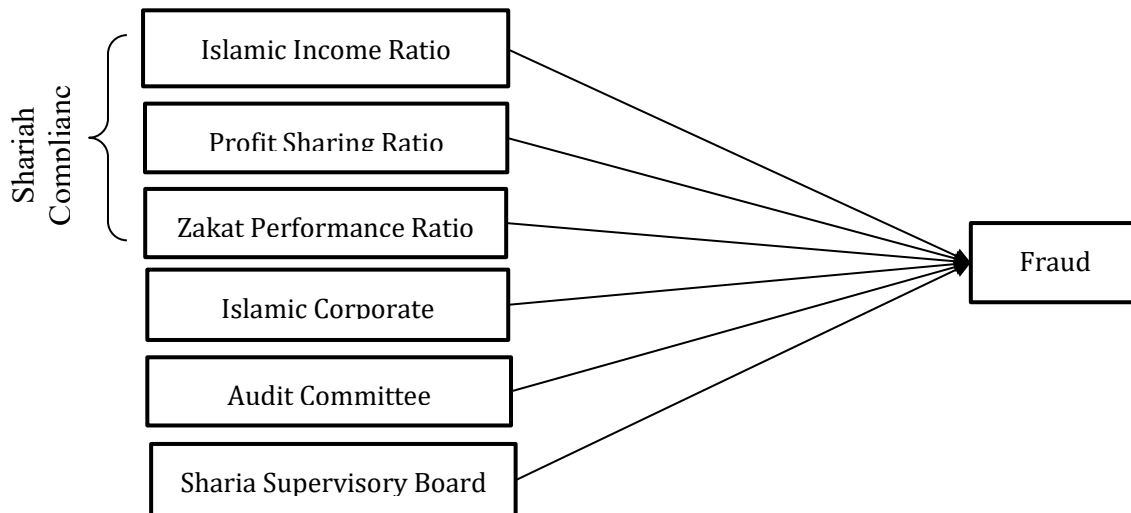


Figure 1. Research Framework

C. RESEARCH METHODOLOGY

The population of this research consists of 14 The Shariah Bank in Indonesia. From this population, 13 banks were selected using purposive judgment sampling with 39 observations from the observation period 2022-2024. Below are the details of the sample in this research:

Table 1. Research Sampling Criteria

No	Descriptions	Sample
1	The Shariah Bank in Indonesia in 2022-2024	14
2	The Shariah Bank did not disclose annual report completely	(1)
3	Total Shariah Bank disclose annual report completely	13
4	Total Sample (13 x 3)	39

Sources: Data processed, 2025

Here is the sample list:

Table 2. Research Sample

No	Bank's Name
1	PT Bank Aceh Syariah
2	PT Bank Riau dan Kepri Syariah (Perseroda)
3	PT Bank NTB Syariah
4	PT Bank Muamalat Indonesia, Tbk.
5	PT Bank Victoria Syariah
6	PT Bank Jabar Banten Syariah
7	PT Bank Syariah Indonesia, Tbk.
8	PT Bank Mega Syariah
9	PT Bank Panin Dubai Syariah, Tbk.
10	PT Bank KB Bukopin Syariah
11	PT Bank BCA Syariah
12	PT Bank BTPN Syariah, Tbk.
13	PT Bank Aladin Syariah, Tbk.

Sources: Data processed, 2025

Table 3. Operational Variables

Variable	Definition	Measurement	References
Internal Fraud	FRAUD	Number of internal fraud cases	Sari, Fakhruddin, Pramono, and Pratama (2023)
Islamic Income Ratio	IIR	$\frac{\text{Halal Income}}{\text{Halal Income} + \text{Non Halal Income}}$	Sari et al. (2023)
Profit Sharing Ratio	PSR	$\frac{\text{Mudharabah Financing} + \text{Partnership}}{\text{Total Financing}}$	Sari et al. (2023)
Zakat Performance Ratio	ZPR	$\frac{\text{Zakat}}{\text{Total Assets}}$	Sari et al. (2023)
Islamic Corporate Governance	ICG	ICG Composite Value based on IICG	Karmina and Majidah (2020)
Audit Committee	AC	Number of the Audit Committee	Dewi et al. (2024)
Shariah Supervisory Board	SSB	Number of the Shariah Supervisory Board	Analia, Abdullah, and Muchlis (2024)

The data analysis technique used in this research is to use a testing tool in the form of Eviews 12 Statistics software for quantitative research, with the following stages:

1. Descriptive statistical analysis methods.
2. Best Model selection among Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) using Chow test, Hausman Test and Lagrange Multiplier
3. Classical assumption testing methods, to test the validity of the regression model before conducting hypothesis testing. Classical assumption tests include, heteroscedasticity tests and multicollinearity tests.
4. Hypothesis testing methods, to test the extent of the influence of independent variables on dependent variables using the coefficient of determination test, partial significance test (t-test), and simultaneous significance test (F-test). The t-statistic test is used to see the significance of the influence of independent variables on dependent variables with a probability of 5%.

D. RESULT AND DISCUSSION

Descriptive Statistic

This study uses a total of 39 observations, covering the Shariah Banks in Indonesia during the period from 2022 to 2024. Detailed characteristics of the data used in this research can be seen in the table below.

Table 4. Descriptive Statistic

	FRAUD	IIR	PSR	ZPR	ICG	AC	SSB
Mean	5.03	0.98	0.95	0.00	2.03	4.13	2.36
Maximum	43.00	1.00	1.00	0.00	3.00	10.00	4.00
Minimum	0.00	0.58	0.00	0.00	1.00	3.00	2.00
Std. Deviation	7.77	0.07	0.22	0.00	0.43	1.47	0.63
Observations	39	39	39	39	39	39	39

Sources: Data processed, 2025

The descriptive statistics table provides an overview of seven key variables FRAUD, IIR, PSR, ZPR, ICG, AC, and SSB from 39 observations. The results show that the average fraud score is 5.03, with quite a large variation (standard deviation of 7.77). This means that while some shariah bank report no fraud at all, others experience relatively higher levels. In other words, the extent of fraud differs greatly between institutions, suggesting that the effectiveness of internal controls and fraud prevention systems is not consistent across all entities. The average score for the Islamic Integrity Ratio (IIR) is 0.98, with very little variation, showing that most institutions strongly adhere to Islamic principles and maintain consistent reporting standards. Similarly, the Profit-Sharing Ratio (PSR) has a high average of 0.95, indicating that profit-sharing practices based on Islamic principles are generally well implemented, although there are still some differences among institutions. On the other hand, the Zakat Performance Ratio (ZPR) consistently records a value of zero, meaning that either zakat-related performance is not disclosed or zakat activities are not being conducted within the observed institutions.

In terms of governance, the Islamic Corporate Governance (ICG) variable has an average of 2.03, showing a moderate level of governance quality among the institutions. The Audit Committee (AC) has an average of about four members, with some institutions having as many as ten. This variation suggests differences in governance structures and oversight capacity. Meanwhile, the Sharia Supervisory Board (SSB) averages about two to three members, which is quite standard and consistent with regulatory requirements for Islamic banks. Overall, these results indicate that Islamic financial institutions generally uphold Islamic values and governance structures quite well, as shown by the high IIR, PSR, and consistent ICG, AC, and SSB scores. However, the large variation in fraud cases shows that not all institutions have equally strong internal controls. This highlights the need to not only maintain good governance but also to strengthen supervision and embed ethical awareness in every part of the organization to effectively reduce fraud risk.

Best Model Selection

Table 4. Chow Test

Effect Test	Statistic	d.f	Prob.
Cross-section F	1.91119	(12,19)	0.1001
Cross-section Chi Square	30.08323	12	0.0027

Sources: Data processed, 2025

The Chow test results show that the Cross-section F statistic has a p-value of 0.1001, while the Cross-section Chi-square statistic has a p-value of 0.0027. The F-test result suggests that there is no significant difference across cross-sections since the p-value is greater than 0.05, meaning the pooled OLS model could be acceptable. However, the Chi-square test shows a significant result with a p-value below 0.05, indicating that cross-section effects exist and the fixed effects model may be more appropriate. Overall, although the F-test result is slightly above the significance level, the Chi-square result provides stronger evidence that differences between cross-sections are significant, so using the fixed effects model is preferable in this case.

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-Section Random	6.379786	6	0.382

Sources: Data processed, 2025

The results of the Hausman test indicate a Chi-square statistic of 6.3798 with 6 degrees of freedom and a corresponding p-value of 0.382. Since the p-value exceeds the 0.05 significance level, the null hypothesis that the random effects model is appropriate cannot be rejected. This implies that there is no significant correlation between the individual-specific effects and the explanatory variables in the model. Therefore, the random effects model is deemed more suitable for this study's panel data analysis.

Table 6. Lagrange Multiplier Test

Test Hypothesis	
	Cross-section
Breusch pagan	0.429676 (0.51210)

Sources: Data processed, 2025

The result of the Lagrange Multiplier (LM) test based on the Breusch-Pagan statistic shows a value of 0.4297 with a corresponding p-value of 0.5121. Since the p-value is greater than the 0.05 significance level, the null hypothesis cannot be rejected. This means there is no significant difference between the pooled ordinary least squares (OLS) model and the random effects model. In other words, Common Effect Model is more appropriate for this dataset.

Classical Assumption test

Multicollinearity Test

Table 7. Multicollinearity Test

	IIR	PSR	ZPR	ICG	AC	SSB
IIR	1.000000	0.625030	0.108662	0.007761	0.038922	-0.221623
PSR	0.625030	1.000000	0.130350	0.017794	-0.004370	-0.283817
ZPR	0.108662	0.130350	1.000000	-0.026376	0.205427	0.274169
ICG	0.007761	0.017794	-0.026376	1.000000	0.222459	-0.034222
AC	0.038922	-0.004370	0.205427	0.222459	1.000000	0.430733
SSB	-0.221623	-0.283817	0.274169	-0.034222	0.430733	1.000000

Sources: Data processed, 2025

The table indicates that all independent variables have coefficient values below 0.80, suggesting that the regression model is free from multicollinearity issues (Napitupulu et al., 2021).

Heteroscedasticity test

This study used Gletser Test to analyse the heteroscedasticity effect in this model. The result show as below.

Table 8. Gletser Test

Variable	Prob
IIR	0.3420
PSR	0.4524
ZPR	0.7579
ICG	0.8559
AC	0.6746
SSB	0.0958

The table indicates that all independent variables have probability values exceeds 0.05, suggesting that the regression model does not exhibit heteroscedascity problems (Napitupulu et al., 2021).

Regression Model

Table 9. Common Effect Model

Variable	Coefficient	Std Error	t statistic	Prob
C	-8.683	19.704	-0.441	0.662
IIR	-16.824	20.910	-0.805	0.427
PSR	14.458	6.739	2.146	0.040
ZPR	-4591.409	3369.653	-1.363	0.183
ICG	0.365	2.755	0.133	0.895
AC	-0.147	1.031	-0.143	0.887
SSB	7.283	2.448	2.974	0.006

Sources: Data processed, 2025

Based on the regression result presented above, the following regression equation can be formulated:

$$Y = - 8.683 - 16.824 IIR + 14.458 PSR - 4591.409 ZPR + 0.365 ICG - 0.147 AC + 7.283 SSB + \epsilon \quad (1)$$

F-Test

Table 10. F-Test

F-Statistic	2.553
Prob (F-Statistic)	0.046

Sources: Data processed, 2025

The model shown signfinace 0.046 less than 0.05, hence the independent variables have an effect on preventing fraud simulaneously.

t-Test

Table 11. t-Test

Variable	Coefficient	t statistic	Prob	Result
C	-8.683	-0.441	0.662	
IIR	-16.824	-0.805	0.427	insignificant
PSR	14.458	2.146	0.040	Positive Significant
ZPR	-4591.409	-1.363	0.183	insignificant
ICG	0.365	0.133	0.895	insignificant
AC	-0.147	-0.143	0.887	insignificant
SSB	7.283	2.974	0.006	Positive Significant

Sources: Data processed, 2025

The regression results show that the Profit-Sharing Ratio (PSR) and Shariah Supervisory Board (SSB) have a positive and significant effect on the dependent variable. This means that higher engagement in profit-sharing activities and stronger roles of the Shariah Supervisory Board contribute positively to the outcome of the study. Meanwhile, the Islamic Income Ratio (IIR), Zakat Performance Ratio (ZPR), Islamic Corporate Governance (ICG), and Audit Committee (AC) have no significant effect, indicating that these variables do not play a major role in influencing the dependent variable within this model.

Test of Determination Coefficient(R²)

Table 12. Determination Coefficient Test

R-Square	0.3082
Adjusted R-Square	0.1743

Sources: Data processed, 2025

The regression output shows that the R-Square value is 0.3082 and the Adjusted R-Square value is 0.1743. This means that approximately 30.82% of the variation in the dependent variable can be explained by the independent variables included in the model (IIR, PSR, ZPR, ICG, AC, and SSB). The remaining 69.18% of the variation is influenced by other factors not included in this regression model.

Discussion

The Effect of Islamic Income Ratio on Preventing Fraud

The Islamic Income Ratio may not significantly affect internal fraud because it reflects the bank's income composition rather than the strength of internal controls or fraud prevention mechanisms. While a high Islamic Income Ratio shows adherence to Sharia principles in income sources, it does not directly address whether the bank has effective oversight, ethical culture, or audit systems to prevent fraud. Previous studies confirm this distinction, showing that fraud prevention in Islamic banks depends more on strong corporate governance, audit committees, and Sharia Supervisory Boards rather than income composition alone. For example, research by Soediro, Adhitama, and Usmayanti (2025) and Rahman, Jamaluddin, Hamzah, and Aziz (2019) found that governance quality and control systems are more critical in reducing fraud risk than financial metrics like Islamic Income Ratio. Thus, the lack of significant impact is consistent with prior findings emphasizing the importance of governance and ethical oversight over mere income structure.

The Effect of Profit-Sharing Ratio on Preventing Fraud

The positive significant effect of the Profit-Sharing Ratio (PSR) on the number of internal fraud cases, thus weakening fraud prevention, can be justified by several reasons supported by previous studies. A high PSR means a larger portion of bank transactions are conducted under profit-sharing principles, which can sometimes increase disputes and complexity in profit assessment and distribution. This complexity may create opportunities for manipulation or fraud if oversight is weak. Some studies have found that although profit sharing is a core principle in Islamic banking, higher PSR correlates with increased fraud incidents possibly due to challenges in monitoring profit distribution and managing moral hazard (Hamzah, Aripin, & Afri, 2020); Sari et al. (2023). For instance, Sari et al. (2023) noted that Islamic banks with lower PSR had less fraud indication, implying higher PSR might be linked with more fraud. Also, Hamzah et al. (2020) found that despite strong Sharia compliance, factors like individual greed affect fraud occurrence, which the profit-sharing structure might exacerbate by creating contentious financial arrangements. Therefore, the positive significant relationship between PSR and internal fraud aligns with these findings, highlighting the need for robust governance and audit mechanisms alongside profit-sharing contracts to effectively prevent fraud.

The Effect of Zakat Performance Ratio on Preventing Fraud

The finding that the Zakat Performance Ratio (ZPR) is insignificant in affecting the number of internal fraud cases and in preventing fraud can be explained by its nature and previous research results. Zakat payments represent a form of social responsibility and religious obligation, primarily focusing on wealth redistribution and community support rather than internal financial controls. Thus, while zakat reflects a bank's commitment to Islamic values, it does not directly serve as a control mechanism against fraud within the bank's operations. Prior studies support this interpretation. For instance, research by Baining, Mubyarto, and Nurjanah (2021) found no significant effect of ZPR on fraud, indicating that zakat performance cannot measure or reduce fraud effectively in Islamic banks. Similarly, investigations by Karmina and Majidah (2020) showed mixed results, with some studies suggesting no significant relation between ZPR and fraud occurrence. This is understandable as zakat calculation and payments are typically managed separately from the company's internal financial systems and audits. Therefore, the lack of significance of ZPR in fraud prevention aligns with the consensus that zakat performance is more about fulfilling ethical and community obligations than directly controlling or preventing fraudulent behaviors in banking operations.

The Effect of Islamic Corporate Governance on Preventing Fraud

The finding that Islamic Corporate Governance (ICG) has no significant impact on the number of fraud cases in Islamic banks can be explained by mixed evidence in previous studies. Some research indicates that while ICG integrates Sharia principles and promotes transparency, its effectiveness in directly reducing fraud depends heavily on the actual implementation quality and other governance mechanisms such as internal control and auditor integrity. For example, a study by Maulani, Amalia, and Birton (2024) found that Good Corporate Governance does not significantly moderate the relationship between internal controls and fraud prevention, pointing to the need for more than governance structures alone to prevent fraud. Other studies also show inconsistent findings, with some reporting no effect of ICG on fraud due to weak enforcement or lack of genuine independence in supervisory boards, while others find positive effects only when combined with strong audit committees and management oversight.

Thus, the insignificant effect of ICG on fraud aligns with this body of research that stresses governance quality and implementation over mere presence of governance frameworks.

The Effect of Audit Committee on Preventing Fraud

The Audit Committee (AC) in Islamic banks showed an insignificant effect on the number of internal fraud cases and fraud prevention, which can be explained by several factors supported by previous research. Although the AC's role is to oversee internal controls and financial reporting, studies reveal that ACs in many Islamic banks may lack sufficient authority or decision-making power to fully prevent fraud. For instance, research by Maulani et al. (2024) showed that while the presence of an audit committee is essential for oversight, its influence on fraud prevention was not statistically significant due to gaps in implementation and limited independence. Similarly, Khalid (2020) found the AC had a negative but statistically insignificant effect on fraud, suggesting that an active and well-composed audit committee alone may not guarantee fraud reduction without strong governance and supportive organizational culture. This aligns with Bhasin (2016) view that the effectiveness of an audit committee depends on monitoring quality beyond its mere existence. Therefore, the insignificant impact of the Audit Committee on fraud in this study is consistent with prior findings that emphasize the necessity of audit committee effectiveness, independence, and governance synergy to meaningfully reduce fraud risks.

The Effect of Shariah Supervisory Board on Preventing Fraud

The Sharia Supervisory Board (SSB) shows a positive significant effect on internal fraud and weakens fraud prevention efforts in Islamic banks, according to recent studies. Although the SSB is meant to supervise that bank operations comply with Sharia principles and is expected to prevent fraud by ensuring ethical conduct, the positive relationship suggests that increased SSB activities may paradoxically correspond with more fraud incidents. This counterintuitive result can be due to several factors: lack of sufficient competence in accounting and finance among SSB members who mostly come from legal and Sharia backgrounds; frequent SSB meetings that increase operational costs and divert attention from fraud prevention; and potential issues with the implementation of their supervisory role. Studies by Fadilah, Nugraha, and Nurhayati (2024) and Bayu (2023) support this finding, indicating that while SSB's role is crucial, gaps in expertise and operational focus can reduce its effectiveness and may even correlate with higher fraud risk. This challenges the theoretical expectation that SSB should negatively correlate with fraud and highlights the complexity of governance mechanisms in Islamic banks.

E. CONCLUSION AND IMPLICATION

Conclusion

This study examines the influence of shariah compliance, Islamic corporate governance, audit committees, and the Sharia Supervisory Board on internal fraud in Indonesian Islamic banks. The findings reveal that most governance and compliance indicators do not significantly affect fraud occurrence. Specifically, the Islamic Income Ratio and Zakat Performance Ratio show no significant relationship with fraud, indicating that compliance indicators related to income composition and social responsibility alone are insufficient to mitigate fraudulent behavior.

However, the Profit-Sharing Ratio demonstrates a significant positive relationship with fraud, suggesting that the complexity and flexibility of profit-sharing arrangements may increase the risk of opportunistic behavior if not supported by strong monitoring mechanisms. Similarly, the Sharia Supervisory Board shows a positive significant association with fraud, which may indicate limitations in supervisory effectiveness, expertise, or the operational scope of the board. Overall, the results suggest that the existence of governance and sharia compliance structures does not automatically guarantee effective fraud prevention. Their effectiveness largely depends on the quality of implementation, supervisory competence, and the integration of governance mechanisms within broader internal control systems.

Implication

The findings offer several implications for strengthening fraud prevention in Islamic banking. First, Islamic banks should improve transparency, monitoring, and documentation in profit-sharing mechanisms, as this area presents a higher potential for fraudulent practices. Second, governance structures such as Islamic Corporate Governance frameworks and audit committees need to be reinforced through stronger independence, professional competence, and clearer operational authority. In addition, the Sharia Supervisory Board should enhance its

effectiveness by incorporating members with expertise in finance, accounting, and auditing to complement their sharia knowledge. Strengthening coordination between governance bodies, internal auditors, and risk management units is also essential. Ultimately, Islamic banks should adopt an integrated fraud prevention framework that combines governance effectiveness, robust internal controls, employee awareness, and continuous risk monitoring to ensure institutional integrity and maintain public trust in the Islamic banking sector.

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