The Influence of Sharia Compliance and Islamic Corporate Governance on Fraud

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ABSTRACT

This study aims to determine Islamic Corporate Governance (ICG) and Sharia Compliance against Fraud on Islamic Banks in Indonesia. The Independent variable used is Islamic Corporate Governance (ICG) and Sharia Compliance with Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), and Zakat Performing Ratio (ZPR) as the proxy. In contrast, the dependent variable used is Fraud. The population in this study are all Islamic Banks (BUS) registered in Bank Indonesia in the period 2016 to 2019. The sample was selected using the purposive sampling method. Samples used in this study were 8 Islamic Banks with a 4-year study period. The analytical method used in this study is data panel regression with the help of e-views 10. The result of this study indicates that the Islamic Corporate Governance (ICG), Islamic Income Ratio (IsIR), and Profit-Sharing Ratio (PSR) are significant effects on the Fraud of Islamic Banks. At the same time, Zakat Performing Ratio (ZPR) did not affect the Fraud of Islamic Banks.

Keywords: islamic corporate governance, sharia compliance, fraud, islamic banks.

INTRODUCTION

One of the things that can distinguish one bank from another is related to improving the service quality. It is used to attract customers. In this modern era, information technology supports the operational success of financial institutions, including banks. The reliability of a bank in the future is determined by how efficient it is in operating and providing services that can revive the company. According to Nelwan (2021), almost 61% of internet customers in Southeast Asia choose to be connected with a mobile phone. It is explained in the Financial Services Authority Regulation No.12/POJK.03/2018 of 2018, concerning the Implementation of Digital Banking Services by Commercial Banks, it is explained that part of digital banking is mobile banking.

The bank is a business entity that collects funds from the public in the form of savings and distributes them back to the community in the form of credit or other documents to improve the standard of living of the general public (Article 1, Paragraph 2 of Law No. 10, 1998). Based on the Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking, the Law stipulates that Sharia Banking is everything related or related to Sharia Banks and Sharia Business Units, including institutions, business activities, and ways and processes of implementing business activities. Meanwhile, Sharia Bank itself means a bank that conducts business following sharia principles.
Therefore, based on the type, Islamic banks consist of Sharia Commercial Banks (BUS) and Sharia People's Financing Banks (BPRS).

The development of Indonesian Islamic banking began with the establishment of Bank Muamalat Indonesia on May 1, 1992. It was the fruit of the efforts of all members of the Indonesian Ulema Council (MUI) banking team in the Perbanas National Deliberation agenda. Based on Law no. 7 of 1992 concerning Banking can strengthen the legal basis for establishing Islamic Banks in Indonesia. As a result, the Islamic banking industry has overgrown with an adequate legal basis, namely with the issuance of Law no. 21 of 2008 concerning Islamic Banking. This regulatory support will certainly encourage faster development of Islamic banking, and it is hoped that the role of the Islamic banking industry in supporting the national economy will be more significant. (Syukron, 2013)

Table 1. Development of Indonesian Islamic Banks in 2016-2019

<table>
<thead>
<tr>
<th>Indication</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUS</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>UUS</td>
<td>21</td>
<td>21</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>BPRS</td>
<td>166</td>
<td>167</td>
<td>167</td>
<td>164</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>201</strong></td>
<td><strong>201</strong></td>
<td><strong>198</strong></td>
</tr>
</tbody>
</table>

Source: Sharia Banking Statistics, Financial Services Authority September 2020

Table 1 shows the developments in Islamic banking institutions using the number of offices as an indicator. Viewed from year to year in the 2016-2019 period, the number of Islamic Commercial Banks (BUS), Sharia Business Units (UUS), and Sharia People's Financing Banks (BPRS) experienced ups and downs. In the 2017 period, there were 13 Sharia Commercial Banks in Indonesia, increasing in 2018 to 14 Sharia Commercial Banks. Furthermore, there were 21 Sharia Business Units in 2016 and 2017 in Indonesia, but the number decreased in 2018 to 20 Sharia Business Units and remained stable in 2018 to 20 Sharia Business Units in Indonesia. From the number of Sharia People's Financing Banks (BPRS) in the 2016 period, there were 166 and increased in the 2017 period to 167 Sharia People's Financing Banks (BPRS). And finally, in 2019, Islamic People's Financing Banks (BPRS) fell to 164 in Indonesia.

Since the enactment of Law no. 21 of 2008 concerning Islamic Banking, the development of Indonesian Islamic banking has been increasing and overgrowing. As a law specifically used to regulate sharia banking, the Act governs the issue of sharia compliance (sharia compliance). Its authority is under the responsibility of the Indonesian Ulema Council (MUI), which is regulated by the Sharia Supervisory Board (DPS), which must be established in each Sharia Commercial Bank and Sharia Business Unit. To follow up on implementing the fatwa regulated in the "Bank Indonesia Regulations" issued by the MUI, Bank Indonesia has established a Sharia Banking Committee consisting of representatives from Bank Indonesia, representatives from the religious department, and elements of society with a balanced composition.

So far, the performance evaluation of Islamic banks has tended to prioritize only financial aspects. Islamic banks should also not forget the Islamic elements that need to be applied to Islamic banks. Does the existence of sharia elements guarantee an institution
free from fraud? In fact, not, as evidenced by the presence of fraud cases in Islamic Banking. As reported by Kompas.com, the corruption case carried out by the principal Director of Bank Jabar Banten Syariah in 2017 was related to fictitious financing (Kompas.com, 2013). Then, as reported by CNN Indonesia, Bank Syariah Mandiri, which was suspected of channeling fictitious financing worth Rp. 1.1 T (CNNIndonesia, 2018) had a negative impact on the company and the views and public trust in Islamic banks. Thus, Islamic banks such as mudharib ignore the contractual relationship and do not act on the principle. Weak corporate governance and low sharia compliance can affect performance and provide opportunities for fraud in Islamic banks. One way to minimize conflicts between agents and principals is to disclose corporate governance and sharia compliance (Fadhistri & Triyanto, 2019).

Fraud in organizations can be carried out by various levels ranging from the lowest level, the management, to the owner Anugerah, 2014). Therefore, as a particular entity, the Islamic finance business has a fairly high operational risk in its management, so the principle of prudence by actors in the aspect of sharia compliance (sharia compliance) is needed as an effort to prevent possible fraud risks (Sula et al., 2014).

This research refers to previous research conducted by Najib & Rini (2016), Umiyati et al. (2020), and Raharjanti & Muharrami (2020). The difference between this study and the research conducted by Najib & Rini (2016) lies in the financial ratios used to disclose Sharia compliance. The ratios used in Najib & Rini (2016) are Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), and Islamic Investment Ratio (IIR). This study uses the Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), and Zakat Performing Ratio (ZPR).

Furthermore, the difference in this study is in the dependent variable. Umiyati et al. (2020) research use Financial Performance as the dependent variable. Meanwhile, in this study, the dependent variable used is Fraud. The difference between this study and the research conducted by Raharjanti & Muharrami (2020) lies in the independent variable. The research of Raharjanti & Muharrami (2020) used the independent variables Islamicity Financial Performance Index and Good Corporate Governance while using Sharia Compliance and Islamic Corporate Governance as independent variables.

Therefore, based on the phenomenon in the background described above, there are five research problems: First, does the Islamic Income Ratio (IsIR) affect Fraud? Second, does Profit Sharing Ratio (PSR) affect Fraud? Third, does Zakat Performing Ratio (ZPR) affect Fraud? Forth, does Islamic Corporate Governance (ICG) affect Fraud? Finally, do Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), Zakat Performing Ratio (ZPR), and Islamic Corporate Governance (ICG) have a simultaneous effect on Fraud?

METHOD

This research uses quantitative methods, emphasizing the analysis of numerical data (numbers), which is processed by statistical methods. This type of research is associative research. An associative study is a study that aims to see how much independent influence the dependent variable used. There are independent variables and dependent variables (Sugiyono, 2015). The object of this study is Islamic Commercial
Banks in Indonesia for the 2016-2019 period. The data in this study are financial statements for the 2016-2019 period published to Bank Indonesia or the Financial Services Authority through the Bank Indonesia website (www.bi.go.id) and the Financial Services Authority website (www.ojk.go.id). The sample in this study spanned 2016 to 2019.

The population in this study was all Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) from 2016 to 2019. The sampling technique used in this study was the purposive sampling method. Purposive sampling is a sampling technique that uses certain considerations or criteria. The specific criteria used for sampling in this study are BUS which operates nationally and are registered with the OJK, BUS, which operates consecutively from 2016 to 2019, BUS, which distributes annual financial reports, and GCG reports successively during the period. 2016-2019, and the Bank discloses the required data related to the 2016 to 2019 research period indicators.

Of the total 14 Sharia Commercial Banks (BUS) in Indonesia in 2016-2019, which were registered with Bank Indonesia and published annual financial reports in a row, there were 12 Sharia Commercial Banks (BUS). Of the 12 Sharia Commercial Banks (BUS), there is 1 Sharia Commercial Bank (BUS) that does not publish reports on the implementation of Good Corporate Governance. And from 11 Islamic Commercial Banks (BUS), there are 3 Sharia Commercial Banks (BUS) that do not disclose data related to the research variables entirely during the 2016-2019 period. Therefore, Islamic Commercial Banks that meet the criteria to be used as research samples are 8 BUS with a research period of 4 years, so the number of research samples is 32.

This research uses panel data regression analysis. Panel data combines cross-section data and time-series data, where the same cross-section unit is measured at different times. Panel data regression analysis is a regression analysis based on panel data to observe the relationship between one dependent variable and one or more independent variables (Jaya & Sunengsih, 2009). This study uses the dependent variable, namely fraud in Islamic banking. Fraud itself is defined as a deliberate illegal act characterized by deception, concealment, or breach of trust, which is carried out by deceiving, deceiving, and manipulating to gain profit (Najib & Rini, 2016). Independent variables, commonly called input variables or language in Indonesian, are often referred to as independent variables. This variable is considered to affect the dependent variable. Meanwhile, the independent variables used for this study are Islamic Corporate Governance and Sharia Compliance.

The first ratio is the Islamic Income Ratio (IsIR). Islamic Income Ratio is used to represent Islamic income from the total income received by the bank. The following formula can calculate Islamic Income Ratio (IsIR):

$$\text{IsIR} = \frac{\text{Islamic Income}}{\text{Islamic Income} + \text{Non-Halal Income}}$$

Then, the following formula can calculate Profit Sharing Ratio (PSR):

$$\text{PSR} = \frac{\text{Mudharabah Financing} + \text{Musyarakah Financing}}{\text{Total Financing}}$$
Zakat Performing Ratio (ZPR)

Zakat Performing Ratio (CPR) is used to see how big the percentage of zakat issued by Islamic Commercial Banks is. The ratio can be calculated using the following formula:

\[
ZPR = \frac{Corporate \ Zakat \ Distribution}{Profit \ before \ tax}
\]

Table 2. Variable Operational Indicator

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Definition</th>
<th>Formula</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fraud</td>
<td>Intentional illegal acts are characterized by deception carried out by manipulating for profit</td>
<td>The number of internal frauds that occurred in Islamic banks, in the GCG annual report</td>
<td>(Najib &amp; Rini, 2016)</td>
</tr>
<tr>
<td>2</td>
<td>Islamic Income Ratio (IsIR)</td>
<td>The percentage of Islamic income from the total income received by Islamic banks, both halal and non-halal income</td>
<td>IsIR = (Islamic Income)/(Islamic Income + Non-Islamic Income)</td>
<td>(Hameed et al., 2004)</td>
</tr>
<tr>
<td>3</td>
<td>Profit Sharing Ratio (PSR)</td>
<td>Profit-sharing financing activities in their activities with total financing</td>
<td>PSR = (Mudharabah Financing + Musyarakah Financing) / (Total Financing)</td>
<td>(Hameed et al., 2004)</td>
</tr>
<tr>
<td>4</td>
<td>Zakat Performing Ratio (ZPR)</td>
<td>The percentage of zakat issued by Islamic Commercial Banks</td>
<td>ZPR = Distribution of Company Zakat / Profit Before Tax</td>
<td>(Hameed et al., 2004)</td>
</tr>
<tr>
<td>5</td>
<td>Islamic Corporate Governance (ICG)</td>
<td>To assess the level of governance application conditions</td>
<td>Value of Self-Assessment conducted by each Islamic Commercial Bank</td>
<td>(Surat Edaran BI No.12 / 13 /</td>
</tr>
</tbody>
</table>

Source: Data processed, (2021)

RESULT AND DISCUSSION

In the results of the first stage of testing, namely the stationarity of the data. The ADF t-statistic value for each variable is greater than the t-statistic value (for = 5%, equal to -2.986225). All the variables in this study are stationary at the same degree of integration. Therefore, it continued to the next stage of analysis.
Then the test is continued at the next stage by doing a classic assumption test. The results of the Normality Test are seen from the probability value. Based on the results above, with a probability value of 0.999061, greater than 0.05 or 5%. It means that the data is normally distributed.

Table 3. Multicollinearity Test

<table>
<thead>
<tr>
<th></th>
<th>ICG</th>
<th>ISIR</th>
<th>PSR</th>
<th>ZPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICG</td>
<td>1.000000</td>
<td>-0.013576</td>
<td>-0.115101</td>
<td>0.582130</td>
</tr>
<tr>
<td>ISIR</td>
<td>-0.013576</td>
<td>1.000000</td>
<td>0.193686</td>
<td>0.138006</td>
</tr>
<tr>
<td>PSR</td>
<td>-0.115101</td>
<td>0.193686</td>
<td>1.000000</td>
<td>0.098634</td>
</tr>
<tr>
<td>ZPR</td>
<td>0.582130</td>
<td>0.138006</td>
<td>0.098634</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

Source: Data processed (output eviews 10)

Furthermore, the multicollinearity test uses a correlation matrix. From the correlation matrix, the results of the correlation matrix for each variable have no value more than 0.90 (< 90). It means that there is no multicollinearity problem in this study.

Table 4. Heteroscedasticity Test

Heteroskedasticity Test: White

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Prob. F(4,9)</th>
<th></th>
<th>Prob. Chi-Square(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F-statistic</strong></td>
<td>0.970635</td>
<td>0.4691</td>
<td>0.3771</td>
<td>0.5107</td>
</tr>
<tr>
<td><strong>Obs*R-squared</strong></td>
<td>4.219321</td>
<td>3.288877</td>
<td>3.84145</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed (output eviews 10)

Based on table 4.2 above, the results of the heteroscedasticity test can use the White test. The test results show that the Obs*R-Squared value obtained is 4.219321, and
the Obs*R-Squared value is greater than 0.05 (with a critical value of 5%), so in this study, there is no heteroscedasticity.

Table 5. Autocorrelation Test

*Breusch-Godfrey Serial Correlation LM Test:*

<table>
<thead>
<tr>
<th>Obs*R-squared</th>
<th>0.679358</th>
<th>Prob. Chi-Square(2)</th>
<th>0.7120</th>
</tr>
</thead>
</table>

Source: Data processed (output eviews 10)

Then the results of the-autocorrelation test using the Breusch Godfrey test above show the Obs*R-squared value of 0.679358. And the value of Obs*R-Squared in this study is greater than 0.05 (> 0.05), meaning that there is no autocorrelation in this study.

In panel data regression, the determination of the model is carried out according to the approach. There are three main estimates in the panel data: the common effect model, the fixed-effect model, and the random effect model.

Table 6. Regression Results with Model

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Common Effect</th>
<th>Fixed Effect</th>
<th>Random Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-51.521</td>
<td>-1.139</td>
<td>0.283</td>
</tr>
<tr>
<td>ICG</td>
<td>0.656</td>
<td>1.039</td>
<td>0.325</td>
</tr>
<tr>
<td>IsIR</td>
<td>50.668</td>
<td>1.126</td>
<td>0.289</td>
</tr>
<tr>
<td>PSR</td>
<td>5.492</td>
<td>1.867</td>
<td>0.094</td>
</tr>
<tr>
<td>ZPR</td>
<td>-1.285</td>
<td>-0.389</td>
<td>0.706</td>
</tr>
</tbody>
</table>

Source: Data processed (output eviews 10)

Table 7. Results of Selection of Panel Data Regression Estimation Technique Model

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Uji Chow</th>
<th>Uji Hausman</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F-stat</td>
<td>Prob.</td>
</tr>
<tr>
<td></td>
<td>17.075</td>
<td>0.004</td>
</tr>
</tbody>
</table>

| Sig. level | 0.005 | 0.005 |

Source: Data processed (output eviews 10)

Metode terbaik yang didapatkan dari Uji F/Chow dan Uji Hausman adalah Fixed effect model. Dan hasil ini menjadi hasil terakhir dari setiap pengujian pemilihan yang ada. Dan dapat disimpulkan bahwa model terbaik yang terpilih untuk penelitian ini adalah
Fixed effect model (FEM). Dan hasil ini menjadi hasil terakhir dari setiap pengujian pemilihan yang ada. Sehingga tidak perlu melakukan pengujian Lagrange Multiplier (Uji LM).

Table 8. Regression Results with Fixed Effect Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-76.54790</td>
<td>17.02301</td>
<td>-4.496732</td>
<td>0.0064</td>
</tr>
<tr>
<td>ICG</td>
<td>-1.348573</td>
<td>0.473381</td>
<td>-2.848810</td>
<td>0.0359</td>
</tr>
<tr>
<td>ISIR</td>
<td>84.08889</td>
<td>17.42158</td>
<td>4.826708</td>
<td>0.0048</td>
</tr>
<tr>
<td>PSR</td>
<td>-6.767707</td>
<td>2.035600</td>
<td>-3.324674</td>
<td>0.0209</td>
</tr>
<tr>
<td>ZPR</td>
<td>-0.185562</td>
<td>1.915608</td>
<td>-0.096868</td>
<td>0.9266</td>
</tr>
</tbody>
</table>

Effects Specification

Cross-section fixed (dummy variables)

- R-squared: 0.975715
- Adjusted R-squared: 0.936860
- S.E. of regression: 0.311107
- Sum squared resid: 0.483938
- Log likelihood: 3.688858
- F-statistic: 25.11141
- Prob(F-statistic): 0.001259

Sumber: Data diolah dengan Eviews, 2021

\[
\text{logfraud} = -76.54790 + (-1.348573)X1 + (84.08889)X2 + (-6.767707)X3 + (0.185562)X4
\]

Based on table 4 above, the results of the t-test of the Fixed effect model (FEM) show that the probability value of ICG is 0.0359 less than the significant value of 5% (<0.05), then Ho is rejected, and H1 is accepted. It means that ICG (independent variable) has a significant or individual influence on Fraud (dependent variable). Then the probability value of the Islamic Income Ratio is 0.0048 less than a significant value of 5% (>0.05), then Ho is rejected, and H1 is accepted. Therefore, IsIR (independent variable) has a significant or individual influence on Fraud (dependent variable).

Furthermore, the probability value of PSR is 0.0209 less than the significant value of 5% (<0.05), then Ho is rejected, and H1 is accepted. It means that PSR (independent variable) has a significant or individual influence on Fraud (dependent variable). Then the probability value of ZPR is 0.9266 more than the significant value of 5% (<0.05), then Ho is accepted, and H1 is rejected. Therefore, ZPR (independent variable) does not have a significant or individual effect on Fraud (dependent variable).

Thus, based on the results of the t-test of the Fixed effect model (FEM), three variables have a significant effect, namely ICG IsIR and PSR. Meanwhile, ZPR has no significant effect. While the F-test results from the fixed effect model (FEM) show that...
the F-Statistic value is 0.001259, where the f-statistic probability number is smaller than 0.05 (<5%), which means that all independent variables in this study have a simultaneous effect on fraud. The results of the Determination Test from the Fixed effect model (FEM) can be seen through the Adjusted R-Squared value, which is 0.936860 or 93%. Based on the Adjusted R-Squared value, it shows that the independent variable can explain 93% of the dependent variable. The remaining 7% is explained by other factors or other variables outside this model.

The Influence of Islamic Corporate Governance (ICG) on Fraud

The results show that Islamic Corporate Governance (ICG) has a significant or individual influence on Fraud. The results of this study are the following research conducted by Raharjanti & Muharrami (2020), Fadhistri & Triyanto (2019), and Fiawan et al. (2019), which states that Islamic Corporate Governance (ICG) has a significant or individual influence on Fraud.

The existence of Islamic governance or ICG can minimize fraud or frauds and asymmetric information between stakeholders and management. The relationship between Islamic Corporate Governance and indications of fraud in Islamic Commercial Banks, namely, based on previous research conducted by Najib & Rini (2016) that fraud can occur due to lack of good governance. Based on agency theory, Islamic Banks, in carrying out their business, have governance obligations by complying with sharia principles so that Islamic Corporate Governance is expected to minimize fraud.

Effect of Islamic Income Ratio (IsIR) on Fraud

The study results show that the Islamic Income Ratio (IsIR) has a significant or individual influence on Fraud. The results of this study follow research conducted by Santika & Ghofur (2020) and Hamzah et al. (2020), which states that changes in the value of the Islamic Income Ratio affect the occurrence of Fraud in Islamic banking. In practice, non-halal funds or non-halal income are part of the funds that cannot be avoided. In addition, the existence of these non-halal funds is then channeled as a virtue fund.

Islamic income shows the percentage of how much halal income is earned compared to the total income. Based on the sharia enterprise theory, non-halal income must be disclosed in the financial statements of Islamic banks. When the management of Islamic banks has disclosed honestly, it means that management and all employees also have an attitude of trust and responsibility where they will tend to stay away from fraudulent acts. In line with the theory of stewardship, if Islamic income increases, the act of committing fraud will decrease because Islamic income, according to sharia principles, is one way to maintain public trust in choosing Islamic banks.

Effect of Profit Sharing Ratio (PSR) on Fraud

The results show that the Profit Sharing Ratio (PSR) has a significant or individual influence on fraud. This study's results follow Najib & Rini (2016), which state that profit-sharing financing at Islamic Commercial Banks has a significant influence on corporate fraud. The effect of the profit-sharing ratio on internal fraud shows that PSR can predict the occurrence of internal fraud. When the profit-sharing principle is dominant in Islamic banks, the gap for fraud to occur gets smaller. Thus the condition of Islamic banks will be better. The principle of profit-sharing is one of the principles in the operation of Islamic
banks, which is fundamentally different from conventional banks. The principle of profit-sharing in Islamic banks is also expected to move the real sector more because it closes the possibility of channeling it to consumptive interests (Najib & Rini, 2016).

**Pengaruh Zakat Performing Ratio (ZPR) terhadap Fraud**

The results show that the Profit Sharing Ratio (PSR) has a significant or individual influence on fraud. The results of this study follow research conducted by (Muhammad et al. 2019), which states that changes in the Zakat Performing Ratio value do not affect the occurrence of fraud in Islamic banking. The calculation of this ratio is to see how significant the percentage of Islamic Commercial Banks is in issuing zakat. This ratio does not affect the occurrence of fraud which is an act of fraud that occurs in a company. The Zakat Performing Ratio is a ratio used to see how significant the percentage of Islamic Commercial Banks is in issuing zakat. However, an increase in Zakat Performing does not always minimize the occurrence of fraud in Islamic banks, so the Zakat Performing Ratio does not affect fraud.

In theory, ZPR affects financial performance as research conducted by Rahma (2018) states that ZPR has a significant effect on ROA because the larger the company is paying zakat, the company's financial performance will also increase. Significantly for Islamic Commercial Banks, applying sharia principles will improve their performance of Islamic Commercial Banks. So this supports the statement that ZPR does not affect the occurrence of fraud in a company.

**CONCLUSION**

Based on the results of the analysis of data processing, this study concludes that part the influence of Islamic Corporate Governance (ICG), Islamic Income Ratio (IsIR), and Profit-Sharing Ratio (PSR) have a significant influence on fraud. At the same time, the Zakat Performing Ratio (ZPR) does not significantly affect fraud. And simultaneously, the influence of Islamic Income Ratio (IsIR), Profit Sharing Ratio (PSR), Zakat Performing Ratio (ZPR), and Islamic Corporate Governance (ICG) have a significant effect. It shows that in minimizing or reducing the occurrence of fraud, Islamic Commercial Banks must always carry out each of their activities based on sharia principles. Such as carrying out corporate governance following Islamic principles and minimizing non-halal income owned by the company. Then, increasing distribution in financing with musyarakah and mudharabah contracts. It will provide profit sharing for the company and fulfill the rights of stakeholders to get a good image and trust through zakat. Therefore, doing things that follow the sharia principles will reduce the occurrence of fraud in Sharia Commercial Banks.

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