


Determinant Factors of The Frequency Of Fraud Occurance: Study on Sharia Banking in Indonesia

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ABSTRACT

Currently, Islamic banking in Indonesia is growing, of course this is a concern because along with the development of Islamic banking, of course the bank will be more complex and more circulating in Indonesia so that this causes fraud problems that can occur in Islamic banking, for this reason it is necessary to implement good Islamic corporate governance to minimize fraud. This study investigates the determinant factors of the frequency of fraud on sharia banking in Indonesia. This study employed frequency of fraud occurrence as dependent variable, quality of islamic corporate governance implementation and bank complexity as independent variable. This research is a quantitative research with the type of data used, namely secondary data obtained from the official website of each bank and the OJK website. The data analysis used is multiple regression analysis using the E-Views 10 application. The results of this study show that partially the variable quality of the implementation of Islamic corporate governance has a positive effect on the frequency of fraud occurrence and bank complexity does not have a significant positive effect on the frequency of fraud occurrence. This research can provide implications for Islamic banking, namely it can be a reference in evaluating and preventing fraud from occurring in banking. For academics, it can add insight and knowledge in the field of auditing, especially in terms of the influence of the quality of the implementation of Islamic corporate governance and the complexity of banks on the frequency of fraud.

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INTRODUCTION

The development of Islamic banking in Indonesia began on May 1, 1992, with the establishment of Bank Muamalat Indonesia. Islamic banking has experienced development which can be seen from the increase in the number of banks and the number of offices as seen from Table 1 below:

Table 1: Development of the number of banks and Islamic banking offices

Number of Banks and Offices	Year				
	2018	2019	2020	2021	2022
Sharia Commercial Banks	14	14	14	15	13
Number of Offices	1875	1919	2034	2035	2007
Sharia Business Unit	20	20	20	20	20
Number of Offices	354	381	392	444	438
Sharia BPR	165	164	163	163	170
Number of Offices	327	453	464	495	501

(Source : OJK website processed in 2023)

Based on table 1 above, it can be seen that Islamic banking in Indonesia has experienced quite rapid development. It can be seen from the increase in the number of Islamic banking in Indonesia and the number of existing branch offices. Table 1 above shows that in the last 5 years, Sharia People's Financing Banks (BPRS) have been growing due to the number of offices that continue to increase from the 2018-2022. Then the Sharia business unit did not experience an increase in the number of existing Syariah business units, but only experienced an increase in the number of branch offices. Meanwhile, Islamic commercial banks in Indonesia have decreased from the number of existing banks and branch offices, this is due to the phenomenon of mergers of the 3 largest Islamic banks in Indonesia, namely Bank Mandiri Syariah, BRI Syariah and BNI Syariah which is now an Indonesian Islamic Bank. Although Islamic banks have applied sharia principles in carrying out their operational activities, it does not guarantee that Islamic banks are free from fraudulent behavior¹.

This is evidenced by the occurrence of fraudulent acts that occurred recently, namely in 2021 there was a fraud case at Bank NTB Syariah². In 2022, it was reported that employees of Bank Aceh Syariah Singkil Branch embezzled regional tax funds reaching IDR 1.4 billion,³. Then Bank West Java Syariah also had a fraud case, namely in 2018 Bank BJB Syariah was detected a fictitious credit of 548 billion involving the Acting President Director⁴.

From several cases of Islamic bank fraud that have occurred in Indonesia, it can be seen that most of the fraud that occurred was carried out by internal parties from the bank itself, which is in line with a survey that has been conducted by the Association of Certified Fraud Examiners (ACFE) in 2022 in the report "Occupational Fraud 2022: A Report To The Nations". Where in the report, it is stated that fraud cases in Indonesia in 2022 reached 23 cases and became the fourth most cases in the Asia-Pacific⁵. From the report, those involved in the fraud case are the company's internal parties, which consist of 36% by employees, 39% by managers and 23% by owners/executives.

The risk of fraud can occur in a company due to pressure, opportunity and rationalization/attitude, these three drivers of fraud are usually called the fraud triangle^{6,7}. The increasing complexity of a bank, it will increase the risk of fraud itself⁸. Based on the cases of fraud acts above, this shows that the internal supervision of Islamic banks is still weak, so a comprehensive evaluation is needed to increase the transparency and accountability of Islamic banks in anticipating the opportunity for fraud⁹.

Due to the limitations of the Internal Audit Work Unit (SKAI) at the bank, so that some bank offices cannot be inspected in a year. This is what triggers the occurrence of late fraud to be known and fraud

¹ Naufal Al Baqir and Sulhani Sulhani, "Corporate Governance, Effectiveness of Internal Audit Function and Fraud in Islamic Banking in Indonesia," *Asia Pacific Fraud Journal* 8, no. 1 (2023): 77, <https://doi.org/10.21532/apfjournal.v8i1.272>.

² KORANNTB, "Bank NTB Syariah Fraud Case: Evidence of OJK's Failure to Perform Its Functions," KORANNTB.COM, 2021, Kasus Fraud Bank NTB Syariah Bukti OJK Gagal Jalankan Fungsi - koranntb.com.

³ Fransiska Natalia, "Bank Aceh Syariah Employees Suspected of Embezzling Tax Funds of Up to IDR 1.4 Billion, Prosecutor's Office Investigates the Mode," Kompas.tv, 2022, <https://www.kompas.tv/regional/312462/pegawai-bank-aceh-syariah-diduga-gelapkan-dana-pajak-hingga-rp-1-4-m-kejaksaan-dalami-modusnya>.

⁴ Tegar Arief, "The Occurrence of 4 Internal Fraud in BJB Syariah During 2018," *Bisnis.com*, 2019, <https://finansial.bisnis.com/read/20190423/90/914480/terjadi-4-internal-fraud-di-bjb-syariah-selama-2018>.

⁵ Association of Certified Fraud Examiners (ACFE), "Occupational Fraud 2022: A Report to the Nations," *Association of Certified Fraud Examiners*, 2022.

⁶ Rusman Soleman, "Pengaruh Pengendalian Internal Dan Good Corporate Governance Terhadap Pen Cegahan Fraud," *Jurnal Akuntansi & Auditing Indonesia* 17, no. 1 (2013): 57-74, <https://doi.org/10.20885/jaai.vol17.iss1.art5>.

⁷ Nur dkk Sayidah, *Akutansi Forensik Dan Audit Investigatif*, 1st ed. (Sidoarjo: Zifatama Jawara, 2021).

⁸ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia," *Al-Muzara'Ah* 10, no. 2 (2022): 111-22, <https://doi.org/10.29244/jam.10.2.111-122>.

⁹ Maju Siregar, "Pengawasan Internal Pemerintah Lemah Penyebab Korupsi Tetap Marak," *hariansib.com*, 2020, <https://www.hariansib.com/Opini/261077/pengawasan-internal-pemerintah-lemah-penyebab-korupsi-tetap-marak-/>; Lisa Hasan et al., "Effect of Auditor Ethics, Audit Experience, and Auditor Motivation on Internal Audit Quality," *Shafin: Sharia Finance and Accounting Journal* 4, no. 1 (2024): 72-84.

to the bank. If the bank has a small number of branch offices, the chance of fraud is small, because checks are carried out regularly so that fraudulent actions can be quickly known by SKAI¹⁰. This is because when checking regularly the number of branches of a bank will reduce the opportunity for people who intend to commit fraud themselves.

In addition to the complexity that is a factor in the occurrence of fraud in Islamic banks, the quality of the implementation of Islamic Corporate Governance also contributes to the occurrence of fraud in Islamic banks. The occurrence of fraud cases in Islamic banks in Indonesia is a form of failure or lack of implementation of Islamic Corporate Governance or Good Corporate Governance¹¹. It can be seen from the many regulations that have been made for banks in Indonesia, especially Islamic banks. One of them is Bank Indonesia regulation Number 11/33/PBI/2009 concerning the implementation of Good Corporate Governance for Islamic commercial banks and Islamic business units.

In this Bank Indonesia regulation, every Islamic bank is also required to carry out a *cell-assessment* regarding the implementation of Islamic corporate governance in Islamic banks, where the quality of the implementation of Islamic corporate governance is indicated by the composite value that has been carried out by the self-assessment, the smaller the composite value produced, the better the quality of implementation Islamic Corporate Governance. The enactment of Bank Indonesia regulation Number 11/33/PBI/2009 concerning the implementation of Good Corporate Governance for Islamic commercial banks and Islamic business units, is expected to be able to reduce the possibility of fraud in Islamic banks in Indonesia and it is hoped that the implementation of GCG can maintain a balance between economic goals and community objectives and keep companies away from bad management to cause companies to have problems¹². In fact, there are still many fraudulent acts in Islamic banks in Indonesia, especially Islamic commercial banks and Islamic business units. This can be seen from the following table:

Table 2: Number of Internal Fraud Cases in BUS and UUS

Number	Year	Number of Cases
1	2020	41
2	2021	39
3	2022	39

(Source: GCG implementation report data processed in 2023)

Based on the table above, the number of cases in BUS and UUS in Indonesia has indeed decreased from the first year COVID-19 began to spread in Indonesia to the year when COVID-19 began to disappear. This shows that in the pandemic era, the opportunity for fraud in Islamic banks in Indonesia is greater because many activities related to bank operations are not directly supervised by the company. This shows that even though BUS and UUS have implemented the GCG implementation report in accordance with Bank Indonesia Regulation Number 11/33/PBI/2009 in their operational activities, there are still cases of fraud in BUS and UUS.

Based on research conducted by Suharto, Dominicus Savio Priyarsono and Trias Andati in 2022. Where the results of the research show that the quality of ICG implementation has a significant effect on the frequency of fraud¹³. In contrast to the research conducted by Haifa Najib and Rini, the results of the research show that ICG or corporate governance in Islam does not affect fraud in Islamic banks¹⁴.

¹⁰ Maya Indriastuti and Luluk M Ifada, "Pengaruh Kualitas Pelaksanaan Corporate Governance Kompleksitas Bank" 12, no. 2 (2011): 168–76, <https://doi.org/http://dx.doi.org/10.30659/ekobis.12.2.168-178>.

¹¹ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia."

¹² Alfiz Rahdian, Sepky Mardian, and Muhammad Razikun, "The Measurement Of Good Corporate Governance In Islamic Banking And Its Effect On Financial Performance (Empirical Study Of Islamic Commercial Banks In Indonesia)," *Jurnal Akuntansi Dan Keuangan Islam* 11, no. 2 (2023): 189–204, <https://doi.org/10.35836/jakis.v11i2.530>.

¹³ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia."

¹⁴ Haifa Najib and Rini Rini, "Sharia Compliance, Islamic Corporate Governance Dan Fraud Pada Bank Syariah," *Jurnal Akuntansi Dan Keuangan Islam* 4, no. 2 (2019): 131–46, <https://doi.org/10.35836/jakis.v4i2.23>.

Then regarding the influence of bank complexity on the frequency of fraud, one of the studies conducted by Maya Indriastuti and Luluk M in 2011 showed a positive correlation between the variables of bank complexity to fraud¹⁵. In contrast to the research conducted by Centhya Wati and Windhy Puspitasari in 2017, the results showed that the complexity of banks has a significant negative effect on fraud by using the number of branch offices as a research tool¹⁶.

Based on the inconsistency in the previous studies, this study has a difference from the previous studies, namely from the population gap, where in previous studies only used Sharia Commercial Banks (BUS) as the object of research, so in this study added the object to be studied, namely using Sharia Commercial Banks (BUS) and Sharia Business Units (UUS). Then this study also uses the 2020-2022 period, where previous studies examined in years before or the same as 2020. Then there is a difference in the theoretical gap, where in previous studies used agency theory while in this study used fraud triangle theory. Based on the descriptions above, the researcher is interested in researching whether the determinant factors of the frequency of fraud: study on sharia banking in Indoensia.

Hypotheses Development

The Effect of the Quality of Islamic Corporate Governance Implementation on the Frequency of Fraud

Islamic banks are said to carry out Islamic corporate governance well, as seen from the composite value in the good corporate governance implementation report. Because when the composite value in the good corporate governance implementation report is getting smaller, the quality of the implementation of Islamic corporate governance in the Islamic bank is getting better so that it can be said that the Islamic bank has complied with the regulations that have been enacted by the OJK and Bank Indonesia¹⁷. In the fraud triangle, fraud can occur because there is an opportunity to commit fraud itself, when the quality of the implementation of Islamic corporate governance in Islamic banks is good, it can be said that the bank has carried out ICG principles properly and consistently in the Islamic bank itself, so that the opportunity for fraudulent actions in Islamic banks is also decreasing because of this transparency.

Several previous studies that examined the influence of Islamic corporate governance on fraud, namely those conducted by Fahd Akhmad Nadia, Edi Sukarmanto, and Pupung Purnamasari in 2018, showed that good corporate governance has a significant effect on fraud prevention¹⁸. Research conducted by Chaoul L.S shows that there is a positive influence between corporate governance and fraud study case in Lebanon¹⁹. Then the research was conducted by Suharto, Dominicus Savio Priyarsono and Trias Andati in 2022. Where the results of the research show that the quality of ICG implementation has a significant effect on the frequency of fraud²⁰.

Based on theoretical analysis and previous studies, the researcher formulated the following research hypothesis:

¹⁵ Maya Indriastuti and Luluk M Ifada, "Pengaruh Kualitas Pelaksanaan Corporate Governance Kompleksitas Bank," *EKOBIS* 12, no. 2 (2011): 168–76, <https://doi.org/http://dx.doi.org/10.30659/ekobis.12.2.168-178>.

¹⁶ Centhya Wati and Windhy Puspitasari, "Pengaruh Fraud Diamond, Corporate Governance Dan Kompleksitas Bank Terhadap Financial Statement Fraud Pada Perusahaan Perbankan," *Jurnal Akuntansi Trisakti* 4, no. 2 (2017): 157–68, <https://doi.org/http://dx.doi.org/10.25105/jat.v4i2.4856>.

¹⁷ Simona Franzoni and Asma Ait Allali, "Corporate Governance of Islamic Banks: A Sustainable Model to Protect the Participatory Depositor?," *Journal of Banking Regulation* 25, no. 1 (2024): 42–48, <https://doi.org/10.1057/s41261-022-00214-3>.

¹⁸ Fahd Akhmad Nadia, Edi Sukarmanto, and Pupung Purnamasari, "Pengaruh Pengendalian Internal Dan Good Corporate Governance Terhadap Pencegahan Kecurangan Influence of Internal Control and Good Corporate Governance on Fraud Prevention," *Prosiding Akuntansi Unisba* 4, no. 2 (2018): 861–68, karyailmiah.unisba.ac.id.

¹⁹ L.F Chaoul, "Effect of Corporate Governance and Fraud Prevention: The Case of Lebanon" (Lebanese American University, 2016).

²⁰ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia."

H1 = The quality of Islamic corporate governance implementation has a significant effect on the frequency of fraud

The Effect of Bank Complexity on the Frequency of Fraud

When the number of network offices from Islamic banks is very large, the Internal Audit Work Unit (SKAI) cannot conduct a thorough audit process on all the number of network offices of Islamic banks, then this will create opportunities for people to commit fraudulent acts on Islamic banks, so that fraudulent actions in Islamic banks cannot be overcome. This is in line with the fraud triangle theory which explains that fraud occurs when there is pressure, opportunity and rationalization, in this case there is an opportunity to commit fraud because of the large number of Islamic bank networks, the audit process is carried out unevenly at the Islamic bank network offices.

Several previous studies that examined the influence of bank complexity on fraud, namely research conducted by Maya Indriastuti and Luluk, showed the difference between bank complexity variables on fraud²¹. Then research conducted by Saleh Sitompul showed that the results of Bank Complexity have a significant influence on fraud in Sharia Commercial Banks (BUS)²².

Based on theoretical analysis and previous studies, the researcher formulated a hypothesis of the influence of bank complexity on the frequency of fraud as follows:

H2 = Bank complexity has a significant effect on the frequency of fraud

METHOD

Research Design

This study uses a quantitative research method, Quantitative research is research with tools to process data using statistics, therefore the data obtained and the results obtained are in the form of numbers²³. The approach in this study is to use a casual associative approach, where casual associative is a researcher who has the goal of finding out the relationship between one variable and another²⁴. This study aims to analyze the relationship between the quality of Islamic corporate governance implementation and the frequency of fraud and also the relationship between bank complexity and the frequency in islamic²⁵ commercial banks and sharia business units in 2020-2022.

Participants/Sample Selection and Data Sources

The population in this study is sharia commercial banks and sharia business units registered with the OJK for the 2020-2022 period. The sample in this study is 15 Islamic banks in Indonesia using purposive sampling techniques.

The criteria for sampling in this study are as follows:

- 1) Islamic commercial banks and Islamic business units registered with the OJK continuously during the 2020-2022 period.
- 2) Islamic commercial banks and Islamic business units that provide reports on the implementation of GCG during the 2020-2022 period and provide the necessary data for complete research, namely (1) composite values of self-assessment results; (2) the number of internal fraud acts that occurred and; (3) Number of Bank Network Offices.

Here is the sample of this study:

²¹ Indriastuti and Ifada, "Pengaruh Kualitas Pelaksanaan Corporate Governance Kompleksitas Bank," 2011.

²² Saleh Sitompul, "Kecurangan (Fraud) Ditinjau Dari Sisi Kualitas Pelaksanaan Islamic Corporate Governance , Size Serta Kompleksitas Perbankan Syariah" 2, no. 1 (2022): 26-36, <https://journalsintaksis.com/index.php/sts/article/view/46>.

²³ Syafrida Hafni Sahir, *Metodologi Penelitian* (Yogyakarta: KBM INDONESIA, 2022).

²⁴ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, Dan R&D* (Bandung: Alfabeta, 2017).

²⁵ Sugiyono.

Table 3: Sample of The Study

NUMBER	KODE	NAME OF BANK	INFORMATION
1	BAS	PT Bank Aceh Syariah	BUS
2	BMS	PT Bank Mega Syariah	BUS
3	BPDS	PT Bank Panin Dubai Syariah, Tbk	BUS
4	BSB	PT Bank Syariah Bukopin	BUS
5	BCAS	PT BCA Syariah	BUS
6	BTPNS	PT Bank Tabungan Pensiunan Nasional Syariah, Tbk	BUS
7	BJBS	PT Bank Jabar Banten Syariah	BUS
8	BVS	PT Bank Riau	BUS
9	BMI	PT Bank Muamalat Indonesia	BUS
10	NTBS	PT BPD Nusa Tenggara Barat Syariah	BUS
11	BDI	PT Bank Danamon Indonesia, Tbk	UUS
12	BP	PT Bank Permata, Tbk	UUS
13	BMI	PT Maybank Indonesia	UUS
14	CIMB	PT Bank CIMB Niaga, Tbk	UUS
15	BKS	PT BPD Kalimantan Selatan	UUS

(Source: www.ojk.go.id data processed in 2024)

Instrumentation/Data Collection

In this study, the data collection was obtained using secondary data sources. Secondary data collected and used for the quality variables of the implementation of Islamic Corporate Governance in this study is the report on the implementation of Good Corporate Governance of Islamic banks by looking at their self-assessment contained on each bank website for the 2020-2022 period. The variable of bank complexity from statistical data on Islamic banking obtained from the www.ojk.go.id website by looking at the number of operational head offices, auxiliary branch offices, and cash offices of each Islamic bank during the 2020-2022 period. The variable frequency of fraud uses secondary data in the form of the number of internal fraud cases that occur in each Islamic bank, this data is obtained from the Good Corporate Governance implementation report contained on each Islamic bank website for the 2020-2022 period.

Data Analysis

In this study, the analysis technique used is multiple regression analysis with cross section data and using E-views 10 to get a comprehensive picture of the influence of independent (free) variables on dependent (bound) variables. The data needed in this study that has been collected will be tested to see the accuracy of the model, along with the analysis infrastructure tests that will be carried out, namely Descriptive Statistical Tests, Classical Assumption Tests, multiple regression analysis and hypothesis tests.

RESULTS

Table 4: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.206604	0.145625	-1.418742	0.1634
KuaICG	1.099154	0.229042	4.798922	0.0000
KompBank	2.808884	1.396691	2.011099	0.0508
R-squared	0.402494	Mean dependent var	0.535019	
Adjusted R-squared	0.374041	S.D. dependent var	0.356244	
S.E. of regression	0.281852	Akaike info criterion	0.369470	
Sum squared resid	3.336498	Schwarz criterion	0.489914	
Log likelihood	-5.313070	Hannan-Quinn criter.	0.414370	
F-statistic	14.14609	Durbin-Watson stat	1.349344	
Prob(F-statistic)	0.000020			

(Source: E-Views 10 processed in 2024)

Based on the results of the multiple regression analysis in table 3 above, the multiple regression equation is as follows:

$$\text{Fraud Frequency} = \alpha + \beta_1 \text{KuaICG} + \beta_2 \text{KompBank} + \varepsilon$$

$$\text{Fraud Frequency} = -0.206604 + 1.099154 \text{KuaICG} + 2.808884 \text{KompBank} + \varepsilon$$

The explanation of the multiple regression equation above is as follows:

- A constant with a value of -0.206604 can be interpreted that if the independent variable increases by one unit on average, then the dependent variable will decrease by -0.206604
- The value of the variable regression coefficient x1 has a positive value of 1.099154, meaning that if the composite value of ICG implementation increases (the quality of ICG implementation is low), then the frequency of fraud increases by 1.099154 and vice versa
- The value of the variable regression coefficient x2 has a positive value of 2.808884, meaning that if the complexity of the bank increases, the frequency of fraud increases by 2.808884 and vice versa

Based on the table 3 above a t-count value of 4.798922 is obtained with a probability of 0.000. So it can be concluded that the t-calculation > the t-table (4.798922 > 2.01669) and the probability of 0.000 < 0.05. So partially, the quality variable of the implementation of Islamic corporate governance has a positive and significant effect on the frequency of fraud, so that H0 is rejected and H1 is accepted.

Based on the table 3 above, a t-count value of 2.011099 is obtained with a probability of 0.0508. So it can be concluded that the t-calculation < t-table (2.011099 < 2.01669) and the probability is 0.0508 > 0.05. So partially, the variable of bank complexity has a positive and insignificant effect on the frequency of fraud, so that H0 is accepted and H2 is rejected.

Based on the table 3 above, it can be seen that the Adjusted R-squared value is 0.374041, this shows that the variance in the quality of the implementation of Islamic corporate governance and the complexity of the bank is able to explain the variance in the frequency of fraud by 37.40%, while the remaining 62.60% is explained by other variables outside the variables in the model.

DISCUSSION

The Effect of the Quality of Islamic Corporate Governance Implementation on the Frequency of Fraud

In accordance with the results of the partial hypothesis test or t-test above, that the quality of the implementation of Islamic corporate governance has a positive and significant effect on the frequency of fraud. This is because the quality of ICG implementation in Sharia Commercial Banks and Sharia Business Units in 2020-2022 in Indonesia is in the rating range of "very good", "good" and "quite good". The quality of ICG BUS and UUS implementation in Indonesia during 2020-2022 is not ranked "poor" and "very poor", this is due to the self-awareness of corporate stakeholders regarding the benefits of ICG implementation itself. This is also due to the support from the regulator which includes the quality of GCG implementation in assessing the health level of banks ²⁶.

The results of the research are in line with the fraud triangle theory which states that one of the factors for fraud is the existence of opportunities, where when the quality of ICG implementation is better, the chance of fraud will decrease. To overcome this, namely the model of Islamic corporate governance itself where the ICG model is inseparable from the basic principles of GCG which are carried out with Islamic principles in muamalah namely shiddiq (transparency), amanah (accountability), tabligh (responsibility), istiqomah (independence) and justice, then if the principles of Islamic Corporate Governance has been running well and consistently, the quality of the implementation of Islamic Corporate Governance will be better and fraud can be minimized or prevented. Because basically in Islamic corporate governance, a company is not only a place to make money but also a place to serve Allah SWT. So that it causes fear for employees to commit fraud itself, the chance of fraud will also be reduced. In addition, the company has also followed government regulations to improve the quality of Islamic corporate governance so that the chance of fraud is also reduced.

The results of this study are supported by research conducted by Fahd Akhmad Nadia et al ²⁷ and research conducted by Suharto et al ²⁸, where the research shows that ICG has a significant effect on the frequency of fraud. However, this research is contrary to the research conducted by Haifa Najib et al, Maya Indriastuti et al, and Mella Apriliani Astuti et al. whose research results show that ICG or Islamic corporate governance does not have a significant effect on the frequency of fraud in Islamic banks.

The Effect of Bank Complexity on the Frequency of Fraud

In accordance with the results of the partial hypothesis test or t-test above, that partially the complexity of the bank is positive and insignificant to the frequency of fraud. The results of this study are not in line with the fraud triangle theory which states that the more branch offices, the more chances of fraud will increase. Checking fraud is not routinely carried out at existing branch offices, but in this day and age when Islamic banks are increasingly modern, the opportunity for fraud in Islamic banks can also be minimized and avoided ²⁹. This can be avoided by restricting access to the system to branch offices and conducting centralized reporting on a regular basis to the main office.

As according to the regulation issued by OJK Number 39/POJK.03/2019 concerning the implementation of anti-fraud strategies for commercial banks, where in this OJK regulation it is explained that in the implementation of anti-fraud strategies, banks must carry out risk management in their operational activities, one of which is by supervising and reporting directly to the board of commissioners on the business activities of the bank itself, both at the head office or branch offices, where by supervising and reporting directly to the board of commissioners, these fraudulent acts can be overcome immediately so that the chance of fraud is smaller at the branch office.

In addition, the factors that affect the complexity of a bank are not only based on the number of branch offices but there are still other factors that affect the complexity of a bank. As in the research

²⁶ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia."

²⁷ Nadia, Sukarmanto, and Purnamasari, "Pengaruh Pengendalian Internal Dan Good Corporate Governance Terhadap Pencegahan Kecurangan Influence of Internal Control and Good Corporate Governance on Fraud Prevention."

²⁸ Suharto, Dominicus Savio Priyarsono, and Trias Andati, "Pengaruh Kualitas Pelaksanaan Islamic Corporate Governance Dan Kompleksitas Terhadap Frekuensi Terjadinya Fraud Pada Perbankan Syariah Di Indonesia."

²⁹ Suharto, Dominicus Savio Priyarsono, and Trias Andati.

conducted by Maya Indriastuti et al., the fruits of a bank can be said to be complex, namely when a bank can meet one of the following conditions: (1) A bank with total assets of Rp10,000,000,000,000.00 (ten trillion rupiah); (2) Internationally active banks, i.e. banks with branch offices in several other countries or the bank is a branch office of a bank with its head office abroad; (3) Banks with 30 (thirty) or more branch offices; (4) Banks with 150,000 (one hundred and fifty thousand) customers or more; and or (5) Banks with a high level of diversity of transactions or products or services³⁰. Thus, the number of branch offices is not only the only reference to determine the complexity of a bank, many other factors are a reference.

The results of this study are supported by research conducted by Centhya et al and research conducted by Suharto et al, where the research shows that the complexity of banks does not have a significant effect on the frequency of fraud. However, this study is contrary to the research conducted by Saleh Sitompul, Maya Indriastuti et al. and Efri Syamsul Bahri et al. whose research results show that the complexity of banks has a positive effect on the frequency of fraud.

CONCLUSION

Based on the partial multiple regression test that has been carried out, it shows that the variable quality of the implementation of Islamic corporate governance has a positive and significant effect on the frequency of fraud in Sharia Commercial Banks and Sharia Business Units. This positive influence means that the smaller the composite value of the quality of the implementation of Islamic Corporate Governance, the smaller the frequency of fraud will occur. Based on the partial multiple regression test that has been carried out, it shows that the variable of bank complexity has a positive and insignificant effect on the frequency of fraud in Sharia Commercial Banks and Sharia Business Units. This means that the higher the complexity of a bank, the less significant the influence on the frequency of fraud.

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