

## Conference Paper

# Prevention of Fraud in Sharia Banking in Indonesia through Implementation of Sharia Corporate Governance

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### Abstract

This research is motivated by the existence of fraud phenomenon that still occurs in sharia banking environment which in fact is based on Islamic principles in every activity. Based on data from ACFE (Association Of Certified Fraud Examiners) in 2016 shows that banks and financial institutions are the highest entities in the case of fraud. Sharia principles that are run by Islamic banks do not necessarily make Islamic banks to avoid fraud cases. Cases of fraud that many overwrite Islamic banks may be due to weak implementation of sharia corporate governance. The data in this research is obtained from Good Corporate Governance of syariah banking (BUS-UUS) period 2012-2016 using a quantitative approach. The result of research shows that the implementation of sharia corporate governance in syariah banking is categorized into three parts that are very good, good and good enough but from the implementation of sharia corporate governance is still not able to prevent fraud in sharia banking. This study has important implications, namely sharia banking must be balanced with the ability of good human resources because Islamic banks is a banking business that combines the principles of banking and Islamic principles. In addition, organizational culture and tone at the top can also be a lock to prevent fraud,

**Keywords:** Sharia Corporate Governance, Fraud

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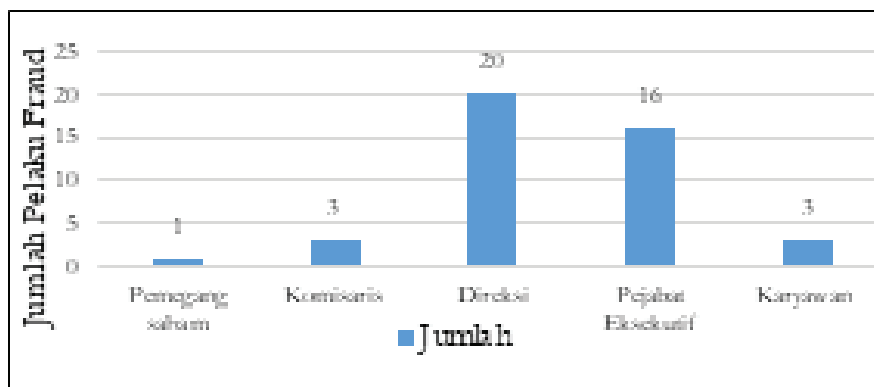
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## 1. Introduction

Apart from the development of Islamic banking, there are serious things that must be faced by every bank, both conventional and Islamic banks. This is in the form of fraud that occurs in the banking environment. Those who commit fraud are not foreigners but internal parties of the bank itself. Actors of bank crimes can be carried out by all parties ranging from employees to the top management of the bank (Anugerah, 2014). The following are parties who are vulnerable to bank crime. The following are parties who are vulnerable to bank crime:

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**Figure 1:** Fraud Actors Suspected of Bank Crimes (Source: (Laporan Profil Industri Perbankan Triwulan IV, 2016)).

Based on ACFE data (Association of Certified Fraud Examiners) in 2016 shows that banks and financial institutions are the highest entities in the Fraud case. Sharia principles run by Islamic banks do not necessarily make Islamic banks avoid fraud cases. Evidenced by the emergence of fraud cases involving Islamic bank entities, as in the corruption case of Bank Jabar Banten Syariah (BJBS) where the executor (Acting) President Director of BJBS initials YG became a suspect in the alleged corruption of the provision of fictitious credit given to debtors on behalf of PT. Hastuka Sarana Karya for the period of 2014 to 2016 (Sohuturon, 2017).

The number of fraud phenomena that occur in Islamic banking clearly contradicts to QS. Al-Anfal: 27 which states the humans are not allowed to commit treason

تَأْيِبُهَا الَّذِينَ آمَنُوا لَا تَخُونُوا اللَّهَ وَالرَّسُولَ وَتَخُونُوا أَمْنَتِكُمْ وَأَنْتُمْ تَعْلَمُونَ

Meaning: *O who believe, do not betray Allah and the Messenger (Muhammad) and (also) do not betray the messages entrusted to you, while you know (QS. Al-anfal: 27).*

Fraud cases that afflict many Islamic banks may be due to the weak implementation of sharia corporate governance. This is because the implementation of sharia corporate governance is an important requirement in ensuring the development and stability of the Islamic financial industry (Grassa, 2015). Several studies on Islamic bank governance have been carried out, such as Maradita's (2014) research which compares the governance characteristics of Islamic banks and conventional banks, in addition to the research conducted by Junusi (2012) in which research discusses how the implementation of sharia governance to reputation and the trust of Islamic banks. The results of Junusi's research (2012) state that corporate governance sharia will affect customer reputation and trust. Asrori (2014) in his research on the implementation of Islamic corporate governance and its implications for the performance of Islamic banks

states that the implementation of Islamic corporate governance has a positive effect on the performance of Islamic banks.

From the above problems, the authors formulated several research formulas, namely the extent of fraud in Islamic banking in Indonesia, how the implementation of sharia corporate governance in Indonesia, and whether sharia corporate governance affects fraud prevention. The purpose of this research is to find out the extent a fraud that occurs in Islamic banking in Indonesia, to know the extent of sharia corporate governance implementation in Islamic banking, and to know the extent to which sharia corporate governance can influence fraud prevention. The author gives the hypothesis for this study is that sharia corporate governance affects fraud prevention at Islamic banks.

Based on the problems described above, the authors feel the need to conduct research on, "Prevention of Fraud on Islamic Banking in Indonesia through the Implementation of Sharia Corporate Governance"

## 2. Literature Study

### 2.1. Sharia corporate governance

IIFSB (Islamic Financial Services Board) defines sharia corporate governance, namely the sharia system which must refer to a series of institutional and organizational arrangements that have been made by IIFS (Institutions Offering Islamic Financial Services). This IIFS ensures effective independent oversight of sharia compliance from each of the following process structures:

1. Issuance of sharia statements/decisions;
2. Dissemination of information regarding sharia resolution to IIFS members who monitor compliance from each level of operations and transactions;
3. Review of internal/audit sharia compliance to record non-compliance and if possible will be handled and corrected;
4. Sharia compliance/audit review in the form of an annual report to verify that the review of internal/audit sharia compliance has been carried out appropriately and the findings have been recorded by the sharia board (Mizushima, 2014).

To implement sharia corporate governance, it is necessary to have a Sharia Supervisory Board (DPS) which functions in processing supervision, monitoring, auditing, and providing opinions on sharia compliance in financial institutions or companies offering sharia products and services (Novela, 2015).

Sharia corporate governance comes from Islamic law. The aim of sharia corporate governance is not only to work for the benefit of shareholders and stakeholders, but also to work to fulfill its obligations as a servant of God (Hassan, 2014).

## 2.2. Fraud

Fraud, in general, can be interpreted by human intelligence or someone can plan to gain profit through the wrong picture (Suprajadi, 2009). Fraud is one of the many problems in the business world today. Moreover, the high level of fraud in the banking sector has become a global phenomenon that requires urgent solutions (Ali Danlandi Yusuf, 2016).

TABLE 1: Differences in the Concept of Good Corporate Governance and Sharia Corporate Governance.

No	Aspect	principles of good corporate governance	Islamic principles
1	Insuring the basis for an effective corporate governance framework	Promotion of transparent and efficient markets with rule of law and division of responsibilities	• Promotion of business within ethical framework of Shariah
			• Believes in profit and loss
			• Primacy of Justice and social welfare with social and spiritual obligations
			• Prohibition of interest
2	The rights of shareholders and key ownership functions	• Basic shareholder rights	• Property as trust from God
		• Participation in Decision-making at the general meetings	• Sole Authority is God
		• Structures and arrangements markets for corporate control	• Society as stakeholders
		• Ownership rights by all shareholders including institutional shareholders	• Accountability not only to stakeholders but also to God, the ultimate owner
		• Consultative process between shareholders and institutional shareholders	
3	The equitable treatment of shareholders	• Protection to minority and foreign shareholders	• Just and fairness of value
			• Equitable distribution of wealth to all stakeholders and disadvantages members in the form of Zakat and Sadqa
			• Social and individual welfare with both spiritual and moral obligation
			• Sensation of Equality

No	Aspect	principles of good corporate governance	Islamic principles
4	The role of stakeholders in corporate governance	<ul style="list-style-type: none"> <li>• In creating wealth, jobs and sustainability of financially sound enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Islamic accountability to Falah and social welfare orientation</li> </ul>
			<ul style="list-style-type: none"> <li>• Haram/Halal dichotomy in transaction</li> </ul>
			<ul style="list-style-type: none"> <li>• Social &amp; individual welfare from both spiritual and material</li> </ul>
			<ul style="list-style-type: none"> <li>• Consideration to whole community</li> </ul>
5	Disclosure and transparency	<ul style="list-style-type: none"> <li>• Matters regarding corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability with Shariah compliance</li> </ul>
		<ul style="list-style-type: none"> <li>• Financial situation</li> </ul>	<ul style="list-style-type: none"> <li>• Socio-economic objectives related to firms' control and accountability to all its stakeholders</li> </ul>
		<ul style="list-style-type: none"> <li>• Performance, ownership and governance</li> </ul>	<ul style="list-style-type: none"> <li>• Justice, equality, truthfulness transparency</li> </ul>
6	The responsibilities of the board	<ul style="list-style-type: none"> <li>• Strategic guidance</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability not only to company or board or stakeholders but also to Allah the ultimate authority who leads to welfare and success</li> </ul>
		<ul style="list-style-type: none"> <li>• Monitoring of management</li> </ul>	<ul style="list-style-type: none"> <li>• Holistic and integrative guidance</li> </ul>
		<ul style="list-style-type: none"> <li>• Accountability to company and stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation and co-operation</li> </ul>
			<ul style="list-style-type: none"> <li>• Consultation and consensus seeking for each decision with related stakeholders</li> </ul>

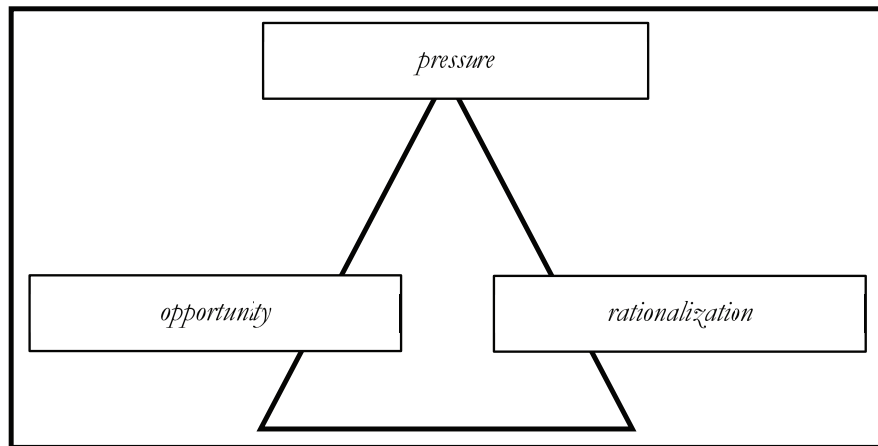
Source: (Abu-Tapanjeh, 2009)

According to Bank Indonesia Circular No. 13/28/DPNP referred to as fraud is an act of irregularity or omission that is intentionally carried out to deceive, or manipulate banks, customers, or other parties, which occur in the bank and/or use bank facilities so as to cause banks, customers, or other parties suffer losses and/or fraud players obtain financial benefits both directly and indirectly (Bank Indonesia Circular No. 13/28/DPNP, 2011).

### 2.3. Fraud triangle

The Fraud triangle concept was developed in 1950 by Donald Cressey, a criminologist. He explored the study of the reasons behind those who cheated. He researched 250 criminals who committed fraud within 5 months. Based on his research, he concluded that people cheated for two things, first because they were trusted to hold responsibility and the second because of circumstances that made them violate that belief. According

to Cressey, there are 3 factors behind someone cheating, namely (1) pressure, (2) opportunity, (3) rationalization (Mansor, 2015).



**Figure 2:** Fraud Triangle (Source: (Mansor, 2015)).

### 3. Research Methods

The method used in this study is to use a quantitative approach. The research design used in this study is causality design which is research aimed at finding explanations in the form of causal relationships between several concepts or several variables (Ferdinand, 2014). So there are variables that influence (independently) and variables that affected (dependent). The object of research that will be examined in this study consists of one variable X namely sharia corporate governance and Y variable that is fraud. Sharia Corporate Governance is measured by 11 indicators that have been determined by Bank Indonesia circular letter No.12/13/DPBS, 2010, then the author gives a score of 1 if the item is mentioned in the GCG report and gives a score of 0 if the item is not mentioned in the GCG report.

**TABLE 2:** Scale and Suitability Rating of Indicators.

Rating	The Scale of Compliance With Indicators
1	Very suitable if it meets 87.5% to 100% of the total indicator
2	Appropriate if it meets 62.5% to 87.4% of the total indicators
3	Quite appropriate if it meets 37.5% to 62.4% of the total indicators
4	Not suitable if it meets 12.5% to 37.4% of the total indicators
5	Not suitable if it meets 0% to 12.4% of the total indicators

Source: (Bank Indonesia Circular Letter No.12/13/ DPbs, 2010)

To measure the quality of sharia governance implementation, the rating is multiplied by the weight for which the conditions are:

TABLE 3: Weight of each factor.

No	Factor	Quality (%)
1	Implementation of the duties and responsibilities of the Board of Commissioners	12.50
2	Implementation of the duties and responsibilities of the Board of Directors	17.50
3	Completeness and implementation of committee duties	10.00
4	Implementation of the duties and responsibilities of the sharia supervisory board	10.00
5	Implementation of Sharia Principles in the activities of collecting and distributing funds and services	5.00
6	Handling conflicts of interest	10.00
7	Implementation of the Bank's compliance function	5.00
8	Application of internal audit function	5.00
9	Application of external audit function	5.00
10	Maximum Fund Channels	5.00
11	Transparency of financial and non-financial conditions, GCG implementation reports and internal reporting	15.00
<b>TOTAL</b>		<b>100.00</b>

Source: (Bank Indonesia Circular Letter No.12/13/ DPbs, 2010)

The results of the ranking multiplier with the composite value can be classified as the value of the quality of the implementation of sharia governance with the following conditions:

TABLE 4: Composite Predicate Values.

Composite Value	Composite Predicate
Composite Value < 1.5	Very good
1.5 ≤ Composite Value < 2.5	Good
2.5 ≤ Composite Value < 3.5	Acceptable
3.5 ≤ Composite Value < 4.5	Poor
4.5 ≤ Composite Value ≤ 5	Very Poor

Source: (Bank Indonesia Circular Letter No.12/13/ DPbs, 2010)

The sample in this study is all BUS and UUS in Indonesia from 2012-2016. The sample selection method in this study uses saturated samples, namely sampling where

all members of the population are used as a sample, this is done because the population is relatively small (Agung, 2012). The samples used in this study are as follows:

### 3.1. Data analysis technique

The data analysis technique used in this study is the analysis of the influence test through a panel data regression test. Panel data regression test analysis was conducted because in this study combining time series data and cross-section into one observation. Panel data is a combination of the cross section with time series data (Rohmana, 2013)

As for data processing using EViews software 9. The steps taken in the panel data regression method are as follows:

#### 1. Determination of the Panel Data Regression Model

In analyzing panel data, it is necessary to test the exact model specifications to describe the data. Chow test, Hausman test, and lagrange multiplier (LM) test were carried out (Rohmana, 2013)

#### 2. Classic Assumption Test

According to Basuki & Prawoto (2016) in panel data regression, not all classical assumption tests need to be done. In this study only use one independent variable, so there is no need to do multicollinearity tests. Therefore, the classic assumption test carried out in this study only tested heteroscedasticity only.

#### 3. Hypothesis testing

##### (a) T-test

Partial test or t-test is done to find out how far the influence of each independent variable individually or partially in explaining the variation of the dependent variable. In the t-test, the calculated t value will be compared with the t table value, and the Probability will be compared to the error level determined by the researcher.

Compare the value t count with t critical (t table). The decision to reject or accept  $H_0$  is as follows:

- i. If  $t \text{ counts} > t \text{ table}$  or  $\text{probability} < \text{level of significance}$  ( $\text{Sig} < 0.05$ ), then  $H_a$  is accepted and  $H_0$  is rejected, the independent variable influences the dependent variable.
- ii. If  $t \text{ count} < t \text{ table}$  or  $\text{probability} > \text{level of significance}$  ( $\text{Sig} < 0.05$ ), then  $H_a$  is rejected and  $H_0$  is accepted.



TABLE 5: Research Samples.

No	Nama of Sharia Bank
1	PT. Bank Aceh Syariah
2	PT. Bank Muamalat Indonesia
3	PT. Bank Victoria Syariah
4	PT. Bank BRISyariah
5	PT. Bank Jabar Banten Syariah
6	PT. Bank BNI Syariah
7	PT. Bank Syariah Mandiri
8	PT. Bank Mega Syariah
9	PT. Bank Panin Dubai Syariah
10	PT. Bank Syariah Bukopin
11	PT. BCA Syariah
12	PT. Maybank Syariah Indonesia
13	PT. Bank Tabungan Pensiunan Nasional Syariah

No	Nama of Sharia Business Unit
14	PT. Bank Danamon Indonesia, Tbk
15	PT. Bank Permata, Tbk
16	PT. Bank Maybank Indonesia, Tbk
17	PT. Bank CIMB Niaga, Tbk
18	PT. Bank OCBC NISP, Tbk
19	PT. Bank Sinarmas
20	PT. Bank Tabungan Negara (Persero), Tbk
21	PT. BPD DKI
22	PT. BPD Daerah Istimewa Yogyakarta
23	PT. BPD Jawa Tengah
24	PT. BPD Jawa Timur, Tbk
25	PT. BPD Sumatera Utara
26	PT. BPD Jambi
27	PT. BPD Sumatera Barat
28	PT. BPD Riau dan Kepulauan Riau
29	PT. BPD Sumatera Selatan dan Bangka Belitung
30	PT. BPD Kalimantan Selatan
31	PT. BPD Kalimantan Barat
32	PD. BPD Kalimantan Timur
33	PT. BPD Sulawesi Selatan dan Sulawesi Bara
34	PT. BPD Nusa Tenggara Barat

Source: (Statistik Perbankan Syariah, 2017)

TABLE 6: Number of Fraud Cases in BUS and UUS from Highest to Lowest.

No	Name of Bank	BUS/UUS	Number of Fraud Cases
1	Bank Mega Syariah	BUS	124
2	Bank Syariah Mandiri	BUS	95
3	Bank Muamalat	BUS	93
4	BRI syariah	BUS	58
5	Bank Victoria Syariah	BUS	24
6	Bank Aceh	BUS	18
7	BNI syariah	BUS	16
8	Bank Panin Syariah	BUS	6
9	Bank Jabar Banten Syariah	BUS	2
10	BTPN syariah	BUS	2
11	BCA syariah	BUS	1
12	Bank Bukopin Syariah	BUS	0
13	Bank Maybank Syariah	BUS	0
14	BPD Sumatera Utara	UUS	36
15	BPD Kalimantan Barat	UUS	19
16	BPD Kalimantan Timur	UUS	14
17	Bank Tabungan Negara	UUS	6
18	BPD DIY	UUS	6
19	BPD Jambi	UUS	5
20	BPD Sumatera Selatan-Bangka Belitung	UUS	5
21	Bank CIMB	UUS	4
22	Bank Sinarmas	UUS	4
23	BPD Riau-Kepulauan Riau	UUS	4
24	BPD Sulawesi Selatan-Sulawesi Barat	UUS	4
25	Bank Danamon	UUS	3
26	BPD Jaawa Timur	UUS	3
27	Bank OCBC	UUS	1
28	BPD DKI	UUS	1
29	BPD Jawa Tengah	UUS	1
30	BPD Sumatera Barat	UUS	1
31	BPD Kalimantan Selatan	UUS	1
32	BPD NTB	UUS	1
33	Bank Permata	UUS	0
34	Bank Maybank	UUS	0

iii. Determination Coefficient

The coefficient of determination (R2) shows the ability of the model to explain the relationship between the independent variable and the dependent variable. Value (R2) will always be between 0 to 1, an R2 of 1 or close to 1 means that there is a strong influence from the independent variables that are able to explain the dependent variable, and vice versa (Rohmana, 2013)

#### 4. Results and Discussion

From the results of the analysis carried out by the authors, it turns out that fraud always occurs every year in each BUS and UUS. Therefore, the writer can conclude that there are BUS and UUS which have the highest number of Fraud cases and also the lowest during the 2012-2016 period. When sorted it will look like in the table below.

The table above provides information that among all BUS the number of fraud cases occurred mostly in the Mega syariah bank with a total of 124 cases and for BUS that did not experience Fraud were entirely in the Bukopin Sharia bank and Islamic Maybank. Whereas among all UUS, BPD Sumatra utara has the highest number of fraud cases with 36 cases. It is inversely proportional to the UUS of the Permata bank and the UUS of the Maybank bank which have no Fraud cases at all.

The implementation of sharia corporate governance in Islamic banking will be presented in the following table.

TABLE 7: Results of Sharia Corporate Governance.

No	Name BUS-UUS	Year	Composit Value	Category
1	Bank Aceh	2012	2,9	Acceptable
		2013	3,0	Acceptable
		2014	2,9	Acceptable
		2015	1,6	Good
		2016	2,5	Good
2	Muamalat	2012	1,8	Good
		2013	1,9	Good
		2014	1,9	Good
		2015	1,9	Good
		2016	1,9	Good
3	Victoria syariah	2012	2,2	Good
		2013	2,1	Good
		2014	2,1	Good
		2015	2,1	Good

No	Name BUS-UUS	Year	Composit Value	Category
4	BRI syariah	2016	2,1	Good
		2012	1,7	Good
		2013	1,7	Good
		2014	1,7	Good
		2015	2,0	Good
5	BJBS	2016	2,0	Good
		2012	1,8	Good
		2013	1,8	Good
		2014	2,2	Good
		2015	2,2	Good
6	BNI syariah	2016	2,3	Good
		2012	2,4	Good
		2013	1,2	Very good
		2014	1,6	Good
		2015	1,6	Good
7	BSM	2016	1,7	Good
		2012	1,6	Good
		2013	1,6	Good
		2014	1,9	Good
		2015	1,9	Good
8	Mega Syariah	2016	1,9	Good
		2012	1,4	Very good
		2013	1,3	Very good
		2014	1,3	Very good
		2015	1,3	Very good
9	Panin Syariah	2016	1,3	Very good
		2012	1,7	Good
		2013	1,4	Very good
		2014	1,4	Very good
		2015	1,4	Very good
10	Bukopin syariah	2016	1,4	Very good
		2012	1,8	Good
		2013	1,8	Good
		2014	1,8	Good
		2015	1,9	Good
11	BCA syariah	2016	2,0	Good
		2012	1,7	Good
		2013	1,8	Good
		2014	1,8	Good

No	Name BUS-UUS	Year	Composit Value	Category
		2015	1,9	Good
		2016	2,0	Good
12	Maybank Syariah	2012	2,1	Good
		2013	2,1	Good
		2014	2,1	Good
		2015	1,7	Good
		2016	1,7	Good
13	BTPNS	2012	1,9	Good
		2013	1,9	Good
		2014	1,9	Good
		2015	1,9	Good
		2016	1,9	Good
14	Danamon	2012	1,6	Good
		2013	1,6	Good
		2014	1,4	Very good
		2015	1,4	Very good
		2016	1,4	Very good
15	Permata	2012	2,0	Good
		2013	2,0	Good
		2014	2,0	Good
		2015	2,0	Good
		2016	2,0	Good
16	Maybank	2012	1,8	Good
		2013	1,4	Very good
		2014	1,4	Very good
		2015	1,5	Good
		2016	1,7	Good
17	CIMB	2012	1,9	Good
		2013	1,9	Good
		2014	1,9	Good
		2015	1,9	Good
		2016	1,9	Good
18	OCBC	2012	1,6	Good
		2013	1,6	Good
		2014	1,8	Good
		2015	1,8	Good
		2016	2,2	Good
19	Sinarmas	2012	1,9	Good
		2013	1,9	Good

No	Name BUS-UUS	Year	Composit Value	Category
		2014	1,8	Good
		2015	1,9	Good
		2016	1,9	Good
20	BTN	2012	1,9	Good
		2013	1,9	Good
		2014	1,7	Good
		2015	1,7	Good
		2016	1,9	Good
21	BPD DKI	2012	1,6	Good
		2013	1,5	Good
		2014	1,5	Good
		2015	1,9	Good
		2016	1,7	Good
22	BPD DIY	2012	3,0	Acceptable
		2013	2,7	Acceptable
		2014	3,0	Acceptable
		2015	3,3	Acceptable
		2016	3,3	Acceptable
23	BPD Jawa Tengah	2012	1,6	Good
		2013	2,0	Good
		2014	1,7	Good
		2015	1,6	Good
		2016	1,4	Very good
24	BPD Jawa Timur	2012	2,0	Good
		2013	1,8	Good
		2014	1,7	Good
		2015	1,8	Good
		2016	1,6	Good
25	BPD Sumatera Utarara	2012	2,5	Acceptable
		2013	2,5	Acceptable
		2014	2,4	Good
		2015	2,4	Good
		2016	2,4	Good
26	BPD Jambi	2012	2,2	Good
		2013	2,3	Good
		2014	2,1	Good
		2015	2,3	Good
		2016	2,3	Good
27	BPD Sumatera Barat	2012	1,1	Very good

No	Name BUS-UUS	Year	Composit Value	Category
		2013	1,1	Very good
		2014	1,1	Very good
		2015	1,1	Very good
		2016	1,1	Very good
28	BPD Riau-Kepri	2012	1,7	Good
		2013	1,8	Good
		2014	2,0	Good
		2015	2,0	Good
		2016	2,0	Good
29	BPD Sumsel-Babel	2012	1,8	Good
		2013	1,8	Good
		2014	1,8	Good
		2015	1,8	Good
		2016	2,0	Good
30	BPD Kalimantan Selatan	2012	2,7	Acceptable
		2013	2,2	Good
		2014	2,4	Good
		2015	2,4	Baik
		2016	2,5	Acceptable
31	BPD Kalimantan Barat	2012	2,1	Good
		2013	2,2	Good
		2014	2,0	Good
		2015	2,0	Good
		2016	2,0	Good
32	BPD Kalimantan Timur	2012	2,3	Good
		2013	1,2	Very good
		2014	1,6	Good
		2015	2,1	Good
		2016	3,0	Acceptable
33	BPD SulselBar	2012	1,7	Good
		2013	1,7	Good
		2014	1,7	Good
		2015	1,8	Good
		2016	1,9	Good
34	BPD NTB	2012	2,1	Good
		2013	2,0	Good
		2014	2,0	Good
		2015	2,0	Good
		2016	2,5	Acceptable

No	Name BUS-UUS	Year	Composit Value	Category
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From the table above, the implementation of corporate governance sharia in BUS and UUS in Indonesia is categorized into 3 categories: very good, acceptable, and good.

The results of subsequent studies of existing data related to the variables in this study and then processed and analyzed using a panel data regression model to obtain the following equation:

Based on the above model, it can be explained that each increase in X1 (SCG) is zero, then the fraud variable is 4.656643. Meanwhile, when the SGG variable increases by 1 unit, the number of frauds will decrease by 21 cases.

After conducting the panel data regression analysis, to find out whether the estimation obtained has been BLUE (Best Linear Unbias Estimator), the classical assumption is tested which includes heterosensitivity test. The test results show that the variables in this study are free from the problem of testing the classical assumptions.

#### 4.1. Testing and discussion of the research hypothesis

In this study, hypothesis testing is done by t-test. The value of t table in this study is obtained from the table of distribution t and  $\alpha$  and degree of freedom (df), where  $df = nk - 2 = 170 - 2 = 168$ , then with df 168 and  $\alpha = 5\% (0.05)$  obtained t table amounting to 1.65397. Furthermore, the value of t table will be compared with the value of t count to determine the decision to accept  $H_0$  or reject  $H_0$ . Based on the results of testing using the Eviews program, it is explained in the following discussion of the t-test

TABLE 8: Results of Sharia Corporate Governance Tests Against Fraud Prevention.

Variabel	Coefficient	Std. Error	t-Statistic	Prob.	Decision	Significance
SCG	-21.78220	57.82159	-0.376714	0.7070	H0 accepted	Non significance

Based on Table 8 shows that the value of t counts (-0.37) because in the analysis of t count ( $\pm$ ) is considered absolute, then t arithmetic is (0.38) smaller than t table (1.653) which means accepting  $H_0$  and rejecting  $H_a$ . Then the probability level of 0.7070 is greater than  $\alpha = (0.05)$  so it can be concluded that sharia corporate governance has no significant effect on Fraud prevention.

The results of this study state that the application of sharia corporate governance does not affect the prevention of fraud. Based on the theory that the implementation of corporate governance is a very important thing to create an effective and efficient business. But it turns out that even good governance still has a gap to be able to do



Fraud. Sharia corporate governance has not been realized optimally in preventing fraud, because sharia corporate governance depends on the competencies possessed by internal organs, meaning that every internal organ of Islamic banks must have multiple competencies, namely in terms of banking and business, because the activities of Islamic banks are activities that apply banking principles to the principles of equality (Akmal, 2008).

In addition to having multiple competencies, the implementation of organizational culture owned by each Islamic bank must also be strengthened again because the results of a strong culture will increase consistent behavior that can create organizational effectiveness. If an organizational culture does not provide a positive thing for the organization, the results that will be achieved or organizational performance will be bad, because the corporate culture informs employees about how the employee's behavior should be (Ikhsan, 2016)

Another thing that must be considered in preventing fraud is the tone at the top where tone at the top is the atmosphere created by the leadership of the organization. This means that every attitude shown by the organization's leadership will certainly have an effect on its employees. If the tone created by the leader upholds ethics and integrity, then employees will tend to uphold the same values. But on the contrary, if investors are not concerned with ethics, then employees will be more prone to fraud because they feel that ethical behavior is not the main priority in the organization. In short, tone at the top is that employees will do exactly the same thing their leaders do (<https://www.acfe.com>).

This research was supported by In'airat (2015) which stated that the existence and application of corporate governance were not enough to reduce the level of fraud. In line with the research of Rahmayani & Rahmawaty (2017) that Islamic corporate governance with the proxy of the implementation of DPS duties and responsibilities does not affect the indication of Fraud.

## 5. Conclusion

Based on the results of the research and discussion above, it can be concluded that the implementation of sharia corporate governance in Islamic banks in Indonesia 2012-2016 is divided into 3 parts, which are very good, good, and acceptable. but the average implementation of sharia corporate governance is good.

The implementation of sharia corporate governance in Islamic banking is not enough to prevent the occurrence of fraud. Where the implementation of good governance is

still there is a gap for someone to do Fraud. Because currently, DPS can only supervise sharia banking in terms of its products, whether it is appropriate or not with sharia principles. Fraud prevention and control should be a part of DPS's responsibility because its existence is expected to be able to focus on developing and guarding so that the products and activities of the sharia financial institutions that they supervise always run in accordance with the sharia but due to the limited time, effort and knowledge of DPS members it escapes management (Jabbar, 2010).

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