ISLAMIC CORPORATE GOVERNANCE AND ISLAMICITY PERFORMANCE INDEX ON FRAUD IN SHARIA COMMERCIAL BANKS

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ABSTRACT

This study aims to impact Islamic corporate governance and fraud in Islamic banks. The Effect of Islamic Corporate Governance on Fraud in Islamic Commercial Banks. And Effect of Islamicity Performance Index on Fraud in Islamic Commercial Banks. This study uses quantitative methods and panel data on Islamic corporate governance variables. Islamicity Performance Index, and ICG and IPI Interaction. The results of this study The effect of positive ICG on fraud Regression Test Results The ICG variable has a coefficient of 4,377,977 and a probability of 0.015, more excellent than 0.05 based on the test. The ICG variable statistically means that the higher the ICG score, the more fraud cases increase, which results in a positive IPI influence on fraud. The results of the Regression Test Variable X1 has a coefficient of 3.536459 and a probability of 0.043, which is less than 0.05, while the variable X2 has a coefficient of -6.62755 and a probability of 0.003 is less than 0.05, which means that isn't it according to theory? If ICG and IPI increase, fraud will decrease, and Interaction Results in This Research Produce a new Variable. Regression Test Results Variable X1 has a coefficient of 17.47975 and a Probability of 0.007, which is less than 0.05, and Variable X2 has a coefficient of 4.735987 and a Probability of 0.406, which is more significant than 0.05 can be interpreted in the same direction and the Interaction Between X1, X2 ICG and IPI can be said to be Perfect that ICG Initially positive, from the ICG results, IPI becomes negative. Significantly, the higher the IPI score. An increase in ICG will reduce fraud cases.
Keywords: Fraud; ICG; IPI

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui dampak terhadap tata kelola perusahaan syariah dan penipuan di bank syariah. Pengaruh Islamic Corporate Governance terhadap Fraud pada Bank Umum Syariah. dan Pengaruh Islamicity Performance Index terhadap Fraud pada Bank Umum Syariah. Dalam penelitian ini menggunakan metode kuantitatif dan data panel variabel tata kelola perusahaan syariah. Indeks Kinerja Islamitas, dan Interaksi ICG dan IPI. hasil penelitian ini Pengaruh ICG positif terhadap Fraud Hasil Uji Regresi Variabel ICG mempunyai koefisien sebesar 4.377.977 dan probabilitas sebesar 0,015 yang lebih besar dari 0,05 berdasarkan pengujian. Variabel ICG secara statistik berarti semakin tinggi skor ICG maka semakin banyak pula peningkatan kasus Fraud. Hasil Pengaruh Positif IPI terhadap Fraud. Hasil Uji Regresi Variabel X1 mempunyai koefisien sebesar 3,536459 dan probabilitas sebesar 0,043 kurang dari 0,05, sedangkan variabel X2 mempunyai koefisien sebesar -6,62755 dan probabilitas 0,003 lebih kecil dari 0,05 yang berarti tidak itu menurut teori? Jika ICG dan IPI meningkat maka kecurangan akan menurun dan Hasil Interaksi Dalam Penelitian Ini Menghasilkan Variabel Baru. Hasil Uji Regresi Variabel X1 mempunyai koefisien sebesar 17,47975 dan Probabilitas sebesar 0,007 yang lebih kecil dari 0,05 dan koefisien Variabel X2 sebesar 4,735987 dan Probabilitas sebesar 0,406 yang lebih besar dari 0,05 dapat diartikan searah dan Interaksi Antara X1, X2 ICG dan IPI bisa dikatakan Sempurna yaitu ICG Awalnya positif, dari hasil ICG IPI menjadi negatif. Secara signifikan, semakin tinggi skor IPI. Peningkatan ICG akan menurunkan kasus fraud.
**Kata Kunci:** Fraud; ICG; IPI

1. INTRODUCTION

The intentional presentation and disclosure of information by management to deceive users of financial statements is fraudulent financial reporting. Financial statement fraud is closely related to management. Profit manipulation is used to quantify profits to make the company look better than similar companies. The rise of fraudulent financial reports in public companies also raises concerns for users of financial statements, such as auditors, investors, lenders, and other users. Management manipulates earnings as an accounting strategy to achieve results consistent with increased share prices and better compensation expectations. They added the Sharia corporate governance independent variable to this study (Yuliyanti & Cahyonowati, 2023). To build good governance that can be applied to Islamic commercial banks, many research findings indicate that in measuring work in Islamic commercial banks, they must use the principles established by the measurement according to the actions of corporate executives (Wardati et al., 2021).

According to the results of the ACFE study (2018) titled Report to the Nations 2018, financial and banking companies account for up to 41.4% of fraud incidents in financial institutions (Ilyas, 2021).

Figure 1. Fraud Incidents
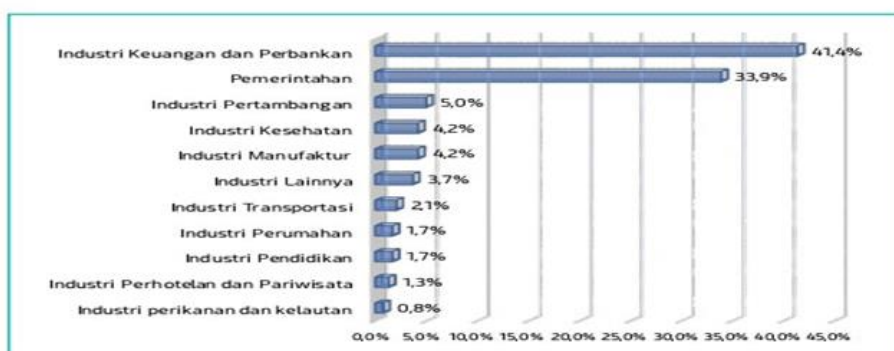
Data source: Indonesian fraud survey agency

Bank Indonesia has issued compliance measurement rules used by banks through Council Decree No. 30/12/KEP/DIR and Circular No. 30/3/UPBB issued in April. 30 of 1997, in connection with the Bank Indonesia Precautionary Assessment Act. (Sunaryo, 2022) Questions about public trust in Islamic banks' Sharia performance arise when assessing a bank's financial performance and considering its soundness (Awliya, 2022). Fraud can occur at every level of the organization, from junior management to owners. Due to its uniqueness, the Islamic finance industry has a high level of risk management. Therefore, the principle of party oversight in Sharia compliance is necessary to mitigate the risk of fraud. (Kurniasari, 2017) Sharia is based on three Islamic Disclosure Indicators. Corporate Governance, Social Transparency, Environmental Sharia Compliance. According to Bank Indonesia, Sharia banks must apply principles to achieve healthy goals.(Ubaidillah & Astuti, 2020) The corporate governance of Sharia banks is very different from that of banks in general. Islamic banks must run their business by sharia principles. According to Bank Indonesia, the implementation of Good Sharia Business Governance (GGBS), as outlined in the general guidelines issued by the National Governance Policy Council (KNKG) in 2011, can help develop the application of Sharia principles (Rostiani et al., 2018).

Only sharia principles and sharia provisions can be used to implement Bank Indonesia. Implementation of Sharia Governance for Sharia The financial reports generated

each period show the company's performance (Faozan, 2019). The Islamic financial performance index is used in this context to analyze the financial statements of Islamic banks. This index offers the advantage of assisting stakeholders in assessing and measuring the performance of Islamic financial institutions (Sondokan Nathalia V et al., 2019). Islamic banks, including depositors, shareholders, religious institutions, government, and others, several measurements can be used to assess the performance of Islamic banks, such as profit sharing ratios, zakat performance ratios, equity ratios, director-employee welfare ratios, and the ratio of Islamic investment to non-Sharia investment. Such indicators are included in the Islamic Performance Index (Tunggal & Fachrurrozie, 2019). comparison of Muslim and non-Muslim income Various studies on the implementation of good corporate governance show that the financial performance of Islamic banks is different. They are related to Islamic banking (Carroll & Brown, 2018).

Islamic banks use *the Islamicity Performance Index* at different levels; some are very serious about it, while others are only moderately serious (Indrawati et al., 2022). IPI can be used to evaluate the financial performance of *Islamic* organizations through ethical and halal aspects, Which is halal tayyib by applying the role of good governance so that stakeholders get an idea of applying sharia concepts that can be applied in the corporate environment (Carroll & Brown, 2018).

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
Fraud

In its original usage, the terms "fraud" or "cheating" referred to a variety of criminal acts, including unlawful acts characterized by fraud, secrecy, or breach of trust (Davy, 2022). There is no need to use violence or the threat of violence to carry out this action. Fraud is when individuals or organizations do so to gain access to services to avoid payment or lose them or for personal or financial gain (Saputra, 2017).

In an organization or institution, fraud, also known as *common fraud,* is a crime that is likely to occur (Jamil et al., 2021). In Islamic financial organizations, it is also possible that any potential for financial abuse must be anticipated (Yuliyanti & Cahyonowati, 2023). The public is informed about the possible risks and considers the harm caused by fraud and misappropriation of assets to prevent and deal with fraud effectively (Iman & Umiyati, 2022).

Islamic Corporate Governance

Internal mechanisms of corporate governance in Islamic banking, particularly those related to the Sharia Supervisory Board and compliance with Sharia in operational and business activities, were found to be problematic, according to research involving respondents from several Islamic banks operating in sixteen (16) countries, including Indonesia (Ahmad, 2021). External efforts that are still inadequate are related to the regulation of the implementation of *Islamic Corporate Governance* in Islamic banks, which have not been sufficiently enforced and implemented according to Sharia (Sondokan Nathalia V et al., 2019).

Islamicity Performance Index

This measuring tool was created to help stakeholders assess the institution's performance, considering employees and stakeholders (Jamil et al., 2021). This measuring tool was created to help stakeholders assess the institution's performance. Consider employees and stakeholders (Yuliyanti & Cahyonowati, 2023). Sharia indicators used in this study include the *Profit sharing Ratio (PSR), Islamic Investment Ratio (IIR), and Islamic Income Ratio (IsIR)*(Gozali et al., 2023).

Profit Sharing Ratio (PSR)

One of the most essential aspects of Islamic banking is profit-sharing financing. This ratio assesses profit-sharing activities by Islamic banks as part of their overall financing activities (Bayu, 2022.). Profit sharing for Sharia bank financing is determined by considering mudharabah and musyarakah. The profit-sharing ratio formula is as follows:

$$\text{PSR} = \frac{Pembiayaan\ Mudharabah + Musyarakah}{Total\ Pembiayaan}$$

Islamic Investment Ratio (IIR)

The type of halal investment ratio is the Islamic Investment Ratio. Riba, gharar, and gambling are prohibited under Islamic law in all professions, including investing. The Islamic investment ratio calculates the percentage of halal investment in the bank's portfolio (Indrawan & Jalilah, 2021). The Sharia Investment Ratio formula is as follows:

$$\text{IIR} = \frac{Investasi\ Halal\ Bank\ Syariah}{Total\ Halal\ \&\ Total\ Investasi}$$

Islamic Income Ratio (IsIR)

Islamic income comes from businesses and investments that comply with Sharia law. Sharia law encourages halal transactions while prohibiting unlawful ones such as usury, gharar games, and other types of gambling (Darmawan, 2018). The percentage of all halal and non-halal income earned by Islamic banks that are considered Islamic is determined using the Islamic Income Ratio. The formula below is used to determine the Islamic Income Ratio:

$$\text{IsIR} = \frac{Pendapatan\ Halal\ Bank\ Syariah}{Total\ Pendapatan}$$

3. RESEARCH METHODS

This type of research is quantitative, using numerical data as an analytical tool. This involves collecting data in numbers, processing them, and then evaluating them to derive scientific information from the numbers. The information used is secondary in panel data, namely information between time series and combined company cross sections. (Saputra, 2017) Secondary data is information that already exists and is collected from other sources. to support the analysis and tests that the authors collected from sources such as libraries and publications of previous studies (Mayasari, 2020). The annual report is the source of data for this research. The author collected data from the official website of Islamic Commercial Banks (Ayu Nurfallah et al., 2022).

Secondary data is a source of information used in this study. Books, reading literature, statistics provided by the government and non-governmental organizations, and other sources are (Setiawan, 2020).

4. RESULTS AND DISCUSSION

Data analysis technique

The amount of data processed is 50 observations, where the Mean Y column shows 2,222222, which is the average standard error for each variable, the median is 1,000,000, and the maximum is 16,000,000 standard deviation, indicating the standard deviation and variance.

Table 1. Descriptive Statistical Test

	Y	X1	X2
Means	2.222222	2.111111	5.344431
Median	1.000000	2,000000	5.235750
Maximum	1600000	3,000000	8.886900
Minimum	0.000000	1.000000	3.816270
Std. Dev.	3.463373	0.611341	0.663144
Skewness	2.496120	-0.054644	3.197024
kurtosis	9.134617	2.665267	19.68431
Jarque-Bera	117.2925	0.232482	598.5941
probability	0.000000	0.890261	0.000000
sum	100,0000	95.00000	240.4994
Sum Sq. Dev.	527.7778	16.44444	19.34941
Observations	45	45	45

Classic assumption test
Normality test

This test was conducted using the histogram method to determine the contribution of the dependent and independent variables in the regression model. From the acquisition of *the probability value of the Jarque Bera* number with a significance criterion of more than 0.05, it means that the variable value is normally distributed, but if the significance is less than 0.05, it means that the variable is not normally distributed.

Figure 2. Normality Test
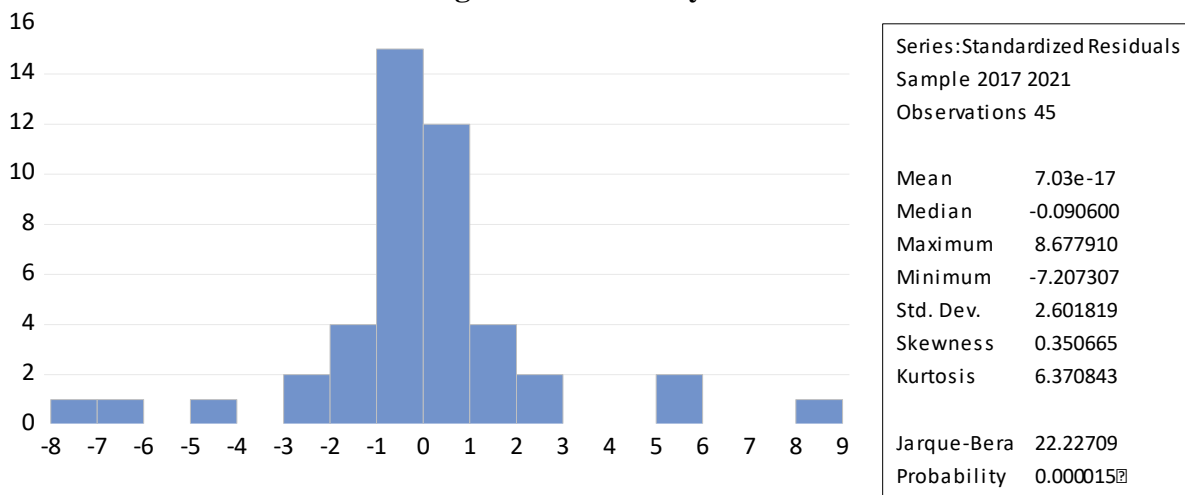
Based on the normality test results below, *bark falla* shows the number 22.22709 with *a probability value* of 0.000015, which exceeds 0.05. This means that the regression model and the data used in the study can be ascertained to have been normally distributed.

Multicollinearity Test

The multicollinearity test aims to determine whether there is a high correlation between each independent variable in a multiple linear regression model. If there is no

correlation between the independent variables, it can be said that the regression model is good.

Table 2. Multicollinearity Test

Variables	coefficient	90% CI		95% CI		99% CI	
		Low	high	Low	high	Low	high
C	247.8886	56.54860	439.2286	15.55773	480.2195	-72.21425	567.9915
X1	-77.00853	-143.7081	-10.30899	-157.9971	3.980086	-188.5937	34.57667
X2	-112.2929	-196.0819	-28.50386	-214.0321	-10.55369	-252.4680	27.88224
X3	36.92062	7.281464	66.55977	0.931851	72.90939	-12.66430	86.50554

Heteroscedasticity test

This test aims to determine whether there are variance differences between the residuals from different observations in the regression model. You can determine whether the error variance is homoscedastic or not by using the *Glejser test method. Homoscedasticity* occurs if the probability significance value is less than 0.05 and more significant than 0.05. heteroscedasticity did not occur, so the regression model passed the heteroscedasticity test and the homogeneity of the variance was fulfilled.

Table 3. Heteroscedasticity Test

Variables	coefficient	std. Error	t-Statistics	Prob.
C	247.8886	109.5949	2.261862	0.0380
X1	-77.00853	38.20388	-2.015725	0.0609
X2	-112.2929	47.99234	-2.339809	0.0326
X3	36.92062	16.97659	2.174796	0.0450

X1 variable with a *Coefficient value* of -77.000853 and a *Probability value* of 0.0609, Which is where the mark is smaller from alpha 0.05. If the mark significance probability is not enough from 0.05, it is *heteroscedasticity.*

X2 variable with a Coefficient value of -112.2929 and a *Probability value* of 0.0326 which value is smaller than alpha 0.05 means If the value is significant probability not enough from 0.05 so happen *homoscedasticity.*

Variable X3, with a Coefficient value of -112.2929 and a Probability value of 0.0450, which is smaller than alpha 0.05, means that if the probability significance value is less than 0.05, *homoscedasticity occurs.*

Panel Data Regression Analysis
Chow test

The Chow test of *the likelihood ratio* is used in the panel data regression research model to choose a method between *the fixed effect or standard effect models*. If the

probability cross-section chi-square value is more than 0.05, then the regression model used is the standard effect model. In contrast, if the value of the probability cross-section chi-square is less than 0.05, then the regression model used is *the fixed effect model.*

Table 4. Chow test

Effect Test	Statistics	df	Prob.
Cross-section F	3.961804	(4,17)	0.0189
Chi-square cross-sections	15.807687	4	0.0033

The Chow test results show a probability chi-square value of 0.0033, so the value is less than 0.05, so the model chosen is *the fixed effect model.*

Hausman test

The Hausman test was used using the panel data regression research model to choose between the fixed effect and the random effect. The regression model used is the *random effect model* if the probability value is more significant than 0.05, and the *fixed effect model* is used if the probability value is less than 0.05.

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-sections	1.032415	2	0.5968

The test table shows that the probability value is more than 0.05, namely 0.5968, so the chosen model has *a random effect.*

Lagrange Multiplier Test

The Lagrange Multiplier test on the panel data regression research model is used to choose a method between a random effect and a common effect. Judging from the Breusch Pagan value, if the acquisition value is less than 0.05, it uses a random effect model; if the acquisition value exceeds 0.05, it means using the common-effect model. The following Lagrange multiplier test shows that the acquisition value is less than 0.05. Therefore, the selected model is a random effect.

Table 6. Lagrange Multiplier Test r

	Test Hypothesis Cross-section	time	Both
Breusch-Pagan	3.916975 (0.0478)	0.298225 (0.5850)	4.215200 (0.0401)
Honda	1.979135 (0.0239)	-0.546100 (0.7075)	1.013309 (0.1555)

King-Wu	1.979135	-0.546100	1.013309
	(0.0239)	(0.7075)	(0.1555)
Standardized Honda	3.629249	-0.368950	-1.031481
	(0.0001)	(0.6439)	(0.8488)
Standardized King-Wu	3.629249	-0.368950	-1.031481
	(0.0001)	(0.6439)	(0.8488)
Gourieroux et al.	--	--	3.916975
			(0.0592)

Resulting Regression Model:
Panel variable: bank (strongly balanced)
Time variable: year 2017 to 2021
Deltas: 1 unit

. Treg fraud ic

Random-effects GLS regression Number of obs = 50
Group variable: bank Number of groups = 10

R-squared: Obs per group:
   Within = 0.0668 min = 5
Between = 0.2820 avg = 5.0
Overall = 0.1824 max = 5

Wald chi2(1) = 5.95
corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0147

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    fraud | Coefficient Std. err. z P>|z| [95%conf. interval]
--------------+--------------------------------------- --------------------------
      ic | 4.377977 1.794748 2.44 0.015 .860336 7.895619
 _cons | - 5.723991 4.200276 -1.36 0.173 -13.95638 2.508398
--------------+--------------------------------------- --------------------------
sigma_u | 4.3031237
sigma_e | 5.1350147
     rho | .41253805
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X's interpretation affects Y.

ICG Variable Regression Test Results have *a coefficient of 4.377977 and a Probability of 0.015,* which is greater than 0.05 based on this test. The ICG variable statistically means that the higher the ICG score, the higher the fraud cases. This result is strange; according to the hypothesis, the relationship between ICG and fraud is negative, but the result is positive.

Bank Muamalat Indonesia Outlier Data

Cases or data that have unique characteristics look very different from other observations in the form of extreme values compared to other ratio indicators.

Table 7. Outlier Data

NO	BUS	Year	Y (Fraud)	X1ICG	X2_1 PSR	X2_2IIR	X2_3 IsIR
1.	BMI	2017	35	3	0.48112	0.95125	0.99947
2.	BMI	2018	21	3	0.48536	0.96392	0.99955
3.	BMI	2019	26	3	0.49408	0.97342	0.99949
4.	BMI	2020	8	3	0.51029	0.96798	0.99974
5.	BMI	2021	1	2	0.51819	0.98814	0.99952

Outlier Bank Muamalat data table

In the data table above, in 2017, fraud at Bank Muamalat totaled 35 cases, and ICG totaled three based on the composite self-assessment and IPI, which was interacted with by *the profit sharing ratio of 0.48112* and *the Islamic Investment Ratio* of 0.95125 and *the Islamic Income Ratio of 0.99947.* The 2018 table data above shows that 2018 fraud at Bank Muamalat totaled 21 cases, and ICG in 2019 totaled 26 fraud cases. 2020 there were eight fraud cases, and in 2021, there were one. These results are extraordinary and contradictory to these findings; Islamic banks must strengthen IPI because looking at the outlier data in the table can show significant ICG results; the case above from the ICG side alone is positive.

The results in the table above for the strange Indonesian Muamalat bank were investigated in depth and processed based on accurate data; the results differ from the hypotheses built. These results align with research conducted by Soleman (2013), which found that applying GCG has a positive effect on fraud. The reason fraud occurs is that the company does not professionally implement GCG. And not very serious in its implementation. Because, indeed, the implementation of GCG could not be better for Muamalat Indonesia with significant outliers in the data, it affects the data processing results *as a whole.*

The following are processed data for the 2017-2021 BMI.

Random-effects GLS regression Number of obs = 45
Group variable: bank_code Number of groups = 9

R-squared: Obs per group:
Within = 0.0002 min = 5
Between = 0.4813 avg = 5.0
Overall = 0.1434 max = 5
Wald chi2(3) = 4.07
Corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.2545

```
------------------------------------------------ --------------------------
 fraud | Coefficient Std. err. z P>|z| [95%conf. interval]
--------------+------------------------------------- ---------------------------
ic | 2.443659 4.56945 0.53 0.593 -6.512299 11.39962
 ipi | -.616286 3.843138 -0.16 0.873 -8.148698 6.916126
icg_ipi | - .4884204 1.79281 -0.27 0.785 -4.002264 3.025423
```

_ cons | 1.066235 9.959852 0.11 0.915 -18.45472 20.58719

--------------+------------------------------------ ---------------------------sigma_u| 1.2306585

sigma_e | 3.2466643

rho | .12563057 (fraction of variance due to u_i)

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Variable Interaction Results on Bank Muamalat Data. Regression Test Results Variable X1 has *a coefficient of* 2.443659 and a Probability of 0.593, which is more significant than 0.05 and Variable X2 *coefficient* -.616286 and Probability of 0.873 which is more significant than 0.05 can be interpreted in the same direction as ICG_IPI Variable -4884204 and Probability 0.785 and Interaction Between X1, X2 ICG and IPI can be said to be controversial which can change the ICG results to be positive. and IPI being negative.

Based on the goals described previously, performance measurement is one of the methods used to determine a company's capacity. This is basic research that can assist businesses in increasing productivity today while identifying irregularities in corporate governance at any given time. It is essential for a system to manage employee performance, especially in today's borderless world where businesses must r, remain competitive and financially strong (Hameed et al., 2004).

. xtreg fraud icg ipi

Random-effects GLS regression Number of obs = 50
Group variable: bank Number of groups = 10

R-squared: Obs per group:
    Within = 0.2738 min = 5
Between = 0.1957 avg = 5.0
Overall = 0.2060 max = 5

Wald chi2(2) = 14.85
corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0006

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    fraud | Coefficient Std. err. z P>|z| [95%conf. interval]

--------------+------------------------------------ ---------------------------

    ic | 3.536459 1.747928 2.02 0.043 .1105845 6.962334

    ipi | -6.62755 2.245877 -2.95 0.003 -11.02939 -2.225712

_cons | 12.28174 7.302385 1.68 0.093 -2.030671 26.59415

--------------+------------------------------------ ---------------------------

sigma_u | 4.7438679

sigma_e | 4.5620641

    rho | .51952888 (fraction of variance due to u_i)

X1 and X2 interpretation of Y

The results of the Regression Test Variable X1 has *a coefficient of* 3.536459 and *a probability of* 0.043, which is less than 0.05, while the variable X2 *has a coefficient of* -6.62755 and *a probability of* 0.003 is less than 0.05, which means that is not it according to theory? If ICG and IPI increase, fraud will decrease.

The relationship is not in the same direction as the increase in ICG, but it is significant while the IPI has decreased. In microeconomics, Demand theory is an economic theory that claims that demand affects prices. Consequently, the theory of prices will follow when demand in the market rises sill follows. However, if demand decreases, so will Islamic commercial banks, there is potential for fraud due to low compliance with Shariaria norms.

. xtreg fraud icg ipi icg_ipi

Random-effects GLS regression Number of obs = 50
Group variable: bank Number of groups = 10

R-squared: Obs per group:
    Within = 0.3671 min = 5
Between = 0.2084 avg = 5.0
Overall = 0.2421 max = 5

Wald chi2(3) = 21.40
corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0001

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----------------------------------------------- ---------------------------
     fraud | Coefficient Std. err. z P>|z| [95%conf. interval]
--------------+-------------------------------------- ---------------------------
      icg | 17.47975 6.527885 2.68 0.007 4.685328 30.27417
      ipi | 4.735987 5.702912 0.83 0.406 -6.441516 15.91349
icg_ipi | - 5.683922 2.558485 -2.22 0.026 -10.69846 -.6693835
_cons | - 15.94423 14.9401 -1.07 0.286 -45.22628 13.33782
--------------+-------------------------------------- ---------------------------
sigma_u | 5.034028
sigma_e | 4.3104372
      rho | .57697368
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Interpretation of X1 & X2, **Against Variable *Y***

Interaction Results in This Research Produce a New Variable. Regression Test Results Variable X1 has *a coefficient of* 17.47975 and *Pa probability* of 0.00,7, which is less than 0.05, and Variable X2 has a *coefficient of* 4.735987 and a *Probability* of 0.406 which is more significant than 0.05 can be interpreted in the same direction and the Interaction Between X1, X2 ICG and IPI can be said to be Perfect that ICG Initially positive, from the ICG results, IPI becomes negative. Significantly, the higher the IPI score. An increase in ICG will reduce fraud cases. And very helpful in dealing with corporate governance issues so that they are free from problems with *fraud cases.*

5. CONCLUSION

This study aims to understand the relationship between Islamic Corporate Governance and the Islamicity Performance Index on Fraud at Islamic Commercial Banks in Indonesia in 2017-2021. This study used a sample of 10 BUS selected by fulfilling the sample criteria for five years, namely the 2017-2021 period. The data analysis method used is multiple regression analysis with panel data. The Influence of Positive ICG on Fraud Regression Test Results The ICG variable has a coefficient of 4,377,977 and a probability of 0.015, which is more significant than 0.05 based on the test. The ICG variable statistically means that the

higher the ICG score, the more fraud cases increase—the Influence of Positive IPI on Fraud. The results of the Regression Test Variable X1 has a coefficient of 3.536459 and a probability of 0.043, which is less than 0.05, while the variable X2 has a coefficient of -6.62755 and a probability of 0.003 is less than 0.05, which means that it is not according to theory. Suppose ICG and IPI increase and fraud will decrease. Interaction Results in This Research Produce a New Variable. Regression Test Results Variable X1 has a coefficient of 17.47975 and a Probability of 0.007, which is less than 0.05, and Variable X2's coefficient of 4.735987 and Probability of 0.406, which is more significant than 0.05 can be interpreted in the same direction and the Interaction Between X1, X2 ICG and IPI can be said to be Perfect that ICG Originally positive, from ICG results, IPI became significantly negative. The higher the IPI score. An increase in ICG will reduce fraud cases.

Suggestion

Suggestions for Islamic commercial banks to improve corporate governance and always apply Sharia principles to prevent fraud by strengthening the fraud control system. Islamic banks must implement ICG and be fully serious about fixing ICG. but it is necessary to prioritize IPI as an appropriate measurement to reduce fraud cases in Islamic commercial banks. Suggestions for other researchers in the future to be able to re-examine this research with existing updates in order to obtain accurate research results regarding what can influence fraud because the fraud variable has not been able to explain the independent variables in the study thoroughly. Besides that, it can expand research with other Islamic financial institution objects.

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