



ABSTRACT BOOK

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**Annual International
Conference on Islamic
Economics and Business**
Salatiga, 14 July 2020

**Faculty of Islamic Economics and Business
IAIN Salatiga**



AICIEB

1st ANNUAL INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS AND BUSINESS

(AICIEB)

"Halalan Thayyiban as New Wave in Global Industry and Society 5.0"

Salatiga, July 14th 2020

08.30-12.00 a.m (Jakarta Time)

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Time		Detail	Remark
07.30 - 08.00	30'	Join Zoom	Host
08.00 - 08.15	15'	Opening	MC
08.15 - 08.30	15'	Reading the al-Quran	
08.30 - 08.45	15'	Welcome Speech Prof. Dr. Zakiyuddin, M. Ag Rector's IAIN Salatiga	
08.45 - 09.00	15'	Prayer Nur Huri Mustofa, M.S.I	
09.00 - 09.30	30'	Keynote Speech Dr. Sapta Nirwandar, SE Chairman of Indonesia Halal Lifestyle Center & Indonesia Tourism Forum Commissioner President of Etokohalal	
09.30 - 10.00	30'	Prof. Dr. Irwandi Jaswir Awardee King Faisal International Prize in Service to Islam Director, International Institute for Halal Research and Training (INHART) International Islamic University Malaysia (IIUM)	Moderator Agung Guritno, M. Pd
10.00 - 10.30	30'	Prof. Hassanuddeen Abd Aziz Dean of Economics Faculty IIUM Malaysia Author of Islam and Economic Globalization	
10.30 - 11.00	30'	Dr. Abdul Aziz Nugraha Pratama, S. Ag Vice Dean of Economics Faculty Faculty of Islamic Economics and Business IAIN Salatiga Researcher of Human Resource Management and Halal Industry	
11.00 - 11.45	45'	Discussion	
11.45 - 12.00	15'	Closing and Announcements	MC

**1st ANNUAL INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS AND BUSINESS
(AICIEB)**

"Halalan Thayyiban as New Wave in Global Industry and Society 5.0"

Salatiga, July 14-15th 2020

13.00-16.00 a.m (Jakarta Time)

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PARALLEL SESSION

Tuesday, July 14th 2020

13:00-end (JAKARTA TIME)

Room : Abu Hanifah ID : 921 3283 5347
 Moderator : Dr. H. Abdul Aziz N. P, S. Ag. M. Si Password : #PS141
 Host : Rifda Nabila, M. Si Link : <https://s.id/abuhanifah>

No	ID	Time		Authors	Title
1	19	13:15-13:25	10'	Fuad Hasyim and Nurwulan Purnasari	Antecedent Of Halal Food Purchasing Decision: An Theory Of Planned Behaviour (TPB) Approach
2	35	13:30-13:40	10'	Fadllan Fadllan and Harisah Harisah	GOES Youth Method For Establishing Halal Thayyiban Enterprises in Era 5.0 in Sumenep
3	43	15:45-15:55	10'	Mansur Chadi Mursid and Fathul Aminudin Aziz	Online Shopping Behaviour In Muslims Indonesian Millenials
4	46	13:45-13:55	10'	Siti Khayisatuzahro Nur and Abd Rohman Fahrudin	The Development of Sharia-based Village Tourism Potential (A Case Study of Al-Qur'an Garden Agrotourism in Kaliploso Village, Banyuwangi Cluring)
5	48	14:00-14:10	10'	Syaripuddin Syaripuddin	Potential Of Natural Resources In The Development Of Halal Tourism Industry
6	49	14:15-14:25	10'	Fasiha Fasiha, Muzayyanah Jabani, Helmi Kamal and Muh Ruslan Abdullah	Understanding Reconstruction Halal Products For Halal Businesses In Tana Toraja
7	58	14:30-14:40	10'	Muzayyanah Jabani, Muh. Shadri Kahar Muang and Edi Indra Setiawan	Cosmetics Sales Comparison With Cosmetics Labeled As Halal And Conventional Cosmetic on Palopo Central Market
8	99	14:45-14:55	10'	Maftukhatusolikhah Maftukhatusolikhah, M. Rusydi M. Rusydi and Qodariah Barkah	Using the Halalan Thayyiban Concept to Achieve SDG's Responsible Consumption and Production Goals
9	101	15:00-15:10		Annisa Rizkiyah, Sepky Mardian and Ai Nur Bayinah	Develop Halal Supply Chain in Depok City: LPPOM MUI View
10	123	15:15-15:25	10'	Hendra Cipta, Hatamar and Indrawati	Implementation of Shariah Compliance in The Halal Tourism Industry in The Provinces of West Nusa Tenggara and West Sumatra
11	125	15:30-15:40	10'	Mochammad Arif Budiman, Manik Mutiara Sadewa, Lusiana Handayani and Parman Komarudin	Public Perception and Government Readiness for Developing Halal Tourism in South Kalimantan
12	7	13:00-13.10	10'	Kuat Ismanto	Development of Halal Tourism Destinations (Pekalongan City Readiness Study)

PARALLEL SESSION

Tuesday, July 14th 2020

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Room : Al Ghazali ID ZOOM : 837 6519 4836
Moderator : Dr. A. Mifdlol Muthohar, M.S.I Password : #PS142
Host : Mohammad Rofiuddin, M. Si Link : <https://s.id/alghazali>

No	ID	Time	Authors	Title	
1	9	13:00-13:10	10'	Rika Amalia, Nurwahidin and Nurul Huda	Priority Problems and Solutions for Ziswaf Utilization for Sanitation and Clean Water in Indonesia on the Regulator side
2	16	13:15-13:25	10'	Rofi Wahanisa, Suhadi and Aprila Niravita	Provision of Compensation for Land Waqf which is used for land acquisition for development in the public interest
3	30	13:30-13:40	10'	Rusny Istiqomah Sujono	How effective is the role of islamic financial institutions-management of money waqf ? Findings of grounded research
4	45	13:45-13:55	10'	Lilis Marlina, Hafas Furqani, Okta Rabiana Risma, Ika Rahmadani, Chairiyaton and Cici Darmayanti	Optimization of Zakat Collection in West Aceh: Study from BaitulMal in the Early Islamic Government
5	52	14:00-14:10	10'	Amrizal and Siti Mutiah	Analysis Preparation For Implementation Of Accounting And Management Waqf At Persyarikatan Muhammadiyah
6	67	14:15-14:25	10'	Gusnam Haris	Percentage Of Standard And Dynamic Zakat: A Case Study Of Professional Zakat In Indonesian Baznas
7	72	14.30:14:40	10'	Muh. Shadri Kahar Muang, Nurdin Batjo and Maqfirah Ardiani Isnain	Implementation Zakat Collection For E-Money In Sharia Economic Perspective
8	77	14:45-14:55	10'	Rosana Eri Puspita, Saifudin Saifudin, Imanda Firmantyas Putri Pertiwi, Nur Huri Mustofa and Emy Widyastuti	Empowering Digital Zakat Payment Platform As Strategy to Promote And Achieve Sustainable Inclusive Growth
9	105	15:00-15:10		Ilham Ilham, Abd Kadir Arno, Mujahidin Mujahidin, Iksan Purnama and Akbar Sabani	Analysis Of The Effectiveness Of Monitoring Implementation And Evaluation Of Zakat Management Performance In Amil Zakat Agency Palopo City Using Importance Performance Analysis
10	111	15:15-15:25	10'	Khusnul Hidayah and Dalila Daud	Zakat, Sustainable Development Goals (SDGs) and Mustahiq Economic Empowerment

11	118	15:30-15:40	10'	Sulistiyowati Sulistiyowati, Ririn Ratnasari, Raditya Sukmana and Ascarya Ascarya	Tri	Synthesizing the Potential of Healthcare Waqf: SWOT Analysis of Indonesia and Malaysia
12	120	15:45-15.55	10'	Agus Arwani		Sharia Accounting Profession On Zakat And Waqf Accounting Take On Industrial Revolution 4.0 And Society Era 5.0

PARALLEL SESSION

Wednesday, July 15th 2020

13:00-end (JAKARTA TIME)

Room : Al Maqrizi ID ZOOM : 862 8873 1446
Moderator : Dr. Nafis Irkhani, M. Ag., M. S.I Password : #PS151
Host : Saiful Anwar, M. Acc Link : <https://s.id/almaqrizi>

No	ID	Time		Authors	Title
1	24	13:45-13:55	10'	Moh. Nasuka and Muhammad Kamal	Ethical Behavior In Marketing Of Islamic Bank
2	63	14:00-14:10	10'	Takdir Takdir, Zainuddin Zainuddin and Eno Suhamdani	Influence Of Muzara'ah To Wards Agrarian Society Welfare
3	70	14:15-14:25	10'	Dista Amalia Arifah, Abdul Hakim and Septi Ruswita	Determinant Analysis Of Market Share In Sharia Banking In Indonesia
4	73	15:15-15:25	10'	Atika Dyah Perwita, Saptana Saptana and Fania Mutiara Savitri	Prospects Of Islamic Financing For Micro, Small, And Medium Enterprises (MSMEs) In Indonesia
5	106	14.30:14:40	10'	Roikhan Mochamad Aziz and Alfian Alfian	Religiosity Ratio And Internal External Factors On The Liquidity Of Sharia Banking In Indonesia
6	108	15:30-15:40	10'	Fania Mutiara Savitri	The Effect Of Sharia Financial Access & Financial Literation To Non-Bankable Msme's Growth
7	140	14:45-14:55	10'	Riduwan, Rofiul Wahyudi and Lu'Liyatul Mutmainah	Analysis of Islamic Social Reporting Disclosure: Evidence From Islamic Banking In Indonesia (2015-2017)
8	154	15:45-15:55	10'	Fajar Firmansyah Wachyudi	The Effect of Capital Adequacy Ratio (CAR), Financing To Deposit Ratio (FDR) And Non Performing Financing (NPF) Towards Profitability Through Cheap Financing (Study At Islamic People's Financing Banks In Indonesia)
9	155	15:00-15:10		Shinta Maharani, Domi Cahyo Damai and Miftahul Ulum	The Beyond Challenges Of Indonesia Sharia Banking In The Digitalization Era
10	164	13:00-13:10	10'	Suci Ramadhan	Analysis of Waqf Management in Pondok Modern Tazakka According to Law Number 41 of 2004 Concerning Wakaf
11	180	13:15-13:25	10'	Luthfi Hadi Aminuddin and Hanafi Hadi Susanto	Economic Empowerment Based on Religion in the Village Klepu Sooko Ponorogo: Comparative Study Between Lembaga Manajemen Infaq (LMI) and Dewan Pastoer Paroki (DPP)

12	187	13:30-13:40	10'	Dodik Siswanto, Mohammad Soleh Nurzaman and Agus Munandar	Incentive Zakat Agency Mechanism, a Comparison between Indonesia and Malaysia
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PARALLEL SESSION

Wednesday, July 15th 2020

13:00-end (JAKARTA TIME)

Room : Al Afghani ID ZOOM : 914 7107 1287
 Moderator : Dr. Mochlasin, M. Ag Password : #PS152
 Host : Rosana Eri Puspita, M.B.A Link : <https://s.id/alafghani>

No	ID	Time		Authors	Title
1	37	14:00-14:10	10'	Peti Savitri	Harmony of The Concept of Mohammad Hatta and Sharia Cooperative to Prevent Inflation.
2	39	14:15-14:25	10'	Yuli Indah Sari and Widiyanto Bin Mislan Cokrohadisumarto	Developing Fraud Prevention Strategies to Maintain IMF's Financial Performance
3	44	13:00-13:10	10'	Baieq Afiqa Herawati and Widiyanto Bin Mislan Cokrohadisumarto	The Role Of Islamic Ethics In Business Development
4	53	14:30-14:40	10'	Ramlah Makkulasse, Tadjuddin Tadjuddin, Adzan Noor Bakri and Azizah Samsir	Review Of The Luwu Timur District Government Policy In Poverty Reduction
5	66	14:45-14:55	10'	Nur Widiastuti	Threshold Measurement Of Fiscal Sustainability In Indonesia
6	69	15:00-15:10		Maya Indriastuti, Indri Kartika and Naila Najihah	Financial Distress Prediction: The Ownership Structure And Management Agency Cost
7	71	15:45-15:55	10'	Putu Widhi Iswari and Septi Kurnia Prastiwi	The Mediating Role Of Attitude In Relationship Of Subjective Norm And Perceived Behaviour In Forming Purchase Intention : A Case Of Halal And Green Product
8	79	13:15-13:25	10'	Rosdalina Bukido and Telsy Samad	The Implementation of Normative Economy on Business Activity in The Period of Rasulullah SAW
9	104	13:30-13:40	10'	Fatimatuz Zahrati, Nadia Ferdaus and Bella Putri	Green Lifestyle Of Muslim Entrepreneur : Opportunities And Challenge
10	107	13:45-13:55	10'	Ning Purnama Sariati and Fatma Puri Sayekti	Green Economics: Ecotourism "Desa Wisata Jambu" in the Global Industry and Society 5.0

11	141	15:15-15:25	10'	Ahmad Syaichoni	Khiyar al-Ru'yah on Online Transactions An Analysis Contemporary Muamalah Maliya
12	156	15:30-15:40	10'	Iskandar and Chahayu Astina	Application of Prophet Muhammad's Healthy Style to increase of Economy, Industry and Society 5.0 in Indonesia

#039

Developing Fraud Prevention Strategies to Maintain IMFI Financial Performance

Yuli Indah Sari 1, Widiyanto bin Mislal Cokrohadisumarto 2
Faculty of Economic UNISSULA Semarang

Abstract. The sharia label cannot guarantee an institution can be free from fraud including the Islamic Microfinance Institution (IMFI). Though IMFI has become part of the da'wah about the Islamic economy and usury-free service providers for the community. Therefore, taking efforts to prevent fraud to preserve IMFI is very important. This paper offers a new model of fraud prevention through strengthening internal control systems (ICS), selective HR recruitment processes, and developing Islamic human capital (IHCD) to maintain IMFI's financial performance. In addition to strengthening the control system, prevention efforts have now shifted towards human development. The Islamic values approach to human development will form superior HR with Faith (devotion to Allah), knowledge (knowledge of risk management), and good behavior (*Akhlak*).

Keywords: IMFI, Fraud Prevention, Internal Control System, Islamic Human Capital Development

1. Introduction

Muslims in Indonesia have done a lot of initiations and encouraged various institutions to meet the needs of the community from various sectors. In this regard, currently, there are many Islamic Microfinance Institutions (IMFI) present to fill space in the economic sector. IMFI was established as an effort to provide financial services based on Islamic principles for the micro-community while also helping alleviate poverty that occurred [1]. Besides being an effort to provide usury-free services for society, IMFI is present as part of efforts to expand da'wah regarding the Islamic economy. Maintaining the sustainability of IMFI is a concrete step to contribute to economic improvement, especially the improvement of the lower classes of society (less able). IMFI's sustainability can be maintained by increasing the financial performance of the institution [2]. Although in its implementation, there are often obstacles and problems that must be faced.

The problem of fraud in financial institutions is still one of the factors that caused the crisis in these institutions [3]. Fraud contributes to an increase in bad loans (NPF) in financial institutions and negatively impacts the sustainability of MFIs [4]. A more serious impact is that fraud can cause financial losses to an institution [5]. Furthermore, many cases of fraud that occurred at Islamic financial institutions including IMFI in Indonesia [6]; [7]; [8]; [9]. The Indonesian Criminal Statistics Report related to fraud, embezzlement and corruption cases stated that 43,852 cases occurred in 2018 which were handled by the National Police Headquarters [10]. While other data from the Association of Certified Fraud Examiners (ACFE) states that corruption ranks highest as a type of fraud that harms institutions in addition to misuse of assets and fraud on financial statements [11]. Regarding the IMFI sharia label, it cannot guarantee that an institution can be free from fraud. Although IMFI has become part of the da'wah about the Islamic economy and usury-free service providers to the community. Fraud is predicted to still occur at IMFI and requires further treatment [12].

In response to this, previous studies have suggested that future studies focus more on prevention measures to reduce the level of opportunity for fraud that occurs [13]; investigation and detection strategies for fraud in an organization using a qualitative approach [14]; [15]. The qualitative approach is intended to obtain deeper study results, especially regarding effective preventive measures that must be implemented. Furthermore, the organization's reasons for focusing more on prevention rather than mitigation include: Mitigation is intended to overcome the consequences of the risks that have already occurred; while prevention is intended to reduce or eliminate the possibility of the risk (root cause) [16].

Several previous studies, illustrating fraud prevention on IMFI can be done through a combination of risk management with customer relationship management [17]; emphasis on integrity and ethics, human resource policies, performance reviews, account reconciliation [18]; [19]; strengthening internal controls for reconciliation, financial governance, and budget reporting [20]; and Islamic Corporate Governance [21]. However, the above studies are still limited to strengthening internal control and supervision systems. Supposedly, the prevention of fraud can also be started from the selection of HR candidates who are then developed and fostered akhlak (behavior and morality) and productivity.

The results of the study found that HR who has good morality and ethics will positively influence the internal control system for fraud prevention on HR [22]. In addition to strengthening the system, previous research also suggested involving a holistic approach [23]. Another quite important thing, namely increasing HR awareness through fraud management training as a step of prevention will negatively impact fraud [24]. Related to fraud prevention, other findings have proven the positive influence of religious and spiritual relevance on fraud prevention [25]. This means, currently prevention of fraud has begun to shift from strengthening the internal system towards human development. Previous studies show further results on the development of disciplined HR can play a pro-active role in instilling ethics and values throughout the organizational architecture and HR [26]. Since IMFI implements Islamic principles in its activities, the development of Islamic human capital is considered to be very suitable to be a part of fraud prevention. Islam condemns and forbids Muslims to commit deviant actions including fraud (QS: 83; 1-3). Thus, incorporating Islamic values in

human capital helps organizations to form superior HR with Faith (devotion to Allah), knowledge (adequate knowledge and skills), and good behavior (Akhlak).

Noting the importance of the above, this paper highlights a combination of internal control systems (ICS), selective recruitment processes, and the development of Islamic human capital (IHCD) as a step towards preventing fraud to maintain IMFI's financial performance. This paper offers a new strategy that is presented through a model obtained from various previous literature studies.

2. Literature Review

2.1. IMFI Financial Performance

Financial performance is the ability of an MFI to cover a series of expenses with income earned and finance its growth [27]. Financial performance for achieving IMFI sustainability is defined as the ability to maintain the operational activities of the institution to match the financial feasibility ratio [28]; [29]. MFI's current financial performance aims to offer a large program that is profitable, fully independent when faced with competition from other private sector banking institutions [30]. Financial performance is related to meeting long-term operational and financial costs [31]. Based on the discussion above, it can be concluded that the financial performance of IMFI is IMFI's ability to get profits, meet operational costs and growth through various programs to match the financial feasibility ratio as well as to support the institution's social performance.

According to some researchers, financial performance can be seen through several indicators including [32]; [33]; [34]; [35]; Return on Assets (ROA), Return on Equity (ROE), IMFI profitability, cash flow ratio, financial self-sufficiency, operational self-sufficiency, social outreach, and Non-Performing Financing (NPF). Improved financial performance can help the sustainability of IMFI [36]. Adequate financial performance encourages productive operational activities and is the best way to achieve social performance in IMFI [37].

2.2. Fraud Prevention and Financial Performance

Fraud is an intentional deviation from financial statements or other records by internal or external people of an organization, which is carried out to hide misuse of assets or profits [38]. Fraud is described as human intelligence or someone can plan to benefit through the wrong way [39].

Fraud that occurred in MFI according to some research [40]; [41] can be in the form of unauthorized loans without interest costs; fraudulent account opening involving deposits and subsequent disbursement of fraudulent checks; cash theft/money theft; collision in issuing loans; manipulation of financial data; write off inappropriate loans; ghost loans; kickbacks. Fraud can be grouped into three clarifications: corruption, misuse of assets, and fraudulent financial statements [42].

Previous literature shows that fraud can be minimized through the use of fraud prevention and detection mechanisms [43]. Thus, fraud prevention is described as the main control measure that can be taken before fraud occurs and this mechanism is more cost-effective in combating fraud than fraud detection mechanism [44]. Fraud prevention measures to reduce opportunities that are directed at very specific forms of crime, involve management, design, or manipulation of the immediate environment systematically and permanently, and make crime more difficult to commit [45]. Based on this description, it can be concluded that fraud prevention is the main control measures before fraud occurs by involving systematic and permanent management.

The results of the study found that fraud harms financial performance [46]. Whereas good fraud risk management can improve the performance of financial institutions [47]. According to previous researchers, prevention as part of risk management can help improve the financial performance of an institution [48]. So that, it can be concluded that the prevention of fraud is important to assist the development of IMFI's financial performance in the future.

2.3. The Fraud Triangle and Fraud Prevention

This research begins with the fraud triangle theory proposed by Cressey in 1995 that the reasons behind the occurrence of fraud are the factors of pressure, opportunity, and rationalization. Pressure factors can be caused due to greed, the desire for a good life, and unexpected financial needs [49]. The opportunity factor occurs because the perpetrator sees a gap and a way for the organization to do that while the rationalization factor is related to the justification of fraud behavior because the perpetrator has no personal reason [50].

Pressure and rationalization factors originate from psychological conditions that encourage cheating behavior [51]. Thus, it is recommended to take an Islamic approach (religiosity) to improve the morals and ethics of HR to avoid prohibited acts [52]. Another study found that religiosity knowledge and spiritual aspects of HR triggered the development of fraud prevention [53]. Also, increasing the ability regarding risk management (in this case fraud) of HR is very important [54]. Furthermore, other researchers also found that improvements in the aspects of pressure, rationalization, and opportunity would create improvements in fraud prevention systems [55]. The conclusion of the discussion means that the pressure and rationalization factors originate from within the actors themselves while the opportunity factor occurs because of the organizational system that supports it. Thus, fraud prevention can be started by strengthening the internal control system to reduce the opportunity factor and the development of Islamic human capital to anticipate the pressure and rationalization factors.

2.4. Internal Control System (ICS) for Fraud Prevention

Internal control systems have always been part of fraud prevention. Internal control is a process designed to provide reasonable assurance that management achieves the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations [56]. The internal control system refers to all policies and procedures adopted by the organization's managers to help ensure, to the extent practicable, orderly and efficient behavior of its business [57]. The essence of internal control, policies and procedures are to manage risks before they occur (preventive controls) and measure the extent to which risks have occurred (detective control) [58]. Based on this discussion, it can be concluded that the internal control system is all processes, policies, and procedures taken to manage risks before they occur (preventive controls) and measure the extent of the risks that have occurred (detective control).

Monitoring reconciliation reports, financial management, budget reporting are forms of the internal control system [59]. Whereas the development of Islamic environmental controls is part of the internal control system to enhance morality and reduce the potential for fraud [60]. Other internal control system factors such as Development Policies and Procedures and Manual Review, Management Information Systems Software, regulations [61]. Then from the description, it can be concluded that the internal control system in the framework of prevention is related to the development of Islamic environmental controls; SOP; legal regulations; technology; and supervision or monitoring of financial statements.

Previous research found that the internal control system had a positive influence on fraud prevention [62]. Internal control systems, SOPs, and organizational culture can improve financial performance and become part of fraud prevention [63]. The results of another study found that fraud risk management consisting of a fraud reporting system, internal control, the use of ICT, and good HR management proved to have a significant role in improving the financial performance of an organization [64].

2.5. A Selective and Islamic Recruitment Process

The HR recruitment process is the earliest step to prevent fraud. HR has a vital role in operating an organization's activities. When organizations choose HR that has the potential to commit fraud, it will bring harm to the organization in the future. Therefore, the selection or recruitment process must be done more seriously to choose the right HR candidates. The Islamic values must be consciously included to be one of the considerations in determining the new HR requirements.

In general, the recruitment process must satisfy both parties, namely the organization as an employer and potential employees. The important thing revealed in the previous study was regarding vital abilities (competencies) in choosing new HR for the organization. To prevent fraud, from the beginning of the recruitment process, the employer is required to be fair and

avoid all forms of fraud [65]. Thus, previous researchers suggested using a technology system in the recruitment process to prevent HR employers from accepting bribes from new HR candidates [66]. While the selected HR must meet the requirements required by the employer organization. The Qur'an guides the process of recruiting and selecting prospective employees, including abilities, knowledge, specialization, experience, personal abilities, potential, character, perseverance, and compliance with organizational rules and religious law. Islam emphasizes that prospective employees are chosen based on achievement and competence, not influenced by friendship, blood relations, kinship, age, wealth, race or political power [67].

The researcher previously mentioned 12 activities in the recruitment process carried out by the organization including [68]: 1) identification of recruitment needs; 2) job descriptions and specifications; 3) consideration of possible alternatives; 4) selection of job features to be used in employee sourcing and selection; 5) identification of potential candidate sources; 6) choice of methods for recruitment; 7) choice of information to be collected from candidates; 8) formulation of job offers; 9) publication of job offers; 10) gathering information about applicants and working with them; 11) initial selection of candidates based on information submitted; 12) design a list of candidates to be invited to the selection process. While other researchers mentioned 7 activities in the recruitment process of new HR candidates [69]: choice of recruitment methods; choice of documents required from applicants; formulation of job offers; publication of offers; pre-selection; list of candidates to be invited to the selection process; evaluation of recruitment effectiveness.

When there is employee recruitment, the organization will not arbitrarily choose people who can occupy the necessary positions. An organization must get people who are decent and competent in their fields, with the hope that the individuals who have been selected will be able to do a good job under the work that has been assigned [70]. HR Management is a set of management practices used in the recruitment process to ensure higher performance and contribute to the achievement of organizational goals [71].

2.6. Islamic Human Capital Development (IHCD) for Fraud Prevention

Human capital is described as a set of attitudes, competencies, skills, knowledge, and innovation possessed by HR [72]. Human capital is the knowledge and skills that people acquire during education and training, and this capital is the result of the deliberate investment that produces a return [73]. Islam, not only proves humans with a comprehensive education syllabus but also guides and educates them through systematic worship activities. From there, their social-psychological network will emerge to help them develop in maintaining moral and ethical practices in achieving organizational performance [74].

Human capital development is to improve the skills and competencies of people by investing in them such as providing training, education and good human resource management [75]. Human capital development is based on developing one's traits, intelligence, the fulfillment of work energy, positive attitude, reliability and commitment, learning ability, imagination, and creativity [76]. Previous studies reveal that in an Islamic perspective, human capital development can be defined as the process of expanding the reach of purification and spiritual power along with physical development and economic capability [77]. Based on the explanation above, it can be concluded that IHCD is the development of HR quality through certain policies while strengthening moral and ethical practices by Islamic teachings to reach the blessings of Allah SWT.

The Islamic goal of developing human capital is to improve human capabilities and skills so that they can provide better services for the community to achieve the ultimate goal of humans who fulfill the maintenance obligations on this earth and worship Allah SWT [78]. Furthermore, Islam is very concerned about individual mental strength and spiritual well-being [79]. HR should not only have the right professional qualifications but perhaps, more importantly, have strong knowledge and a strong commitment to the basic teachings and principles of Islam [80]. Thus, the output produced in the development of human capital in organizations is an increase in spiritual faith, knowledge (both competency and skill), and charity (reflected in good character or akhlak).

Some researchers describe the development of IHCD into several factors including [81]; [82]:

- a) **Islamic training** and development in Islam include intellectual, moral, spiritual, physical development. There are three concepts contained in Islamic training, namely Etqan (self-improvement awareness to provide better performance), Al-Falah (willingness to be

- professional), and Ihsan (business and spiritual obligations must be balanced with each other)..
- b) **Islamic career development** is based on fairness and is the responsibility of employers to facilitate their HR. Allah is very harsh in His punishment related to the practice of Islamic human resources (QS: 8; 25). Besides, HR also plays an important role in developing their careers.
 - c) **Islamic performance management**, related to the fair and honest evaluation of HR performance results to improve performance in the next period.
 - d) **Islamic compensation**, Islam emphasizes that compensation offered to employees must be reasonable and adequate. Islam instructs that compensation must be determined based on mutual agreement and deliberation (QS: 3; 159).

While other studies add to the development of knowledge about Islam, ethical and moral development (teaching the meaning of Amanah to avoid criminal behavior), and developing physical endurance [83]. Based on the description above, the IHCD aspect as a prevention aspect relates to Islamic training (regarding fraud risk management); Islamic career development; Islamic performance management; Islamic compensation; developing knowledge about Islam; ethical and moral development; develop physical endurance.

In addition to developing abilities and skills, IHCD exists to improve HR ethics and morality, especially in terms of awareness to avoid all forms of cheating. The better the quality of HR owned by the institution, the prevention system against fraud will also be better [84]. Another study found that anti-fraud awareness of HR became part of fraud prevention [85]. Good staff management (HR) is a part of risk management that can have a positive impact on financial performance [86]. So that in the context of fraud prevention, IHCD has a role in improving HR capabilities and skills (knowledge, especially understanding of the dangers of fraud), obedience to the commands of Allah SWT (faith), and morality and HR ethics (akhlak).

3. Proposed Fraud Prevention Model

This paper offers a model of fraud prevention through a combination of Internal Control Systems (ICS), selective recruitment processes, and Islamic Human Capital Development (IHCD) in order to maintain IMFI's financial performance.

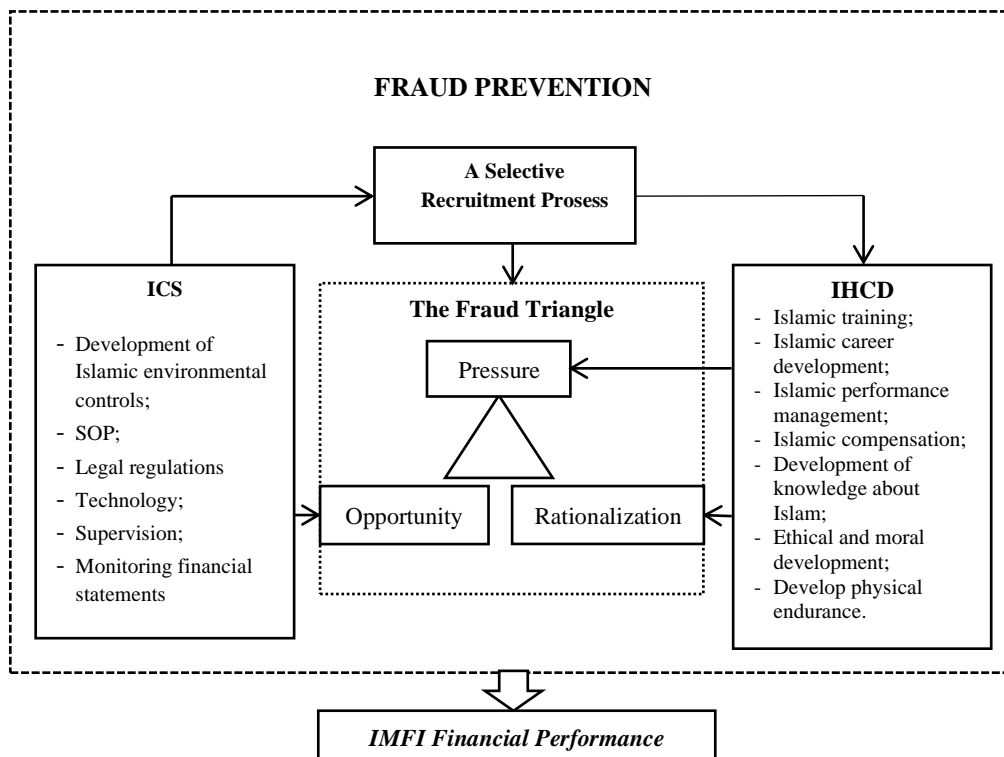


Fig 1. Fraud Prevention Model of Islamic Microfinance Institution (IMFI).

In order to maintain IMFI's financial performance, it can be done through strengthening internal control systems, selective recruitment processes, and developing Islamic human capital as part of prevention aspects.

4. Conclusion and Future Research

Fraud prevention at IMFIs can be done in three ways simultaneously, namely by strengthening the internal control system, carrying out a selective recruitment process for new human resources, and developing human resources in an Islamic way. A strict control system will reduce the chances of fraud and at the same time increase the morality of human resources to be able to avoid fraudulent behaviour. The selective recruitment process is aimed at getting the right human resources, that is, having high work skills and noble morals that are not lured by fraud. Furthermore, the development of Islamic human capital is aimed at following up the HR recruitment process that has been carried out and reducing the pressure and rationalization that are the reasons for fraud and producing HR with strong adherence to Allah, improving knowledge, skills in risk management, and moral (reflected in improved behaviour). The simultaneous combination of these three aspects in the future will be a fence for IMFIs in limiting and preventing fraud from both sides, namely the control system and HR sides. Thus, the output produced through this combination is IMFI's financial performance sustainable. For future research, exploring the role of a combination of these two aspects is needed.

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