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بسم الله الرحمن الرحيم

PROCEEDINGS
5TH ASEAN'S INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

(AICIF)
VOLUME 1

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PREFACE

بسم الله الرحمن الرحيم

السلام عليكم ورحمة الله وبركاته

The 5TH ASEAN'S INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE (AICIF) was jointly organized by Universiti Islam Sultan Sharif Ali and Co-partners (Universiti Islam Antarabangsa, Malaysia; Universitas Islam Negeri Sunan Kalijaga, Jogjakarta, Indonesia; Universitas Islam Sultan Agung, Semarang, Indonesia; Universitas Darussalam Gontor, Indonesia; Mindanao State University of Philippines; Universiti Fatoni, Thailand) convened at Parkview Hotel, Jerudong, Brunei Darussalam on 13-14 December 2017. The conference centred on six sub-topics, namely, capital market, compliance and governance, Islamic banking, Islamic social finance and Islamic economics.

The 5th AICIF was guided by the three pillars under the vision of ASEAN: A Community of Opportunities that are, ASEAN Political-security Community, ASEAN Economic Community (AEC) and ASEAN Socio-cultural Community. AEC envisions ASEAN as a single market and production base, a highly competitive region, with equitable economic development, and fully integrated into the global economy. AEC can be realized, if ASEAN moves towards free movement of goods, services, and investments as well as freer flow of capital and skills. A free movement of services means that Islamic finance has an important role in realizing such goals.

The discussion on capital market highlighted the instruments that are traded in those market such as mutual funds, shares and sukuk. The discussion also highlighted that capital markets are increasingly interconnected in a globalized economy.

The sub-theme on compliance and governance raised the issues of having a good governance and a complaint based Islamic financial institutions. Both are important to have an impact on the transparency of the guidelines and the performance of Islamic financial institutions.

There are several issues that were reported by several papers in this conference on Islamic banking. Among the issues are: the future demand for Shariah-compliant financial services which remains bright, an effort to establish a complete set of eco-system in Islamic finance that comprises halal products and services, green environment and maqasid shariah, bridging Islamic financial literacy and halal literacy: The way forward is to create a Halal Ecosystem.

The discussion on Islamic social finance covered three main instruments namely waqf, zakat and microfinance. These instruments were recognized as tools to help in realizing the objectives of socio-economic development. The sub-theme on Islamic economics mooted the idea that Islamic finance leads to development. Islamic finance had grown in response to demand or supply. Both might boost the development of Islamic finance (e.g. demand for Islamic financial services and supply of funds for helping the economic development).

Abdul Ghafar Ismail and
Rose Abdullah

Chief Editors

ANALYSIS OF FRAUD TRENDS IN STATE UNIVERSITIES WITH BLU (PUBLIC SERVICE AGENCY) STATUS IN SEMARANG WITH ISLAMIC WORKING ATTITUDE AS A MODERATING VARIABLE

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Abstract

This study aims to analyze fraud trends in state universities with BLU (Public Service Agency) status in Semarang with Islamic working attitude as a moderating variable. This research was done by exploring the perception of the employees in the unit of the Ministry of Research and Higher Education to figure out the fraud trends in the ministry sector and the factors that affect it. These factors consist of the effectiveness of internal control, compensation conformity, law enforcement, unethical behavior and Islamic Working Attitude. This study used Fraud Triangle theory, in which Fraud occurs due to pressure, opportunity and rationality (rationalization).

The object of this study is the permanent employees (Civil Servant) and the Public Service Agency (BLU) at State Universities in Semarang who are involved in the preparation and use of budgeted funds, financial and accounting executors, and those who prepared financial and accountability reports. The number of samples used in this study was 56. The data were analyzed by using multiple linear regressions.

The results of this study indicated that the actions which affect the fraud trends could be minimized by maximizing the function of internal control and law enforcement. Besides that, Islamic working attitudes can be an indicator to minimize the risk of fraud, while the compensation conformity indicator does not take into consideration to the fraud trends because the income already received by the employees tends to increase along with the time.

Keywords: *Fraud, Islamic Working Attitude*

1. INTRODUCTION

1.1 Background

Allah SWT is the most perfect in the creation and setting (Al Khaliq, Al Mudabbir) of nature, people and life. It is Him who creates this system of life, neither defective nor innocent. This is as His word in the Qur'an, Ali 'Imran 191: which means: *"Our Lord, You did not create this aimlessly; exalted are You [above such a thing]; then protect us from the punishment of the Fire.*

Everyone has a great desire to meet all the needs both intended to be enjoyed alone or together. Yet, there is also an obsession which is only aimed to obtain personal satisfaction and the real needs of each is not far from the financial condition and this becomes one element of fraudulent. Corruption is a fraudulent case often found in the governmental sector. Many experts have tried to formulate corruption in different views and concept, but essentially it has the same meaning. Kartono (2003) defined corruption as the behavior of individuals who use authority and position to plot personal gain, harm the public and the state. Corruption, according to Black's Law Dictionary, is an act committed with the intention to provide an unofficial advantage with the rights of the other party in a wrong way by using his position or character to gain an advantage for himself or others, contrary to his obligations and rights of others.

Allah in Al Muthaffifin (83) Verses 1-3 warned that (1) Woe to those who give less [than due], (2) Who, when they take a measure from people, take in full, (3) and if they measure or weigh for others, they reduce. Those three warnings above explained about the prohibition of cheating, what is meant by those who cheat are people who cheat in measuring and weighing. In sharia accounting, it is also described the prohibition of cheating which cause loss for institution either private or non-private.

In the report by ICW, there are three major sectors that are most detrimental to the state due to corruption. Indonesia Corruption Watch (ICW) launched a survey on the trend of law enforcement in the case of corruption. As a result, civil servant (PNS) was in the top position as suspect during 2011. One of the causes of corruption that occurred among civil servants (PNS) was triggered because the compensation received is not humane. In many cases, corruption in Indonesia is driven not only by the personal motives of the perpetrators, but also because it has to adapt to a corrupt environment or system.

This research is conducted by exploring the perceptions of employees in governmental agencies with BLU status about the fraud trends and the factors that influence it. Factors in this study consisted of the effectiveness of internal control, compensation conformity, law enforcement, and unethical behavior. In this research, the researcher used Islamic Working Attitude as moderation variable in the correlation between fraud trends and factors affecting it.

2. THEORETHICAL FRAMEWORK

2.1 Literature Review

2.1.1 Perception Theory

According to Mahmud (1990), in the science of psychology, perception is to interpret existing stimulus in the brain. Although the tools for receiving the stimulus are similar to each individual, the interpretation may vary. Robins (1996) stated that an individual's perception of an object is quite possible different with other individual perceptions on the same object. From some perceptual definition above, it can be seen that the emergence of perception always begins with the process of seeing, listening, feeling and so forth. In fact, each person has his or her own perception of an event.

2.1.3 Moral Development Theory

Kohlberg (1969) stated that the moral develops through post-conventional stage. The post-conventional stage is the last stage of moral developmental stages that make up the ethical principles owned by the management. From the description, the theory of moral development is able to be used as a basis to determine the effect of unethical behavior on fraud trends.

2.1.4 Fraud

According to the Association of Certified Fraud Examiners (ACFE) in Tuanakotta (2010), fraud is: "The actions against the law that are done intentionally for a specific purpose (manipulation or giving false reports against the other party), it is done by people from inside or outside the organization for personal gain or groups that are directly or indirectly harming the other party ".

Fraud occurs because of pressure, opportunity and rationalization, or called as fraud triangle. Pressure can be in the form of financial needs, lifestyle, and other party pressure that causes someone dares to do fraud. Opportunity includes a weak control of internal system, system support, and trust in the task carried by someone which is too broad and exaggerated. Rationalization explains that the perpetrator of fraud has taken into account about his actions.

2.1.5 Islamic Working Attitude

Islamic Working attitude is an orientation that shape and influence the involvement and participation of Muslims in the workplace (Ali and Owaihan, 2008). Islamic Working attitude views work as a way of more than self-interest in the economic, social and psychology, it can increase social welfare and strengthen faith (Ali and Owaihan, 2008). Ali and Owaihan (2008) propose four key concepts that build Islamic Working attitude. Those four concepts are business, competition, transparency and moral responsibility. Ali and Owaihan (2008) further said that individuals must compete fairly and honestly and conduct business activities with good intentions.

Triyuwono (2000) suggested the organization's primary purpose in Islam is "spread mercy to all beings". According to Islamic Working attitude theory, in execution guidance exemplified by Rasulullah SAW, there are 4 dimensions that must be applied in daily activities both in business and work, i.e., *shidiq, fathonah, amanah* and *tabligh*.

2.2 PREVIOUS RESEARCH AND HYPOTHESES DEVELOPMENT

Here are a few studies that have been carried out by previous researcher related to fraud and variables that the researcher use:

2.2.1 Effectiveness of Internal Control

Internal control systems include organizational structures, methods, and coordinated measures to manage organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and compliance with management policies (Mulyadi, 2010). Research conducted by Wilopo (2006), showed that effective internal controls have a significant and negative effect on the accounting fraud trends. In this study, researcher wants to test the effect of Islamic working attitude as a moderating variable in the correlation between the effectiveness of internal controls on the fraud trends. Based on the description, the researcher proposed the following hypothesis:

H1: Islamic working attitude moderates the effectiveness of internal control on the fraud trends

2.2.2 Compensation Conformity

Compensation conformity is a perception by employee on something that is considered as a comparable. If employees are not satisfied with the compensation they receive, it will have an impact on the organization. This means that if these grievances are not resolved, then every employee will express a desire to obtain appropriate compensation. The provision of appropriate compensation to employees can give satisfaction and motivation of the employees in the work. As a result, it will encourage them to give their best for the company where they work (Gibson et al., 1997).

In this study, the researcher wants to test the effect of *Islamic working attitude* as a moderating variable in the correlation between the compensation conformity on the fraud trends. From some description above, the researcher proposes the following hypothesis:

H $_2$: Islamic working attitude moderates the effect of Compensation Conformity on fraud trends

2.2.3 Law Enforcement

Law is generally made with the aim to provide foundation and limitation in any activities that exist within the organization in order to run smoothly and in accordance with expectations. The law that has been made must be implemented by all parties involved in such an organization. If law enforcement is not effective, then the opportunity for all these individual for violating the rule will be greater and can lead to fraud. Therefore, it is concluded that, the

better the law enforcement is, the smaller the fraud trends will be. Research by Najahningrum et al. (2013) and Chandra et al. (2015) indicated that law enforcement negatively affects the accounting fraud trends. In this study, the researcher wants to examine the effect of Islamic working attitude as a moderating variable in the correlation between law enforcement on the fraud trends. Based on previous research and descriptions, the hypothesis proposed is as follows:

H 3 : Islamic working attitude moderates the effect of law enforcement on the fraud trends

2.2.4   Unethical Behavior

One of the factors affecting fraud in the governmental sector is unethical behavior. Unethical behavior consists of abuse of position, abuse of power, abuse of organizational resources, abuse of rule and no-action behavior. According to CIMA (2002) in Wilopo (2008), it was stated that corporate culture with low ethical standards will have a high risk of accounting fraud. Results of research by wilopo (2006) stated that unethical behavior gives a significant and positive influence on the fraud trends (fraud) in the company. In this study, the researcher wants to test the influence of Islamic working attitude as a moderating variable in the correlation between unethical behavior and the fraud trends. From the description above, the hypothesis proposed is as follow:

H 4 : Islamic attitude working moderates the effect of unethical behavior on the fraud trends

2.3 RESEARCH FRAMEWORK

 Based on the analysis described in the theoretical basis and some previous studies above, the researcher determines the model of the study as follows:
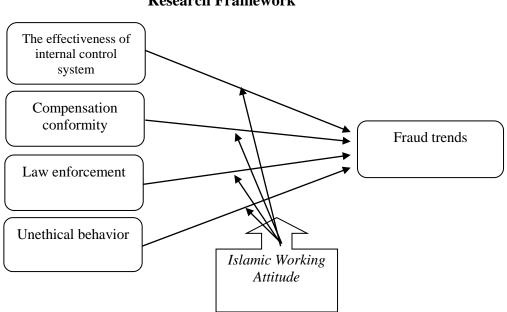
Figure 2.3.
Research Framework

3. RESEARCH METHODS

3.1 RESEARCH DESIGN, POPULATION, SAMPLE, METHOD OF DATA COLLECTION

This research used quantitative data analysis method. The data used in this study was the primary data. The population in this study was all parties involved in the preparation and use of budgeted funds, executing finance and accounting, and employees who prepared financial statements and accountability reports in State Universities as Public Service Agency in Semarang. Instruments used as data collection techniques in this study were questionnaires. Questionnaires were distributed to permanent employees (PNS) and Public Service Agency (BLU) at State Universities in Semarang. Hypotheses testing in this research used multiple linear regression analysis method.

The sampling technique occupied was purposive sampling, i.e., the method of sampling with certain criteria (Nur Indriantoro and Bambang Supomo, 2002). The criteria used include the following:

1. Having work experience of more than 1 year in the working unit concerned.
2. Not being transferred from the planning, finance and accounting sections for the past 1 month.
3. Having knowledge and ability about the flow of finance at State University as Public Service Agency in Semarang.

The questionnaire is designed into two parts. The first section contains a description of the respondents, work experience, education and age. Work experience is divided into two criteria: more than 1 year and more than 3 years. Education is accustomed with condition for high school, undergraduate, and post graduate. For the age, the criteria are divided into three criteria: less than 30 years, between 30-45 years and more than 45 years. The second section of questionnaire consists of question instruments that construct research variables; in this section it contains statements by using the likert scale (1 to 5).

3.2 OPERATIONAL DEFINITION AND MEASUREMENT OF VARIABLE

3.2.1. Independent Variables

Independent variable is a type of variable types which describes or affects other variables (Indriantoro and Supomo: 2002). This study uses the independent variables described below:

1. Effectiveness of Internal Control
   This variable is measured by the following indicator:
   a. Compliance in the internal control environment.
   b. Compliance in risk management.
   c. Compliance in control activities.
   d. Compliance in Information and Communication.
   e. Compliance in monitoring and supervising.

2. Compensation Conformity
   This variable is measured by indicators developed by Wilopo (2006) as follows:
   a. Financial compensation.
   b. Recognition from the company for success in carrying out the work.
   c. Promotion.
   d. Task completion.
   e. Goal achievement.
3. Law Enforcement.
   This variable used a likert scale from 1-5 as its measurement. The lower the score is, the worse the law enforcement will be. This variable is measured by the following indicator:
   a. Compliance to the law.
   b. Law enforcement process.
   c. Organizational law.
   d. Work discipline.
   e. Responsibility.
4. Unethical Behavior
   This variable is measured by the indicators developed by Wilopo (2006) as follows:
   a. abuse position.
   b. abuse resources.
   c. abuse power.
   d. no action.
   e. abuse rule.
5. Islamic Working Attitude
   The variable of Islamic Working Attitude is measured by the following indicators:
   a. Having a high commitment
   b. Having high professionalism
   c. Serious at work
   d. Holding tightly the mandate and being responsible
   e. Always keep loyalty

3.2.2. Dependent Variables

The study used fraud trends in the ministry of research and higher education. Instrument used to measure fraud trends consisted of nine items of questions developed from the types of frauds according to the Association of Certified Fraud Examinations (ACFE) in Najahningrum et al. (2013), which consists of fraudulent of financial statements, asset abuse, and corruption. The measurement of variables used likert scale 1-5, the higher the value is, the higher the frequency of fraud occurs.

3.3. DATA ANALYSIS METHOD AND HYPOTHESES TESTING

Data analysis method in this research is data quality test by using validity test and reliability test which function to see the feasibility of existing data before being processed by using analytical tool to test hypothesis. Data analysis technique used in this research was regression analysis. To perform hypotheses test, the researcher used coefficient of determination test (R^2), F test, and t test.

The regression equation of moderating variable used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + (\beta_6 X_1.X_5) + (\beta_7 X_2.X_5) + (\beta_8 X_3.X_5) + (\beta_9 X_4.X_5) + e$$

In which;
Y: The fraud trends
A: Constants
$\beta_1 ... \beta_n$: Coefficient of Regression
X1: Effectiveness of Internal Control
X2: Compensation Compliance
X3: Law Enforcement
X4: Unethical behavior
X5: Islamic Working Attitude
E: Errors

4. DISCUSSION

4.1. Data analysis

Before conducting data analysis, the validity and reliability test of the questionnaire instrument used in this study were performed. To determine the validity of the test results, it has been compared to the value of r count and r table for degree of freedom (df) = n - 2. The sample size in this study was 56, then (df) = 56 -2 = 54. With df = 54 and alpha = 0.05, we got r table value of 0.2221. From the validity of the test results, it can be concluded that all the instruments of questionnaire in this study are valid, considering all values of r count> r table. All indicators used in the questionnaire in this study are reliable considering all values of Cronbachs Alpha were > 0.70. A construct or variable is said to be reliable if it gives a Cronbach Alpha value of > 0.70 (Nunnally, 1994).

After conducting test of validity and reliability, then the classical assumption test which consists of Multicollinearity test, Durbin Watson test, Heteroscedasticity test, and Normality test was conducted. In this study, the test did not meet multicollinearity, considering that the Tolerance Values was less than 0:10 and VIF was also more than the value of 10. There was no autocorrelation of Durbin Watson test, given the value of Durbin Watson was > upper limit (du) 1.76. The heteroscedasticity test also fulfilled the criteria, considering the dots spread randomly. Therefore, it can be concluded that there was no heteroscedasticity. Normality test was also fulfilled, given that the normal graph plot spots spread around the diagonal line. The Kolmogorov-Smirnov value was not significant at the value of 0.162.

The Regression test results with moderation variables are as follows:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.593[a]	.352	.225	6.053

a. Predictors: (Constant), PTE*IWA, PP, KPI*IWA, IWA, KES KOMP, PP*IWA, KPI, PTE, KesKomp*IWA

b. Dependent Variable: KK

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	252.710	121.168		2.086	.043
	KPI	-.815	2.845	-.476	-.286	.776
	KES KOMP	-22.268	13.317	-4.774	-1.672	.101
	PP	1.102	1.541	.889	.715	.478
	PTE	6.822	8.558	3.003	.797	.429
	IWA	-8.958	5.513	-2.974	-1.625	.111
	KPI*IWA	.012	.133	.145	.090	.929
	KesKomp*IWA	.845	.563	7.081	1.502	.140
	PP*IWA	-.046	.070	-.863	-.658	.514
	PTE*IWA	-.255	.347	-3.311	-.735	.466

a. Dependent Variable: KK

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	915.341	9	101.705	2.776	.011[a]
	Residual	1685.212	46	36.635		
	Total	2600.554	55			

a. Predictors: (Constant), PTE*IWA, PP, KPI*IWA, IWA, KES KOMP, PP*IWA, KPI, PTE, KesKomp*IWA

b. Dependent Variable: KK

From the table above, we get the following equation:

Y = 252.710 – 0.815X1 -22.268X2 + 1.102X3 + 6.822X4 – 8.958X5 + (0.012X1.X5) + (0.845X2.X5) - (0.046X3.X5) - (0.255X4.X5) + *e*

4.2.   Discussion

The result of Adjusted R-square showed the value of 0.225. Therefore, it can be concluded that 22.5% variable of effectiveness of internal control, compensation conformity, law enforcement, unethical behavior, and the Islamic working attitude affect the fraud trends and the rest was affected by other factors beyond this study.

From the results of F-Test, it was obtained a value of 0.011. Therefore, it has a positive and significant effect. It can be interpreted that the variable of effectiveness of internal control, compensation conformity, law enforcement, unethical behavior, and Islamic working attitude affect the fraud trends.

Meanwhile, based on the results of T test, it was known that Islamic working attitude (IWA) did not moderate the effectiveness of internal control on the fraud trends. This was evident from the value of T Test which was not significant at value of 0.929. From this explanation, it can be concluded that Hypothesis 1 is not supported. While based on the results of T-test, it is known that the Islamic working attitude (IWA) did not moderate the

effect of Compensation Conformity and fraud trends. This is evident from the value of T Test which was not significant at value of 0.140. From this explanation, it can be concluded that Hypothesis 2 is not supported.

Based on the results of T-test, it is known that the Islamic working attitude (IWA) did not moderate the effect of law enforcement on fraud trends. This was evident from the value of T Test which is not significant at value of 0.514. From this explanation, it can be concluded that Hypothesis 3 is not supported. While based on the results of T-test, it is known that the Islamic working attitude (IWA) is not a moderating variable on the effect of Unethical Behavior on the fraud trend. This is evident from the value of T Test which is not significant at value of 0.466. From this explanation, it can be concluded that Hypothesis 4 is not supported.

5.   CLOSING

5.1. CONCLUSION

This study aimed to examine the effect of Islamic working attitude as a moderating variable in the correlation of the variables of the effectiveness of internal control, compensation conformity, law enforcement, unethical behavior on fraud trend at Public Service Agency (BLU) of Education in Semarang. These results indicate that the Islamic working attitude is not a moderating variable in the correlation of the effectiveness of internal control, compensation conformity, law enforcement, and unethical behavior on fraud trends.

5.2.   LIMITATIONS AND SUGGESTIONS

1. The samples used in this study is only BLU engaged in the education field. It is expected that in further research, the researcher uses a sample whose scope covers all BLU in Semarang.
2. Data collection techniques in future research is expected to not only use the questionnaire but also other methods such as interviews or secondary data.

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