

ABSTRACT

Islamic Banks as entities that have special characteristics have a higher challenge in their management where all operational activities are based on Islamic principles. Indonesia as a country with a majority of Muslims should have greater potential in developing Islamic Banks. However, public interest in Islamic Banks is less than Conventional Banks. The emergence of issues related to fraud on Islamic Banks has increasingly added to public doubts about the Islamic principles in Islamic Banks. So caution is needed in the business actors in the aspects of sharia compliance and its governance as an effort to prevent the possibility of fraud risk.

This study aims to examine the effect of Islamic Corporate Governace and Sharia Compliance on indications of fraud occurring in Indonesia's Islamic Banks for the period 2014-2017. The independent variables are Islamic Corporate Governace and Sharia Compliance with the Proxy of Islamic Income Ratio and Profit Sharing Ratio. The dependent variable is fraud in Islamic Commercial Banks.

The population in this study were all Islamic Banks that registered in the Financial Services Authority in the period 2014 to 2017. The samples were selected using the purposive sampling method. In this study there were 11 Islamic Banks with a 4 year research period so that the total sample used in this study amounted to 44. The analytical method used in this study was logistic regression which was processed using SPSS version 22. The results of this study indicate that the Islamic Corporate Governace variable has a positive influence on indications of fraud occurring in Islamic Commercial Banks, Shariah Compliance with the Proxy Profit Sharing Ratio has a negative influence on indications of frud occurrence in Islamic Commercial Banks while Shariah Compliance with the proxy of Islamic Income Ratio has no effect on the indications of the occurrence of fruds in Islamic Commercial Banks.

Keywords: *sharia compliance, Islamic corporate governace, fraud, Islamic Bank*