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## Determinants of Fraud Prevention in Islamic Banking: The Roles of Good Corporate Governance, Individual Morality, Organizational Culture, and Whistleblowing Systems

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### ABSTRACT

*Fraud remains a significant challenge for banking institutions as it can undermine financial performance, organisational sustainability, and public trust. This study aims to examine the effects of Good Corporate Governance (GCG), Individual Morality, Organisational Culture, and the Whistleblowing System on fraud prevention at Bank Riau Kepri Syariah, Pekanbaru Branch. A quantitative approach was employed using a saturated sampling technique involving 72 employees. Data were analysed using multiple linear regression with SPSS version 26. The results show that Good Corporate Governance, Organisational Culture, and the Whistleblowing System have a positive and significant effect on fraud prevention. In contrast, Individual Morality has a positive but statistically insignificant effect. The Whistleblowing System was found to be the most influential variable. The Adjusted R<sup>2</sup> value indicates that the independent variables explain 28% of the variation in fraud prevention, while the remaining 72% is explained by other factors outside the model. These findings suggest that strengthening governance practices, organisational culture, and whistleblowing mechanisms is essential for enhancing fraud prevention in Islamic banking institutions.*

**Keywords :** Good Corporate Governance, Individual Ethics, Organisational Culture, Whistleblowing System, Fraud Prevention

### 1. Introduction

The banking industry plays a strategic role in maintaining national economic stability through its intermediation function, namely mobilising public funds and redistributing them in the form of financing to support economic growth and development. To maintain public trust and ensure business sustainability, banking institutions are required to implement transparent, accountable, and integrity-based governance practices. However, alongside the rapid development of financial technology and the increasing complexity of banking operations, the risk of fraud remains one of the most significant challenges faced by banking institutions. Fraud refers to intentional acts committed to obtain personal or group benefits through deception, manipulation, abuse of authority, or misuse of organisational resources, resulting in financial and non-financial losses for organisations (Aditantra & Chariri, 2023; Fatimah & Pramudyastuti, 2022). In Islamic banking institutions, fraud poses a greater threat because it not only affects financial performance but also undermines Islamic values such as trustworthiness (*amanah*), honesty, justice, and accountability that constitute the foundation of Sharia banking operations (Budiarto, 2023).

The urgency of fraud prevention continues to increase due to the persistent occurrence of fraud cases across various sectors in Indonesia. Fraud prevention has become a

critical organisational objective because fraudulent activities can significantly reduce organisational performance, damage reputation, and weaken stakeholder confidence (Kurniasari et al., 2018; Owusu et al., 2022). In the banking sector, fraud risks are particularly concerning because banking institutions manage public funds and operate within highly regulated environments. Previous studies have highlighted that fraud prevention requires not only effective control mechanisms but also strong ethical values, organisational commitment, and governance systems that can minimise opportunities and motivations for fraudulent behaviour (Rosari et al., 2021; Said et al., 2018).

This issue is reflected in several fraud cases that occurred at Bank Riau Kepri Syariah. One prominent case involved the Pekanbaru Branch during the period 2020–2022, where an employee misused internal banking access by creating ATM cards without customers' knowledge and conducting unauthorised transactions. The case affected 101 customers and caused losses amounting to approximately IDR 5 billion. Another fraud case occurred at the Bengkalis Branch, involving document falsification and misuse of agricultural financing facilities, resulting in losses exceeding IDR 5.2 billion. These incidents indicate that fraud within banking institutions is often associated with weak governance practices, abuse of authority, inadequate internal control systems, and deficiencies in individual ethical behaviour. Consequently, fraud prevention should not rely solely on procedural controls but must also be supported by effective governance mechanisms, ethical individuals, a strong organisational culture, and reliable reporting systems.

One factor frequently associated with fraud prevention is Good Corporate Governance (GCG). GCG refers to a governance framework that promotes transparency, accountability, responsibility, independence, and fairness in organisational management. Effective implementation of GCG contributes to reducing fraud opportunities by strengthening monitoring mechanisms, enhancing managerial accountability, and improving internal control effectiveness (Farochi & Nugroho, 2022; Setiawan et al., 2024). Empirical evidence also demonstrates that governance practices significantly support fraud prevention efforts by establishing organisational structures that discourage unethical behaviour (Lisdiono et al., 2023). Nevertheless, some studies have reported inconsistent findings, indicating that GCG may not significantly influence fraud prevention when governance implementation is merely formalistic and lacks genuine organisational commitment (Adiko et al., 2019). These inconsistencies suggest the need for further investigation into the effectiveness of GCG in preventing fraud, particularly within Islamic banking institutions.

In addition to governance factors, individual morality is recognised as an important determinant of fraud prevention. Individual morality reflects a person's ethical principles, moral reasoning, and commitment to distinguishing right from wrong when facing ethical dilemmas. Employees with higher levels of morality are generally more resistant to engaging in fraudulent behaviour, even when opportunities for misconduct exist (Aprilia & Yuniasih, 2021; Dewi et al., 2022). Conversely, low moral standards can increase the likelihood of unethical actions despite the presence of adequate control systems (Adyaksana & Sufitri, 2022). Previous studies have consistently reported that individual morality contributes positively to fraud prevention (Angkabrata et al., 2025; Raharja & Sulistyowati, 2023). However, the strength of this influence may vary depending on organisational contexts and institutional characteristics.

Another factor that may influence fraud prevention is organisational culture. Organisational culture represents the values, norms, beliefs, and behavioural expectations shared among organisational members that guide workplace conduct (Ali & Ali, 2023). A strong organisational culture characterised by integrity, accountability, and ethical behaviour can create an environment that discourages fraud and promotes compliance with organisational regulations (Kaptein, 2011; Putri et al., 2023). Conversely, a permissive organisational culture may normalise unethical behaviour and increase fraud risk (Anililua & Rusmita, 2023). Previous

empirical studies have shown that organisational culture positively influences fraud prevention (Ariskayantu & Sumadi, 2023; Dewi et al., 2022), while other studies report varying results regarding its effectiveness in reducing fraudulent practices (Anandya & Werastuti, 2020). These mixed findings indicate that organisational culture remains an important area for further examination.

Furthermore, the whistleblowing system has emerged as a crucial mechanism for fraud prevention. A whistleblowing system provides employees and stakeholders with secure channels to report suspected violations, unethical conduct, or fraudulent activities without fear of retaliation. Such systems facilitate early fraud detection, minimise organisational losses, and strengthen accountability within organisations (Brown et al., 2014; Near & Miceli, 2016). Previous studies have found that whistleblowing systems positively contribute to fraud prevention because they encourage organisational transparency and increase the likelihood of detecting fraudulent behaviour (Destiyana et al., 2024; Lestari & Ayu, 2021). Similarly, Anandya and Werastuti (2020) reported that whistleblowing mechanisms significantly improve fraud prevention efforts. However, Anilua and Rusmita (2023) found different results, suggesting that the effectiveness of whistleblowing systems may depend on organisational support, employee trust, and reporting protection mechanisms.

Although numerous studies have examined the relationship between Good Corporate Governance, individual morality, organisational culture, whistleblowing systems, and fraud prevention, the findings remain inconclusive and fragmented. Moreover, empirical studies focusing on Islamic banking institutions, particularly regional Islamic banks in Indonesia, remain relatively limited. Given the unique characteristics of Islamic banking that emphasise ethical values and Sharia compliance, understanding the factors influencing fraud prevention within this context is essential. Therefore, this study aims to analyse the effects of Good Corporate Governance, individual morality, organisational culture, and whistleblowing systems on fraud prevention at Bank Riau Kepri Syariah Pekanbaru Branch. The findings are expected to contribute to the development of fraud prevention strategies and enrich the literature on governance and ethical management in Islamic banking institutions.

## **2. Literature Review**

### **Fraud Diamond Theory**

Fraud Diamond Theory was introduced by Wolfe and Hermanson (2004) as an extension of the Fraud Triangle Theory developed by Cressey. The theory argues that fraudulent behaviour occurs not only because of pressure, opportunity, and rationalisation but also because individuals possess the capability required to commit and conceal fraudulent acts. Capability refers to a person's position, intelligence, confidence, authority, and ability to exploit weaknesses in organisational systems. Therefore, even when pressure, opportunity, and rationalisation exist, fraud may not occur unless the perpetrator has sufficient capability to execute the act successfully.

In contemporary organisations, fraud is understood as an intentional act of deception carried out to obtain unlawful benefits at the expense of an organisation or other stakeholders. According to Aditantra and Chariri (2023), fraud generally manifests in the form of asset misappropriation, corruption, and fraudulent financial reporting. Similarly, Budiarto (2023) explains that fraud in banking institutions often involves abuse of authority, manipulation of transactions, and misuse of organisational resources. The Fraud Diamond Theory provides a comprehensive framework for understanding the causes of fraud and has therefore become one of the most widely used theories in fraud prevention studies.

Fraud prevention refers to all organisational efforts aimed at reducing opportunities, motivations, and conditions that may encourage fraudulent behaviour. Effective fraud prevention requires the implementation of governance mechanisms, ethical standards,

organisational controls, and reporting systems capable of detecting irregularities before significant losses occur (Owusu et al., 2022; Fatimah & Pramudyastuti, 2022). Kurniasari et al. (2018) suggest that fraud prevention can be achieved through enhanced monitoring and control systems, the strengthening of organisational culture, the development of anti-fraud values, the implementation of reward and punishment mechanisms, anti-fraud awareness programmes, and the establishment of change agents who promote ethical behaviour within organisations.

### **Good Corporate Governance**

Good Corporate Governance (GCG) refers to a system of processes, structures, and mechanisms designed to direct and control organisational activities in a transparent, accountable, responsible, independent, and fair manner. The implementation of GCG aims to ensure that organisations operate efficiently while safeguarding the interests of stakeholders and maintaining long-term sustainability (Sari, 2021). In the banking sector, GCG plays a critical role in ensuring compliance with regulations, strengthening oversight mechanisms, and reducing opportunities for fraud.

Previous studies have demonstrated that effective governance mechanisms contribute significantly to fraud prevention. Farochi and Nugroho (2022) found that organisations implementing strong governance practices tend to have lower fraud risks because governance structures improve supervision and accountability. Similarly, Lisdiono et al. (2023) reported that good corporate governance positively influences fraud prevention by creating a transparent organisational environment. Setiawan et al. (2024) further argue that governance mechanisms are essential for mitigating fraud risks in banking institutions, particularly in emerging markets. However, Adiko et al. (2019) found that governance mechanisms may not always effectively prevent fraud when their implementation is limited to formal compliance rather than substantive organisational practice.

The principles of GCG generally include transparency, accountability, responsibility, independence, and fairness. These principles provide a framework for ensuring that organisational decisions are made ethically and that managerial actions remain aligned with organisational objectives and stakeholder expectations (Sari, 2021; Madika et al., 2021; Suryadi et al., 2025).

### **Individual Morality**

Individual morality refers to a person's ability to evaluate ethical situations and determine whether a particular action is right or wrong based on moral values and social norms. Moral individuals tend to demonstrate honesty, responsibility, integrity, and a commitment to ethical behaviour, thereby reducing their likelihood of engaging in fraudulent activities (Rosari et al., 2021).

The importance of morality in fraud prevention is supported by the Fraud Diamond Theory, which suggests that personal ethical values can influence an individual's decision to exploit opportunities for misconduct. Said et al. (2018) argue that ethical values play a crucial role in preventing employee fraud because they affect how individuals rationalise unethical behaviour. Empirical evidence from Aprilia and Yuniasih (2021), Dewi et al. (2022), and Raharja and Sulistyowati (2023) demonstrates that higher levels of individual morality significantly contribute to fraud prevention. Similarly, Anandya and Werastuti (2020) and Angkabrata et al. (2025) found that employees with stronger moral principles are less likely to engage in fraudulent practices despite the existence of opportunities and pressures.

Individual morality is commonly reflected through responsibility awareness, adherence to ethical values, compliance with organisational regulations, and a willingness to reject dishonest behaviour (Rosari et al., 2021). These characteristics enable employees to act with integrity and support organisational efforts to prevent fraud.

### **Organisational Culture**

Organisational culture refers to the system of shared values, beliefs, norms, and behavioural expectations that guide members' actions within an organisation. Organisational culture functions as a social control mechanism that shapes employee behaviour and influences organisational performance (Ali & Ali, 2023). A strong culture that emphasises integrity, accountability, and ethical conduct can discourage fraudulent behaviour and strengthen organisational commitment to fraud prevention.

Kaptein (2011) argues that ethical culture is one of the most important determinants of organisational behaviour because it influences how employees interpret and respond to ethical dilemmas. Similarly, Treviño et al. (2014) explain that unethical organisational environments increase the likelihood of misconduct among employees. Empirical studies conducted by Ariskayantu and Sumadi (2023), Dewi et al. (2022), and Raharja and Sulistyowati (2023) indicate that organisational culture significantly supports fraud prevention efforts. Anandya and Werastuti (2020) also found that organisations with strong ethical cultures are more capable of minimising fraud risks. Conversely, Anlilua and Rusmita (2023) reported that weak organisational cultures may facilitate fraudulent behaviour by creating tolerance toward unethical actions.

Organisational culture is generally reflected through individual initiative, leadership support, organisational control, reward systems, commitment, integrity, sincerity, and communication patterns among organisational members (Raharja & Sulistyowati, 2023). These dimensions contribute to the development of an ethical organisational climate that supports fraud prevention.

### **Whistleblowing System**

A whistleblowing system is a formal mechanism that enables employees and stakeholders to report suspected misconduct, ethical violations, or fraudulent activities within an organisation. Whistleblowing serves as an important internal control tool because it facilitates the early detection of fraud and provides organisations with opportunities to take corrective actions before substantial losses occur (Near & Miceli, 2016).

The effectiveness of whistleblowing systems has been widely discussed in the literature. Brown et al. (2014) found that whistleblowing mechanisms significantly improve organisational accountability and transparency. Likewise, Cassematis and Wortley (2013) reported that employees are more likely to report wrongdoing when they trust the reporting system and perceive adequate protection from retaliation. Vadera et al. (2009) further explain that whistleblowing behaviour is influenced by ethical identity and organisational support.

Several empirical studies have shown that whistleblowing systems positively influence fraud prevention. Anandya and Werastuti (2020), Lestari and Ayu (2021), and Destiyana et al. (2024) found that effective whistleblowing mechanisms encourage employees to report irregularities and support organisational anti-fraud efforts. However, Anlilua and Rusmita (2023) reported inconsistent findings, suggesting that the effectiveness of whistleblowing systems depends on organisational commitment, confidentiality protection, and employees' trust in the reporting process.

An effective whistleblowing system generally consists of structural, operational, and maintenance dimensions. These dimensions include management commitment, secure reporting channels, confidentiality guarantees, rapid response mechanisms, and continuous training programmes to ensure the sustainability and effectiveness of the reporting system (Brown et al., 2014; Near & Miceli, 2016).

## **3. Research Methods**

This study adopts a quantitative research approach with an explanatory research design to examine the effects of Good Corporate Governance (GCG), individual morality, organisational culture, and the whistleblowing system on fraud prevention at Bank Riau Kepri Syariah, Pekanbaru Branch. A quantitative approach was selected because the study aims to objectively measure the relationships among variables through numerical data and statistical analysis. Furthermore, the explanatory design is appropriate for testing causal relationships and evaluating the extent to which the independent variables influence the dependent variable, namely fraud prevention (Sugiyono, 2023).

The population of this study consisted of all employees of Bank Riau Kepri Syariah, Pekanbaru Branch, totalling 79 individuals. This population included 60 employees from the Arifin Ahmad Main Branch and 19 employees from the Jalan Riau Sub-Branch. Given the relatively small population size, this study employed a saturated sampling (census) technique, whereby all members of the population were included as research respondents. The use of saturated sampling ensures comprehensive population coverage and enhances the representativeness of the findings by eliminating sampling bias (Sugiyono, 2023).

Primary data were collected through a structured questionnaire distributed directly to all respondents. The questionnaire was designed using a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*), allowing respondents to express their perceptions regarding Good Corporate Governance, individual morality, organisational culture, whistleblowing systems, and fraud prevention practices within the organisation.

The collected data were analysed using Statistical Package for the Social Sciences (SPSS) software. Data analysis consisted of descriptive statistical analysis, instrument testing (validity and reliability tests), classical assumption tests (normality, multicollinearity, and heteroscedasticity), and multiple linear regression analysis. Hypothesis testing was conducted using the coefficient of determination ( $R^2$ ), the F-test, and the t-test to assess both the simultaneous and partial effects of the independent variables on fraud prevention.

## **4. Results and Discussions**

### **Results**

#### ***Descriptive Statistical Analysis***

Descriptive statistical analysis was conducted to provide an overview of respondents' perceptions regarding Fraud Prevention, Good Corporate Governance, Individual Morality, Organisational Culture, and the Whistleblowing System at Bank Riau Kepri Syariah Pekanbaru Branch. The results indicate that all research variables have relatively high mean scores with moderate standard deviations, suggesting that respondents generally provided favourable assessments of the implementation of governance practices, ethical values, organisational culture, whistleblowing mechanisms, and fraud prevention efforts within the organisation.

Overall, the descriptive statistics demonstrate that respondents perceive the implementation of Good Corporate Governance, Individual Morality, Organisational Culture, and the Whistleblowing System to be at a satisfactory level. Likewise, fraud prevention practices at Bank Riau Kepri Syariah Pekanbaru Branch are perceived to have been implemented effectively. These findings provide an initial overview of the research variables and serve as the basis for subsequent inferential statistical analyses.

#### ***Validity Test***

The validity test was conducted to evaluate the ability of the questionnaire items to accurately measure the intended research variables. The test was performed by comparing the Corrected Item–Total Correlation value of each item with the critical r-table value of 0.229 at a significance level of 5%.

The results of the validity test indicate that all statement items used to measure Fraud Prevention, Good Corporate Governance, Individual Morality, Organisational Culture, and the Whistleblowing System have Corrected Item–Total Correlation values exceeding the critical value of 0.229. Therefore, all questionnaire items are considered valid and capable of measuring the constructs under investigation. As a result, all items were retained for further statistical analysis.

### **Reliability Test**

Reliability testing was conducted to determine the consistency and stability of the research instrument. The Cronbach’s Alpha method was employed, with a threshold value of 0.60 used as the criterion for reliability.

The reliability test results show that all research variables obtained Cronbach’s Alpha coefficients above the minimum threshold of 0.60. These findings indicate that the questionnaire possesses satisfactory internal consistency and can be considered a reliable instrument for measuring Good Corporate Governance, Individual Morality, Organisational Culture, the Whistleblowing System, and Fraud Prevention. Consequently, the instrument is suitable for use in subsequent analyses.

### **Multiple Linear Regression Analysis**

Multiple linear regression analysis was performed to examine the influence of Good Corporate Governance, Individual Morality, Organisational Culture, and the Whistleblowing System on Fraud Prevention at Bank Riau Kepri Syariah Pekanbaru Branch. The analysis was conducted using SPSS Version 26.

The regression analysis produced the following equation:

$$Y = -4.829 + 0.158X_1 + 0.202X_2 + 0.213X_3 + 0.258X_4 + e$$

where:

Y = Fraud Prevention

X<sub>1</sub> = Good Corporate Governance

X<sub>2</sub> = Individual Morality

X<sub>3</sub> = Organisational Culture

X<sub>4</sub> = Whistleblowing System

The regression coefficients indicate that all independent variables have positive coefficients. This suggests that increases in Good Corporate Governance, Individual Morality, Organisational Culture, and the Whistleblowing System are associated with increases in Fraud Prevention.

The coefficient for Good Corporate Governance is 0.158, indicating that a one-unit increase in Good Corporate Governance is associated with a 0.158-unit increase in Fraud Prevention, assuming other variables remain constant. The coefficient for Individual Morality is 0.202, implying that improvements in individual morality are associated with an increase in Fraud Prevention. Organisational Culture has a coefficient of 0.213, indicating a positive contribution to Fraud Prevention. Meanwhile, the Whistleblowing System has the highest coefficient value of 0.258, suggesting a relatively stronger contribution to Fraud Prevention compared with the other independent variables.

### **Hypothesis Testing**

Hypothesis testing was conducted using the t-test to determine the partial effect of each independent variable on Fraud Prevention.

The results show that Good Corporate Governance has a significance value of 0.033, which is below the significance threshold of 0.05. This indicates that Good Corporate Governance has a statistically significant effect on Fraud Prevention.

Individual Morality obtained a significance value of 0.217, which exceeds the significance threshold of 0.05. Therefore, Individual Morality does not have a statistically significant effect on Fraud Prevention.

Organisational Culture produced a significance value of 0.033, which is below 0.05. This result indicates that Organisational Culture has a statistically significant effect on Fraud Prevention.

The Whistleblowing System obtained a significance value of 0.002, which is substantially below the significance threshold of 0.05. This finding indicates that the Whistleblowing System has a statistically significant effect on Fraud Prevention. Furthermore, among all independent variables included in the model, the Whistleblowing System exhibits the largest regression coefficient, indicating that it has the strongest contribution to Fraud Prevention within the research model.

Overall, the hypothesis testing results indicate that three variables, namely Good Corporate Governance, Organisational Culture, and the Whistleblowing System, significantly influence Fraud Prevention. In contrast, Individual Morality does not show a statistically significant influence on Fraud Prevention.

## **Discussion**

### **The Effect of Good Corporate Governance on Fraud Prevention**

The findings indicate that Good Corporate Governance (GCG) has a positive and significant effect on fraud prevention at Bank Riau Kepri Syariah Pekanbaru Branch. This result suggests that stronger implementation of governance principles, including transparency, accountability, responsibility, independence, and fairness, contributes to more effective fraud prevention mechanisms within the organisation. The positive coefficient demonstrates that improvements in governance practices are associated with increased organisational capacity to prevent fraudulent activities.

These findings can be explained through the Fraud Diamond Theory, particularly the opportunity dimension. Effective governance systems reduce opportunities for fraud by strengthening internal controls, enhancing monitoring processes, and ensuring accountability at every organisational level. When governance mechanisms function effectively, employees face greater supervision and fewer opportunities to engage in unethical conduct. Consequently, fraud risks can be minimised before developing into actual fraudulent behaviour.

The findings are consistent with previous studies reporting that GCG significantly contributes to fraud prevention. Farochi and Nugroho (2022) found that effective governance mechanisms strengthen organisational controls and reduce opportunities for misconduct. Similarly, Lisdiono et al. (2023) demonstrated that GCG positively influences fraud prevention through improved transparency and accountability. Destiyana et al. (2024) also reported that governance mechanisms contribute significantly to organisational anti-fraud efforts. Furthermore, studies by Sari (2021), Madika et al. (2021), and Suryadi et al. (2025) emphasise that sound governance practices improve organisational performance and sustainability, thereby supporting fraud prevention objectives.

However, the findings differ from those reported by Adiko et al. (2019), who found that governance mechanisms did not always significantly influence fraud prevention. Such differences may be attributed to variations in organisational characteristics, governance maturity, and institutional commitment to implementing governance principles. In the context of Bank Riau Kepri Syariah, governance practices appear to have been sufficiently institutionalised to function as an effective fraud prevention mechanism.

### **The Effect of Individual Morality on Fraud Prevention**

The results reveal that Individual Morality has a positive but statistically insignificant effect on fraud prevention. Although employees with higher moral standards tend to demonstrate greater honesty and responsibility, morality alone does not appear to be a determining factor in preventing fraud within the organisation.

From the perspective of the Fraud Diamond Theory, individual morality is closely associated with the rationalisation element. Moral values influence how individuals justify their behaviour when facing ethical dilemmas. Individuals possessing strong ethical principles are generally less likely to rationalise fraudulent actions. Nevertheless, the present findings suggest that personal morality may not be sufficient to prevent fraud when organisational systems, controls, and monitoring mechanisms play a more dominant role.

This finding supports the argument that fraud prevention is not solely dependent on individual ethical characteristics but also requires organisational structures capable of limiting opportunities for misconduct. In highly regulated sectors such as banking, formal control systems may exert a stronger influence on employee behaviour than individual moral considerations.

The results are in line with Angkabrata et al. (2025), who reported that individual morality did not significantly influence fraud prevention. Similar findings were also reported by Adyaksana and Sufitri (2022), suggesting that ethical values alone may not effectively prevent fraudulent behaviour without adequate organisational controls. Conversely, several previous studies have found significant relationships between morality and fraud prevention. Aprilia and Yuniasih (2021), Dewi et al. (2022), Lestari and Ayu (2021), Islamiyah et al. (2020), and Raharja and Sulistyowati (2023) concluded that higher levels of morality contribute positively to fraud prevention. These inconsistencies indicate that the effectiveness of individual morality may vary depending on organisational context, institutional culture, and control environments.

The findings also support the view of Said et al. (2018) and Rosari et al. (2021), who argue that ethical values are important but must be complemented by effective organisational systems in order to substantially reduce fraud risk.

### **The Effect of Organisational Culture on Fraud Prevention**

The results demonstrate that Organisational Culture has a positive and significant effect on fraud prevention. This finding indicates that organisations characterised by strong values of integrity, honesty, responsibility, and compliance are more capable of preventing fraudulent behaviour among employees.

According to the Fraud Diamond Theory, organisational culture influences both the rationalisation and pressure dimensions. A strong ethical culture reduces employees' ability to justify fraudulent actions and simultaneously creates a work environment that discourages unethical behaviour. Organisational culture functions as an informal control mechanism that complements formal governance and monitoring systems.

The findings are consistent with the arguments of Kaptein (2011), who emphasised that ethical culture serves as a key determinant of employee behaviour. Similarly, Treviño et al. (2014) argued that organisational environments strongly influence ethical decision-making and misconduct tendencies. Ali and Ali (2023) further explain that organisational values, leadership, and motivation are fundamental elements in shaping employee behaviour.

Empirically, the results support the findings of Anandya and Werastuti (2020), Dewi et al. (2022), Ariskayantu and Sumadi (2023), and Raharja and Sulistyowati (2023), all of whom reported significant positive relationships between organisational culture and fraud prevention. The findings are also consistent with Putri et al. (2023), who found that ethical organisational culture contributes significantly to anti-fraud behaviour and ethical organisational practices.

However, the findings differ from those of Anlilua and Rusmita (2023), who reported that organisational culture did not significantly influence fraud prevention. Such differences

may arise from variations in organisational characteristics, leadership commitment, and the degree to which ethical values are embedded within organisational practices. In the present study, organisational culture appears to function effectively as a mechanism for encouraging ethical behaviour and reducing fraud risk.

### **The Effect of the Whistleblowing System on Fraud Prevention**

The findings indicate that the Whistleblowing System has a positive and significant effect on fraud prevention. Furthermore, this variable exhibits the largest regression coefficient among all independent variables, indicating that it is the most influential factor affecting fraud prevention within Bank Riau Kepri Syariah Pekanbaru Branch.

This result suggests that effective reporting mechanisms enable organisations to detect irregularities more rapidly, reduce opportunities for misconduct, and strengthen internal oversight. Employees are more likely to report unethical behaviour when they trust the reporting system and believe that their confidentiality and protection are guaranteed.

Within the Fraud Diamond Theory framework, whistleblowing systems primarily address the opportunity dimension. The presence of secure reporting channels increases the likelihood that fraudulent behaviour will be detected, thereby reducing opportunities for potential perpetrators to commit misconduct. The existence of a whistleblowing mechanism also creates psychological pressure on employees to comply with organisational rules because violations are more likely to be exposed.

These findings support previous research by Anandya and Werastuti (2020), Lestari and Ayu (2021), Dewi et al. (2022), Destiyana et al. (2024), and Anlilua and Rusmita (2023), all of which found that whistleblowing systems positively contribute to fraud prevention. The results are also consistent with the studies of Brown et al. (2014), Near and Miceli (2016), Cassematis and Wortley (2013), and Vadera et al. (2009), which emphasise that effective whistleblowing systems strengthen organisational accountability, improve transparency, and facilitate early fraud detection.

The dominant influence of the whistleblowing system in this study suggests that fraud prevention in Islamic banking institutions relies heavily on effective reporting mechanisms. This finding is particularly relevant given the complexity of banking operations and the importance of early detection in mitigating fraud-related losses. Consistent with the observations of Budiarto (2023), fraud prevention in Islamic banking requires not only governance and ethical values but also practical mechanisms that enable organisations to identify and address fraudulent activities before substantial harm occurs.

Overall, the findings indicate that fraud prevention at Bank Riau Kepri Syariah Pekanbaru Branch is influenced primarily by organisational mechanisms, namely Good Corporate Governance, Organisational Culture, and the Whistleblowing System, while Individual Morality does not appear to exert a significant direct effect. These results reinforce the argument that effective fraud prevention requires a combination of formal governance structures, ethical organisational environments, and robust reporting systems capable of reducing opportunities and motivations for fraudulent behaviour.

## **5. Conclusion**

This study aimed to examine the effects of Good Corporate Governance (GCG), Individual Morality, Organisational Culture, and the Whistleblowing System on Fraud Prevention at Bank Riau Kepri Syariah Pekanbaru Branch. Based on the results of multiple linear regression analysis, it can be concluded that Good Corporate Governance, Organisational Culture, and the Whistleblowing System have positive and significant effects on Fraud Prevention. These findings indicate that stronger governance practices, a healthier

organisational culture, and more effective whistleblowing mechanisms contribute substantially to enhancing fraud prevention efforts within the organisation.

Among the independent variables examined, the Whistleblowing System emerged as the most influential factor affecting Fraud Prevention. This result suggests that secure, accessible, and well-managed reporting mechanisms play a critical role in strengthening internal oversight, facilitating early detection of irregularities, and reducing opportunities for fraudulent behaviour. Therefore, the development and continuous improvement of whistleblowing systems should remain a strategic priority for Islamic banking institutions seeking to strengthen fraud prevention practices.

In contrast, Individual Morality was found to have a positive but statistically insignificant effect on Fraud Prevention. This finding suggests that although personal ethical values and moral awareness remain important, they are not sufficient on their own to significantly prevent fraud without support from effective organisational systems, governance structures, and control mechanisms. Consequently, fraud prevention should not rely solely on individual ethical characteristics but should be supported by a comprehensive organisational framework that promotes integrity and accountability.

The findings of this study provide empirical support for the Fraud Diamond Theory, particularly regarding the importance of reducing opportunities for fraud through governance mechanisms, ethical organisational culture, and effective reporting systems. The study also contributes to the literature on fraud prevention in Islamic banking by demonstrating that organisational factors play a more dominant role than individual factors in strengthening anti-fraud efforts.

Practically, the results imply that Bank Riau Kepri Syariah should continue to strengthen the implementation of Good Corporate Governance principles, cultivate an integrity-based organisational culture, and enhance the effectiveness of its whistleblowing system. These efforts are expected to improve the bank's ability to prevent fraud and maintain public trust in accordance with Islamic banking principles.

This study is limited to employees of Bank Riau Kepri Syariah Pekanbaru Branch and focuses on four independent variables. Future studies are recommended to include broader samples from multiple Islamic banking institutions and incorporate additional variables such as internal control effectiveness, ethical leadership, organisational commitment, compensation suitability, and employee competence to obtain a more comprehensive understanding of the determinants of fraud prevention.

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