

The Impact of Compensation and Religiosity on Fraudulent Behavior in MSMEs: The Role of Islamic Work Ethics as a Moderator

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Abstract

This study aims to obtain empirical evidence on the effect of compensation and religiosity on fraudulent behavior with Islamic work ethics as a moderating variable. This study uses a quantitative research type. This study used a questionnaire distributed to MSMEs in West Java, namely 350 questionnaires distributed directly. Each questionnaire distributed contains 114 statements that respondents must answer. From the distribution of the questionnaire, 207 respondents provided answers. To obtain the results of this study, the researcher used PLS-SEM Version 3.0. This study found that compensation has a significant negative effect on fraudulent behavior, religiosity has a significant negative effect on fraudulent behavior, Islamic work ethics cannot moderate the relationship between compensation and fraudulent behavior, and Islamic work ethics moderates the relationship between religiosity. It cannot moderate the relationship between fraudulent behavior. This research provides information regarding fraudulent behavior, which is new research discussing the relationship between religiosity, which is the basis of the character of the Prophet Muhammad SAW.

Keywords:

Compensation, religiosity, fraudulent behaviour, Islamic work ethics

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1. Introduction

Fraud has consistently captured significant media attention and remains a pressing topic in business and finance. Defined as deliberate deception for personal or organizational gain, fraud came to the forefront during the financial crises of the early 2000s. This era marked one of the most catastrophic events in financial history, involving the collapse of major corporations such as Enron, Arthur Andersen, and WorldCom. Enron once hailed as an innovative global energy giant, was exposed in 2001 for extensive financial reporting manipulation. Its principal auditor, Arthur Andersen, faced accusations of evidence destruction and audit malpractice, leading to its downfall. Similarly, WorldCom, the second-largest U.S. telecommunications firm, was implicated in fraudulent accounting schemes that disguised operational expenses as long-term investments (Brooks & Dunn, 2020). These scandals eroded public trust, triggered stock market instability, and culminated in the enactment of the Sarbanes-Oxley Act of 2002 to restore corporate transparency and accountability. These events underscore fraud as a pervasive issue, likened to a viral contagion that rapidly propagates, causing widespread damage to stakeholders and destabilizing financial systems globally.

In the MSME sector, cases of fraud in MSMEs can refer to various forms of unethical or unlawful actions in running a small business. Forms of fraud that often occur in MSMEs are embezzlement of funds, such as MSME owners or employees can embezzle funds, either by secretly taking money from the company's treasury or manipulating books (Rahayu et al., 2024). There is also Bookkeeping fraud. For counterfeit fraudulent products in MSMEs, it can be in the form of selling counterfeit goods, lowering product quality without the consumer's knowledge, or carrying out misleading labeling. Even Corruption and bribery can occur: Although small in scale, some MSMEs may engage in corrupt practices, such as giving bribes to officials to facilitate licensing or obtain certain business benefits. For this reason, fraud prevention in MSMEs can be done through improving better financial governance, using technology for transparency, and educating owners and employees about business ethics and legal risks from dishonest actions.

Cheating behavior tends to be committed by a person if motivated by various reasons that can accelerate his goals and benefit him (Miftahul Jannah et al., 2021). In the audit concept, three factors motivate a person to follow the usual fraud triangle: pressure, opportunity, and rationalization (Zainal et al., 2013). Fraud occurs because there is an opportunity to commit fraud, yes, pressure from internal and external factors, and there is a rationalization of existential attitudes for various reasons made by fraudsters (Suharti, 2019). Cheating behavior is a deviant act committed by a person in a way that is deliberately used to gain benefits and can harm others or certain parties (Suandewi, 2021). There are several factors to use to minimize the occurrence of fraudulent behavior, one of which is compensation. Cheating behavior is motivated by the actions of individuals in maximizing personal profits. Motivation is because there is individual dissatisfaction with the rewards, they get from doing their work (Putri & Suartana, 2022). So, in their research, Putri and Suartana (2022) stated that compensation is something that affects employee behavior. A person tends to behave unethically to maximize profits. So, employees will commit fraud due to dissatisfaction with the compensation received. It is also stated by Zainal et al. (2013) in their research, which states that compensation hurts fraud. Individuals expected to have

obtained satisfaction from the compensation provided to avoid engaging in fraudulent behavior to maximize personal gains. Meanwhile, in the research, Siregar and Hamdani (2018) stated that compensation does not affect fraud. It means that compensation is given either high or low. No influence of a person to commit fraud.

Another factor that can minimize the occurrence of fraudulent behavior is religiosity. In the community of life, religiosity has a significant impact on influencing human behavior. A study conducted by Vacumi and Halmawati (2022) found that religiosity affects fraudulent behavior because the public considers religiosity as a trusted norm that can control the public To be able to minimize doing something that is not allowed by religion. This is also true, as conveyed in research conducted by Rahmawadin and Umaimah (2022), which states that attitudes and behaviors function from confidence in behavior. In Islam, in order to prevent harmful actions, a Muslim needs to reinforce the deep Islamic values in all aspects of his life, both in worship and in social interaction.

To understand behavioral conditions, this study presents novelty by combining three main variables: compensation, religiosity, and Islamic work ethics. The main novelty lies in the moderating role of Islamic work ethics in the relationship between compensation and religiosity on condition behavior, which has yet to be studied in an integrated manner in the context of MSMEs. Previous studies have shown mixed results: some state that reinforcement hurts conditions (Putri & Suartana, 2022), while others state the opposite (Siregar & Hamdani, 2018). Likewise, religiosity is recognized as significantly influencing human behavior but has yet to be widely explored in maintenance control (Vacumi & Halmawati, 2022). This study is expected to bridge the inconsistencies of previous studies by providing new insights into how religious values and Islamic work ethics can be a solution in reducing condition behavior, especially in the MSME sector, which is vulnerable to various forms of fraud.

In addition to the factors above, one critical element that can discourage fraudulent behavior is adherence to Islamic work ethics. According to research by Khotijah and Helmy (2021), strong work ethics rooted in Islamic principles reflect a responsible and honest attitude characterized by avoiding opportunities to commit fraud. Islamic ethics fundamentally operate on clear distinctions between right and wrong, guiding individuals toward permissible actions while refraining from prohibited ones (Khotijah & Helmy, 2021). This study aims to analyze the influence of compensation and religiosity on fraudulent behavior, with Islamic work ethics as a moderating variable (Faisal, Sari et al., 2023; Melindawati et al., 2023). The research seeks to provide insights into the dynamics of fraudulent behavior and offer practical benefits for decision-making. Furthermore, it addresses gaps and inconsistencies in previous studies, particularly concerning the role of religiosity and its alignment with the ethical characteristics of the Prophet Muhammad in mitigating fraudulent behavior. Given the substantial harm caused by fraud, this study contributes to the growing knowledge of the importance of ethical and religious frameworks in preventing misconduct.

The compensation obtained in return for what has been done must be appropriate to satisfy individuals so that they do not commit actions detrimental to the organization, including fraudulent behavior (Robani & Halimatusyadiah, 2021). Therefore, setting wages that align with employee contributions, incentives that encourage positive performance, and insurance that provides protection that aligns with the risks employees face can help reduce the possibility of fraudulent behavior in the work environment. This research aligns with

(Argarini, 2015; Robani and Halimatusyadiah, 2021 Suwarianti and Sumadi, 2020 and Zainal et al., 2013), which stated that compensation hurts fraudulent behavior. This means that the higher the compensation provided by the employer, the more reluctant an individual will be to commit fraud, as for those who stated that compensation had a positive effect on fraud. This means that the amount of compensation provided by the employer will not affect an individual to commit fraud. This statement aligns with research (Awatif & Mulyaning Tyas, 2022; Mita & Indraswarawati, 2021; Siregar & Hamdani, 2018).

A person with a high level of religiosity will be able to consider all his behaviors according to the teachings of the religion he embraces. So that it can prevent bad behavior from someone (Nurjaman et al., 2023). Man's belief in the existence of God will make them always act good and stay away from God's prohibitions. A combination of a good understanding of religious teachings, strong beliefs and examples of the Prophet and his faithful companions can be decisive factors that encourage a person to be able to avoid cheating behavior in daily life. This research is in line with research (Aprianti et al., 2022; G. A. K. R. S. Dewi, 2017; Gunayasa & Erlinawati, 2020; Mukadar, 2018; Pamungkas, 2014; Rahmawadin & Umaimah, 2022; Vacumi & Halmawati, 2022) which shows the results that religiosity has a negative effect on cheating. This means that the higher the level of religiosity, the lower the possible fraudulent behavior. Meanwhile, research (Mita & Indraswarawati, 2021) shows that religiosity has a positive effect on cheating, which means that the level of religiosity does not affect a person in committing cheating.

Islamic Work Ethics, as the essential attitude of working here, is identical to the Islamic belief system (Aqidah) about work based on understanding sourced from revelation and reason that works together proportionally regularly. Islamic work ethics are always influenced by various internal and external factors, such as human nature as psychophysical beings who are not immune from various stimuli, either directly or indirectly. Thus, forming an Islamic Work ethic involves many factors and is not only formed solely due to one or two specific factors. This statement is in line with research (Argarini, 2015; Halimatusyadiah & Nugraha, 2019; Haryanti & Nuryanto, 2018; Suwarianti & Sumadi, 2020; Zainal et al., 2013) which stated that compensation hurts fraudulent behavior, which means that reasonable compensation will minimize someone from committing fraudulent acts. Ary Helmina et al. (2021) research states that Islamic work ethics negatively affect fraudulent behavior. This means that by implementing Islamic work ethics values at work, a person will not violate the professional code of ethics or other general ethical values.

Cheating behavior is a big challenge for many organizations, considering that no organization is free from the risk of cheating. The cause of cheating often lies in the perpetrator or individual himself (Tantama et al., 2019). Religiosity can play an important role in minimizing fraud because religiosity is closely related to a person's level of faith and belief in religious values or the God they believe in. This aligns with research conducted by Aprianti et al. (2022), which stated that people's belief in God will make them always act good and avoid God's prohibitions. The existence of Islamic work ethics encourages employees to not only be responsible for their work but also responsible to God for every action taken (Dyfani et al., 2023). The relationship between Islamic work ethics and religiosity and fraudulent behavior can be seen from the higher the religiosity that a person has, accompanied by the higher the Islamic work ethic, the more cheating will be minimized. This statement is supported by research (Aprianti et al., 2022; Dewi et al., 2018; Gunayasa & Erlinawati, 2020; Mukadar, 2018) which states that religiosity hurts fraudulent behavior.

Research (Ary Helmina et al., 2021; Kızıloğlu & Çelik, 2015; Norziaton et al., 2020) stated that Islamic work ethics hurt fraudulent behavior. It can be concluded that Islamic work ethics strengthens the relationship between religiosity and fraudulent behavior.

This study highlights the importance of addressing fraudulent behavior through an integrative approach combining compensation, religiosity, and Islamic work ethics. Fraud, a persistent challenge in large corporations and MSMEs, threatens organizational integrity and financial stability. The research emphasizes that fair compensation reduces dissatisfaction-driven fraud, while religiosity shapes ethical behavior by aligning actions with moral and spiritual values. Islamic work ethics strengthen these influences by fostering dual accountability—to the organization and a higher spiritual authority—encouraging individuals to avoid unethical practices. This study bridges gaps in prior research by exploring Islamic work ethics as a moderating factor, particularly in MSMEs where fraud prevention mechanisms are often limited.

2. Method

This study employs a quantitative approach with hypothesis testing to analyze the influence of independent variables—compensation and religiosity—on the dependent variable, fraudulent behavior, with Islamic work ethics as a moderating variable. Fraudulent behavior is measured through personal/internal fraud and opportunity/external fraud (Heykal et al., 2023). Compensation is assessed across three dimensions: wages, incentives, and insurance (Suharti, 2019). Religiosity includes seven dimensions: Muslim basics, obligations, religious experience, understanding of Islam, correct beliefs, emulating the Prophet's traits, and mirroring the characteristics of his companions (Heykal et al., 2023). Islamic work ethics are analyzed using four dimensions with 17 indicators (Mubarak et al., 2022).

The study employed snowball sampling and used the formula from Hair et al. (2019) to determine a minimum sample size of 200 respondents. Data were collected from 207 MSME respondents in West Java. The analysis was conducted using Partial Least Squares (PLS) with SmartPLS 3.0, selected for its ability to handle complex data and small sample sizes, which are common in MSME research. This method was chosen for its effectiveness in exploring the dynamic interactions between variables in the MSME context.

3. Result and Discussion

A. Results

1) General Description of Respondents

Researcher has succeeded gather respondents to the research This as many as 207 people each respondent has answer all over questions asked by researchers. Based on results data processing, then obtained respondent data as following:

Table 1. Demographics Respondent

Regency/City	54	26,09%
Bandung	23	11,11%
Cirebon City	20	9,66%
Depok City	43	20,77%
Tasikmalaya City	15	7,25%
Bekasi City	25	12,08%
Bogor Regency	15	7,25%
Cianjur Regency		

	Cimahi Regency	10	4,83%
	Purwakarta Regency	2	0,97%
Gender:			
2	Man	133	63.6%
	Woman	74	35.4%
Age:			
	23 - 26 Years	8	3.86%
	27 - 30 Years	22	10.63%
	31 - 34 Years	39	18.84%
3	35 - 38 Years	36	17.39%
	39 - 42 Years	28	13.53%
	43 - 46 Years	31	14.98%
	47 - 49 Years	15	7.25%
	> 50 Years	28	13.53%
Length of work:			
	0 - 3 Years	29	14.01%
4	4 - 7 Years	51	24.64%
	7 - 9 Years	47	22.71%
	> 10 Years	80	38.65%

Source: Data Processing Results, 2024

2) Model Measurement (Outer Mode Testing)

Following tests carried out on the outer model (measurement model), which can be known through stages as following:

a) Validity Convergent

Based on results data processing, then obtained convergent validity results with factor loading value, as following:

Table 2. Loading Factor

Variable	Item No (Sub variable)	Factor Loading	Information
Compensation	COM1	0.919	Valid
	COM2	0.949	Valid
	COM3	0.954	Valid
Religiosity	REL1	0.910	Valid
	REL2	0.886	Valid
	REL3	0.916	Valid
	REL4	0.904	Valid
	REL5	0.906	Valid
	REL6	0.888	Valid
	REL7	0.894	Valid
Fraudulent Behaviour	FB1	0.967	Valid
	FB2	0.965	Valid
Islamic Work Ethics	IWE1	0.906	Valid
	IWE2	0.921	Valid

Variable	Item No (Sub variable)	Factor Loading	Information
	IWE3	0.889	Valid
	IWE4	0.894	Valid

Source: Data Processing Results, 2024

Based on results from table on obtained convergent validity results with loading factors, all loading factor indicators own value 0.40 - 0.70, so can declared valid. On the other hand, validity converge also can be measured with count every indicator on average variance extracted (AVE). The AVE value results can be obtained seen in the table as following:

Table 3. Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Compensation	0.886
Religiosity	0.811
Fraudulent Behaviour	0.933
Islamic Work Ethics	0.815
Compensation* Islamic Work Ethics	1,000
Religiosity*Islamic Work Ethics	1,000

Source: Data Processing Results, 2024

Based on table 3 above, results calculating convergent validity with AVE, obtained that AVE value of every variable own mark more from 0.50. So that can state that the data is in study This has fulfil criteria validity convergent.

b) Validity Discriminant

Discriminant validity is achieved when two different instruments measuring unrelated constructs produce uncorrelated scores (Hartono, 2008). In discriminant validity, if the correlation between a construct and its measurement items is higher compared to its correlation with other constructs, it indicates that the latent construct better predicts measurements within its block than those in other blocks. The cross-loading results, as presented in the study's appendix, confirm this validity criterion. Based on the provided table, each item demonstrates the highest correlation with its respective construct compared to other constructs. This indicates that the variables in this study meet the criteria for discriminant validity.

c) Reliability Test

Reliability test must be done for now is each item on the questionnaire fulfil criteria reliability. In carrying out reliability tests In PLS there are two methods that is Cronbach's alpha and composite reliability (Abdillah & Jogiyanto, 2015) . Based on results data processing, then obtained results reliability with Cronbach's alpha and reliability composites that can see in the table, as following:

Table 4. Reliability Test

	Cronbach's Alpha	Composite Reliability
Compensation	0.935	0.959
Religiosity	0.961	0.968

Fraudulent Behaviour	0.928	0.965
Islamic Work Ethics	0.924	0.946
Compensation* Islamic Work Ethics	1,000	1,000
Religiosity*Islamic Work Ethics	1,000	1,000

Source: Data Processing Results, 2023

Based on table above, the results of the reliability test show that all variables in the research This own mark Cronbach alpha and composite reliability and each has value > 0.7 , which means has fulfil reliability test criteria.

3) Structural Model (Inner Model)

In this research, the second test conducted was inner model testing. Inner model testing involves three types of evaluations: R-square, Q-square, and path coefficient, which were carried out using the SmartPLS software. The path diagram of the inner model in this research can be seen in the picture below.

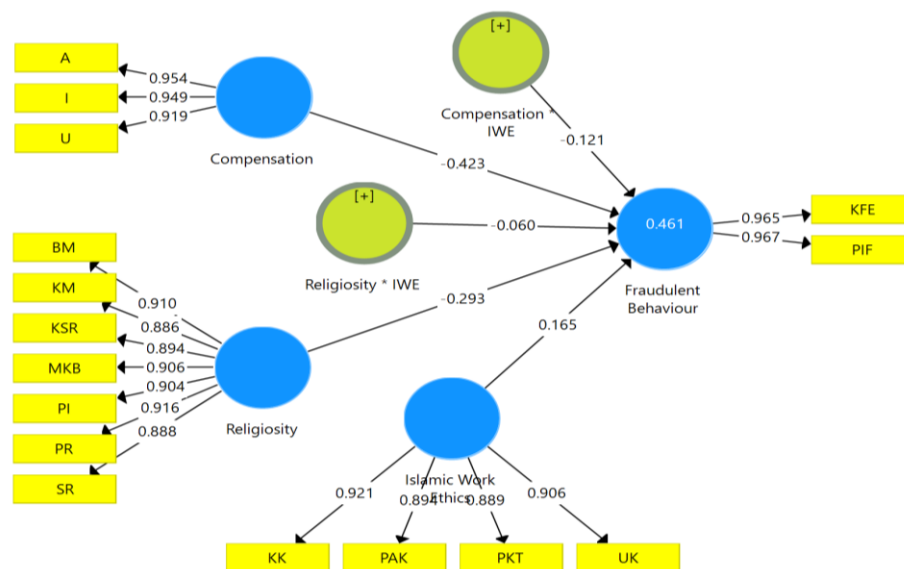


Figure 1. Inner Model

4) R-Square (R²)

R-Square The R-square value is used to measure the degree of variation in the dependent variable explained by the independent variables, while the path coefficient indicates the level of significance in hypothesis testing (Abdillah & Jogiyanto, 2015). An R-square value greater than 0.67 for endogenous latent variables in structural models suggests that the exogenous variables have a strong influence on the endogenous variable. Values between 0.33 and 0.67 are categorized as moderate, while values between 0.19 and 0.33 are considered weak. Based on the data processing results, the obtained R-square values are as follows:

Table 5. R-Square Value

Variable	R-Square
Fraudulent Behaviour	0.703

Source: Data Processing Results, 2024

Based on table above, results mark R square (R^2) for variable fraudulent behaviour obtained of 0.703, which can be stated are in the category OK, p the showing that amounting to 70.3% contribution influence from Compensation, Religiosity to Fraudulent Behaviour moderated by Islamic Work Ethics.

5) Relevant Prediction (Q-Square)

Q-square value is used to evaluate the predictive accuracy of a model and to assess the quality of parameter estimation. A Q-square value greater than 0 indicates that the model has predictive relevance, whereas a Q-square value below 0 suggests that the model lacks predictive relevance (Ghozali, 2016). The calculated Q-square value for this study is as follows:

$$\begin{aligned} \text{Q-Square} &= 1 - (1 - R^2) \\ &= 1 - (1 - 0.703) \\ &= 1 - 0.297 = 0.703 \end{aligned}$$

Based on results calculation the so obtained results Q-square is 0.703 or 70.3%, so can stated that big diversity of research data This that is amounted to 70.3%, meanwhile the rest 29.7 % is explained by other outside variables study.

6) Testing Path Coefficient Hypothesis

The hypotheses in this study are tested using the PLS technique with bootstrapping. The bootstrapping calculation provides the statistical t-values for each relationship or path. Hypothesis testing is conducted at a significance level of 0.05. A hypothesis is accepted if the original sample value aligns with the expected result. The calculation results for testing the hypotheses in this study, using the direct influence of independent variables on dependent variables, are as follows:

Table 6. Path Coefficient

Path Structure	Hypothesis	Direction	Original Sample (O)	T Statistics	P Values	Results
COM -> FB	H2	-	-0.423	5,866	0,000	Hypothesis Accepted
REL -> FB	H3	-	-0,293	4,236	0.000	Hypothesis Accepted
COM* IWE -> FB	H5	+	-0.121	3,655	0.012	Hypothesis Rejected
REL*IWE -> FB	H6	+	-0.060	2,256	0.024	Hypothesis Rejected

Source: Data Processing Results, 2024

Description: COM: Compensation; REL: Religiosity; FB: Fraudulent Behaviour; IWE: Islamic Work Ethics; COM* IWE: Moderation Islamic Work Ethics on Compensation; REL*IWE: Moderation Islamic Work Ethics in Religiosity

Based on the table above, the hypothesis testing results can be concluded as follows: 1) The hypothesis test for the influence of compensation on fraudulent behavior shows an original sample value of -0.423 and a p-value of 0.000, which is less than 0.05, indicating statistical significance. Thus, H1 is accepted, confirming that compensation has a negative and statistically significant effect on fraudulent behavior. 2) b. The hypothesis test for the influence of religiosity on fraudulent behavior shows an original sample value of -0.293 and a p-value of 0.000, which is less than 0.05, indicating statistical significance. Thus, H2 is accepted, confirming that religiosity has a negative and statistically significant effect on fraudulent behavior. 3) The hypothesis test for the influence of compensation*Islamic work ethics on fraudulent behavior shows an original sample value of -0.121 and a p-value of 0.012, which is less than 0.05, indicating statistical significance. Thus, H3 is rejected, meaning Islamic work ethics does not moderate the relationship between compensation and fraudulent behavior. 4) The hypothesis test for the influence of religiosity*Islamic work ethics on fraudulent behavior shows an original sample value of -0.060 and a p-value of 0.024, which is less than 0.05, indicating statistical significance. Thus, H4 is rejected, meaning Islamic work ethics does not moderate the relationship between religiosity and fraudulent behavior.

B. Discussion

1. Compensation matters negative and significant towards Fraudulent Behaviour

The results of this study show that self-compensation plays an essential role in fraudulent behavior in MSMEs. This is in line with studies (Argarini, 2015; Haryanti & Nuryanto, 2018; Putri & Suartana, 2022; Robani & Halimatusyadiah, 2021; Suwarianti & Sumadi, 2020; Zainal et al., 2013). The results of previous studies show that the more appropriate or higher the compensation given, the more reluctant someone will be to cheat. The compensation can include salaries, bonuses, incentives, and various financial or non-financial awards given to employees or business owners. In MSMEs, compensation management is often challenging due to limited financial resources and less formal structures than large companies. Therefore, inadequate compensation factors can trigger fraudulent behavior.

In many MSMEs, the compensation often differs from the employee's workload or responsibilities. Low salaries or clarity about bonuses and incentives can lead to worker dissatisfaction. This dissatisfaction is often one of the driving factors for individuals to look for other ways to meet their financial needs, including through fraudulent actions such as embezzlement, manipulation of financial statements, or falsification of sales data. The existence of fair and balanced compensation can be one of the preventive steps in preventing fraud in the MSME sector. When employees feel valued and rewarded appropriately according to their contributions, the motivation to commit fraudulent acts decreases. Equity theory states that individuals compare their inputs (effort, skills, time) and outputs (compensation) with others. Suppose they feel that their compensation is not balanced with that given. In that case, they tend to seek other "compensation," such as through fraudulent behavior. as also stated in the History of Hadith Ibn Majah No. 937 about wages, which reads, "Give a worker his wages before his sweat dries up."

The compensation provided by the MSME sector to employees can improve the

welfare of an employee. When a worker feels that the need for their finances is properly fulfilled, they tend to feel satisfied or not encouraged to look for fraudulent ways to get more money. When needs arise based on what they fulfill, they can be more focused on their work and motivated to make the best contribution. Coupled with the incentives, it will motivate someone to work harder and honestly. It can reduce the tendency to commit fraud because they see that working hard, honestly, and performing well will result in adequate rewards. Compensation in the form of insurance offered by companies such as health, life, and accident insurance protect workers. This protection provides security for workers and their families in unexpected situations. With this protection guarantee, workers are motivated to maintain a good connection with the company where they work. As I see it, they will avoid acts that are not ethically possible and pose a risk of losing their jobs.

2. Religiosity matters negative and significant towards Fraudulent Behaviour

The results of this study show that religiosity has a negative and significant effect on this fraudulent behavior in line with research (Aprianti et al., 2022; Dewi et al., 2018; Gunayasa & Erlinawati, 2020; Mukadar, 2018; Pamungkas, 2014; Rahmawadin & Umaimah, 2022; Vacumi & Halmawati, 2022). Previous research results have shown that the higher a person's level of religiosity, the lower the behavior that may cause fraud. Thus, the study becomes a fascinating topic to discuss. A person with a high level of religiosity will consider all his behavior according to the teachings of the religion he adheres to. So, the important thing is to prevent bad behavior from someone. This understanding is essential in MSMEs because the sector often involves direct interaction between owners, employees, and consumers, where trust and ethics play a crucial role. Religiosity can be a factor that shapes moral and ethical values that influence business behavior.

In MSMEs, where relationships between individuals are closer and more personal, the values of religiosity are becoming increasingly important in maintaining business ethics. A person's religiosity level affects how they view ethical decisions in a business context. Religious people tend to be more cautious in making decisions that violate their moral principles or religious teachings. Business owners or employees in religious MSMEs will be more likely to avoid fraudulent behavior, such as embezzlement of funds, manipulation of financial data, or product fraud because these actions contradict their religious beliefs. In many MSMEs, it has also been found that many business owners often become role models for employees. Suppose the owner demonstrates a solid commitment to religious principles and conducts the business with high ethics. In that case, this can shape a more ethical company culture and prevent fraudulent behavior among employees. It shows that solid religiosity can influence decisions and actions. How great is one's faith and fear in God that will make a person very careful in every action? This fear is not a negative fear but a respect for the Creator because he realizes that God knows all human actions, both visible and hidden.

A person with faith in God includes awareness of acts of worship such as praying five times a day, fasting during Ramadan, paying zakat, and so on, which will direct a person constantly to be honest and avoid prohibited actions. They will realize that every action, whether visible or hidden, is under the supervision of God. The Qur'an, as a guideline for life, provides clear instructions on the importance of honesty and fair action, as well as the prohibition of various types of fraud that can harm many parties. A person who has a high level of religion will know that fraudulent behavior is an act condemned by God, as implied

in surah Al-Qur'an Al-Baqarah verse 79, which reads, "Woe to those who write books with their own hands, then say, "This is from God," (with the intention) to sell them at a low price. So, woe to you because it is their handwriting, and woe to them because of what they do."

3. Islamic Work Ethics does not can moderate connection between Compensation and Fraudulent Behaviour

In this study, Islamic work ethics was not found to play a moderating role as a variable. This was reflected in responses from diverse participants, including members, lecturers, owners, and MSME employees. While Islamic work ethics significantly promotes ethical behavior in the workplace, its influence must be more assertive to address economic and material issues.

Compensation includes Many things such as salary, incentives, allowances, and benefits that others receive for their work. In many cases, inadequate compensation can be a significant driving factor for cheating behavior, especially for those who work as employees. During increasing demands on higher education regulations, the burden of increasing administration, and the requirements for increasing high qualifications for academics, the problem of employee welfare in Indonesia has not been appropriately solved, namely, many MSMEs have salaries or income below the City/Regency Minimum Wage. Often, the compensation received is not proportional to the effort or responsibility, so it is more vulnerable to fraud as a method to increase income. In practice, many lecturers admit that this is because they feel that the wages given are too low and end up looking for additional income (www.tempo.com).

Therefore, proper compensation is more effective in minimizing cheating. Because adequate compensation helps reduce the financial need that pushes. So, MSME employees feel valued and do not seek to increase profits through unethical means. MSME employees have invested a lot of time and money in doing business, if the compensation given is not proportionate so it will make them feel frustrated and look for alternative methods To get their rewards they are considered appropriate. Thus, although Islamic work ethics can provide moral motivation, real economic pressures can be more dominant in influencing a person's behavior. By providing adequate compensation, more effective measures are taken to prevent fraudulent behavior than relying solely on Islamic work ethics.

4. Islamic Work Ethics does not can moderate connection between Religiosity and Fraudulent Behaviour

In this research on Islamic work ethics, it was found that it does not play a moderating role in the relationship between variables. Essentially, the higher a person's level of religiosity, the less likely they are to engage in unethical behavior. Religiosity involves deep faith in God, fulfilling religious obligations, and committing to avoiding prohibited actions. A person with a high level of religiosity feels God's presence and supervision in every aspect of their life, making them more cautious and apprehensive about committing unethical acts. A religious individual believes that all actions will ultimately be accountable before God.

Seeing the condition where the majority of respondents are MSME employees who already have a good understanding of ethics and morals, MSME employees do not fully have a solid moral foundation that not only understands the difference between right and wrong but is also motivated to stay on the right path. In addition, the values contained in Islamic

work ethics are represented in the concept of religiosity. The four dimensions of Islamic work ethics, namely effort, honesty, work team, and accountability, are all contained in religious attitudes. Striving hard in work is a form of worship, being honest in every action because they are afraid of the punishment given by God, cooperating with others by the principle of brotherhood in Islam, and being responsible for their duties because they realize that every action will be counted on the last day. For this reason, Islamic work ethics cannot moderate the relationship between religiosity and fraudulent behavior. Because religiosity has become a solid major factor in preventing fraudulent acts.

The analysis of this study shows that a high level of religiosity serves as a major factor in preventing fraudulent behavior, while Islamic work ethics cannot play a role as a moderator in the relationship. This shows that although Islamic ethical values reflected in the dimensions of business, honesty, cooperation, and accountability already exist in the respondents' understanding of religiosity, the influence of religiosity on ethical behavior is much more dominant. Reflection on these results suggests that strong religiosity, which includes an awareness of God's stewardship and the belief that every action will be held accountable, is a more effective deterrent than simply relying on Islamic work ethics as an additional factor. Therefore, to mitigate fraudulent behavior in organizations, the focus should be more on strengthening the aspect of individual religiosity, in addition to only promoting Islamic work ethics in the work environment.

The findings of this study provide valuable insights into the dynamics of compensation, religiosity, and Islamic work ethics in influencing fraudulent behavior. It reveals that higher or more appropriate compensation plays a crucial role in reducing the likelihood of fraud by fostering employee satisfaction and loyalty. Similarly, strong religiosity serves as a moral compass, encouraging individuals to avoid dishonest actions. However, the study highlights that Islamic work ethics does not enhance the relationship between compensation and fraudulent behavior, nor between religiosity and fraudulent behavior. This suggests that while compensation and religiosity independently reduce fraudulent actions, Islamic work ethics may not necessarily act as an additional moderating factor. It prompts further investigation into other potential variables that could influence these relationships, indicating that ethical behavior in the workplace is shaped by a complex interplay of factors beyond the scope of compensation and religiosity alone.

Comparing the findings of this study with other research highlights some similarities and differences in understanding the factors that influence fraudulent behavior. Similar to this study, several studies have found that higher compensation and job satisfaction lead to a reduction in unethical behavior, as employees are less likely to engage in fraud when they feel adequately rewarded and valued. For instance, research by Greenberg (1990) emphasized that fair compensation leads to increased organizational loyalty and ethical conduct. On the other hand, the role of religiosity in curbing fraudulent behavior aligns with the work of Weaver and Agle (2002), who argued that individuals with strong religious values tend to act with higher ethical standards. However, this study diverges from others in its finding that Islamic work ethics does not moderate the relationship between compensation or religiosity and fraudulent behavior. This contrasts with studies such as those by Ali and Al-Khaddash (2014), which suggest that Islamic work ethics significantly influences ethical behavior by emphasizing justice and integrity in the workplace. These differences point to the complexity of ethical behavior, where cultural, organizational, and individual factors may intersect in unique ways that warrant further exploration.

4. Conclusion

Compensation has a significant negative effect on fraudulent behavior, meaning that the higher or more appropriate the compensation, the less likely an individual is to engage in fraudulent actions. Adequate wages, attractive incentives, and proper insurance contribute to employee satisfaction and loyalty, thus reducing the likelihood of unethical behavior. Similarly, religiosity negatively affects fraudulent behavior; individuals with stronger religiosity and faith in God are more likely to avoid dishonest actions. High religiosity instills caution and moral responsibility in an individual, discouraging fraudulent behavior. Regarding Islamic work ethics as a moderating variable, this study found that it does not strengthen the relationship between compensation and fraudulent behavior, nor between religiosity and fraudulent behavior. This suggests that other factors might play a more significant role or that Islamic work ethics operates independently of compensation and religiosity in preventing fraud.

The theoretical implications of this research include: 1) confirming that fair and adequate compensation reduces fraudulent behavior, supporting the notion that financial well-being influences ethical work behavior; 2) reinforcing that religiosity shapes behavior, with religious beliefs acting as moral guidelines that promote honesty; and 3) contributing to the understanding that Islamic work ethics, while valuable, may not necessarily moderate the relationship between compensation, religiosity, and fraudulent behavior. Practical implications include: 1) ensuring fair, competitive compensation policies to reduce the risk of fraud; 2) promoting religious activities or spiritual programs to strengthen religiosity and prevent fraudulent behavior; and 3) incorporating Islamic work ethics into organizational culture, focusing on integrity and honesty, even if its moderating role is not significant in this context.

Future research should explore other potential factors that could strengthen the relationship between compensation, religiosity, and fraudulent behavior, such as organizational culture or work environment. It is also recommended to test these findings in diverse cultural and religious contexts to assess their applicability across different settings. Additionally, qualitative methods or case studies could provide deeper insights into how Islamic work ethics functions in various contexts and its impact on reducing fraudulent behavior.

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