

FRAUD PREVENTION MODEL IN SHARIA FINANCIAL INSTITUTIONS IN MEDAN CITY

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Abstract:

Background: Fraud in Islamic financial institutions remains a concerning issue despite their strong normative foundation in ethical and religious values. Emerging evidence suggests that structural and psychosocial pressures, such as lifestyle and organizational culture, may override personal religious values in influencing fraudulent behavior.

Purpose: This study aims to analyze the direct and indirect influence of religiosity, work environment, and lifestyle on fraud behavior among employees of Islamic financial institutions, with social climber behavior as a mediating variable.

Design/Methodology/Approach: Using a quantitative approach, data were collected from 160 respondents selected based on purposive sampling. The analysis employed Structural Equation Modelling (SEM) with SmartPLS 3.0 software to test the proposed hypotheses and examine both direct and mediated effects.

Findings/Result: This study indicates that religiosity does not affect fraudulent behavior or social climbing. A healthy work environment suppresses deviant behavior, while a consumptive lifestyle increases it. Additionally, social climbing serves as a mediator linking the influence of the work environment and lifestyle on fraudulent behavior.

Conclusion: Structural and psychosocial variables play a more substantial role in predicting fraud compared to personal religiosity, which appears insufficiently internalized to deter unethical conduct. Organizational policies should thus prioritize adaptive control systems, lifestyle management, and early psychosocial assessments in fraud prevention.

Originality/Value: This study extends the Fraud Triangle Theory by integrating the social climber construct and testing its mediating role. It provides a nuanced understanding of how symbolic social pressures can drive fraud in Islamic financial contexts, offering practical implications for risk mitigation strategies beyond conventional religious approaches.

Keywords: work environment, fraud behavior, lifestyle, religiosity, social climber

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INTRODUCTION

Fraud is a global issue that significantly affects a country's economic stability and undermines public trust in financial institutions. Moreover, fraudulent activities pose a threat to the global economy by eroding trust among economic actors, including consumers, investors, and corporations (Perera, 2021). When fraud occurs within a nation or corporation, individuals and institutions may become hesitant to engage in investment or transactions, thereby hindering economic growth (Mitchell, 2022). According to the Association of Certified Fraud Examiners (ACFE), organizations worldwide lose an average of 5% of their annual revenues due to fraud (Association of Certified Fraud Examiners Indonesia, 2019). As such, fraud has become a critical issue that warrants national-level discourse to curb its escalating occurrence (Maniatis, 2022; Gu, 2022).

This problem is not confined to conventional financial sectors but has also penetrated Islamic financial institutions (Hasyim & Budiarta, 2023), which are expected to operate based on Islamic principles such as honesty (*ṣidq*), trustworthiness (*amānah*), and justice (*ʿadālah*). Ironically, institutions founded on religious and ethical values have also been tainted by internal fraudulent behavior. These incidents have drawn public attention (Wahyuni-TD, 2021; Ariyanto, 2021) and triggered widespread perceptions in line with the growing number of fraud cases within Islamic financial institutions. Table 1 presents data on fraudulent acts specifically within Islamic banking institutions.

The data presented includes three Islamic banks in Indonesia. However, following the merger of Bank Mandiri Syariah, BNI Syariah, and BRI Syariah, their official websites are no longer accessible, despite the researcher having identified fraud incidents involving these banks in previous years. Fraudulent practices occurring in Indonesia's Islamic banking sector indicate that the issue is not merely incidental, but rather reflects a recurring pattern suggestive of deeper, structural complexities. Based on the data in Table 1, the number of fraud cases in Bank Muamalat peaked in 2016 with 82 cases, although subsequent years showed fluctuations. Similarly, Panin Dubai Syariah and Bank Mega Syariah also recorded incidents of fraud, albeit with lower frequencies. These conditions underscore that Islamic financial institutions are not entirely immune to fraudulent practices, despite being

normatively grounded in Islamic principles such as honesty (*ṣidq*), trust (*amānah*), and moral integrity. A discernible gap exists between the idealism of the Sharia system and the practical realities of its implementation. Should the number of fraud cases continue to rise, public trust in Islamic banks may erode significantly (Yanti et al. 2025). Instances of fraud perpetrated by internal actors, particularly employees, indicate weaknesses in internal control systems (Sabrina et al. 2023; Badriyah et al. 2025), as well as deficiencies in organizational culture in fostering anti-corruption values (Anisykurlillah, 2020; Safuan et al. 2021) and limitations in human resource quality within Islamic financial institutions (Lubis et al. 2023). In this context, the fraud issue is not merely a matter of technical risk management (Zourrig, 2018), but also pertains to the ethical, spiritual, and social pressures experienced by individuals within the organization. Therefore, an in-depth scientific inquiry is required to identify the social and psychological determinants of fraud (Hu, 2019), in order to formulate adaptive preventive models tailored to the characteristics of Sharia-based financial institutions.

Research on fraudulent behaviour in financial institutions, particularly Islamic ones, still reveals significant limitations, especially in integrating social and spiritual approaches. Gissel explored psychological factors such as emotional security in the context of auditor brainstorming but did not address religiosity or social pressure dimensions (Gissel, 2018). Grassa focused on comparative Sharia supervisory systems across countries without examining the internal individual factors contributing to fraud (Grassa, 2013). On the other hand, Sooklal and Hosein emphasized technology-driven fraud, particularly in credit card transactions, using algorithmic detection approaches. Some studies addressing religiosity (Yiu, 2014; Jufrizen; et al. 2024) emphasized the role of spiritual values in fraudulent intentions but did not systematically link these with relevant social variables. Therefore, previous studies have not comprehensively integrated spiritual and social dimensions into the framework of fraud analysis. This gap underscores the necessity for research that links religiosity with social environment and lifestyle variables in the context of Islamic financial institutions. The present study aims to fill this gap by constructing a more holistic fraud prevention model. Other research (Balogun et al. 2013; Ewa & Udoayang, 2012) has examined consumerist lifestyles and social climbing behavior in relation to fraud, though limited

to conventional financial institutions and without aligning these issues with Sharia values. Consequently, a gap remains in the literature regarding the integration of religiosity, social environment, lifestyle, and social climbing behavior as determinants of fraud in Islamic financial institutions. This study addresses the existing gap both conceptually and empirically by extending the Fraud Triangle theory to integrate religiosity, lifestyle, social environment, and social climbing as determinants of fraud in Islamic financial institutions, highlighting the mediating role of social climbing and providing insights for strengthening internal controls, fostering ethical work environments, and promoting religious values to prevent fraudulent behavior.

This research adopts the conceptual framework of the Fraud Triangle Theory developed by Donald Cressey, which posits that fraudulent behavior is influenced by three core components: pressure, opportunity, and rationalization. In this study, pressure is represented by the variables of lifestyle and social climbing behavior, where social and economic pressures drive individuals to project a social status beyond their financial means (Balogun et al. 2013; Ewa & Udoayang, 2012). Opportunity refers to weaknesses in internal controls and permissive work environments, which allow fraud to occur with minimal risk (yego & john, 2016). Meanwhile, rationalization is examined through the lens of religiosity, reflecting the internal moral mechanisms individuals use to justify deviant acts. Prior studies have shown that low levels of religiosity may weaken self-control and increase the likelihood of rationalizing unethical behavior (Jaswadi, 2022; Jaswadi, 2022). Accordingly, the three components of the fraud triangle are operationalized through the study variables and serve as the foundation for developing an empirical model aimed at detecting and preventing fraud in Islamic financial institutions.

Each variable in this study is constructed based on Cressey’s Fraud Triangle Theory framework, which comprises pressure, opportunity, and rationalization. Pressure is reflected in the variables of consumerist lifestyle and the tendency toward social climbing, where individuals are driven to fulfill symbolic social needs beyond their economic capacity (Balogun et al. 2013; U. E. Ewa & Udoayang, 2012). Opportunity refers to weaknesses in the internal monitoring environment that create space for fraudulent acts (Yego & John, 2016). Meanwhile, religiosity is assumed to serve as a moral safeguard that can reduce the rationalization process of deviant behavior (El-Naby, 2023; Jufrizen; et al. 2024). However, social pressure or environmental conditions may weaken an individual’s religious values (Urumsah et al. 2018). Therefore, this study formulates hypotheses to test both the direct and indirect relationships among the four variables and assess the mediating role of social climbing behavior within an integrative theory-based framework.

This research contributes novelty across three key dimensions. First, it focuses on the context of Islamic financial institutions, which normatively emphasize religious values but remain vulnerable to fraudulent practices in implementation. Most previous studies have centered on conventional institutions (Grassa, 2013; Wahyuni-TD, 2021). Second, this study integrates the social climber variable as a psychosocial construct that has been relatively underexplored in the fraud literature, particularly within the Islamic finance sector (Balogun et al. 2013). Third, the use of a quantitative approach through Structural Equation Modeling–Partial Least Squares (SEM-PLS) enables testing of complex relationships among variables within a unified theoretical model based on Fraud Triangle Theory. Accordingly, this study not only enriches theoretical discourse but also offers practical implications for fraud prevention grounded in social and religious values.

Table 1. Fraud Cases in Islamic Commercial Banks in Indonesia (2015–2019)

Name of Bank	2015	2016	2017	2018	2019	Cite
Panin Dubai	3	3	4	3	1	www.paninsyariah.co.id
Mumalat	4	82	35	21	26	www.bankmuamalat.co.id
Mega Syariah	1	2	3	3	0	www.megasyariah.co.id

This study begins with a literature tracing process using the Systematic Literature Review (SLR) approach based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) method. In the identification phase, a total of 205 documents were obtained through electronic database searches and manual bibliographic tracing. Subsequently, the screening process eliminated 40 duplicate records and 100 irrelevant articles, leaving 65 documents for further examination. During the eligibility assessment, 25 articles were excluded due to unavailability of full-text versions, and 6 were disqualified for not meeting the inclusion criteria, resulting in 34 articles deemed suitable for qualitative analysis. Findings from this SLR indicate that most previous studies focused primarily on internal controls and technical aspects, with limited exploration of social factors such as lifestyle and social climbing behavior. This strengthens the justification for the selected variables in this study and affirms the relevance of the theoretical framework used to construct a holistic fraud prevention model for Islamic financial institutions.

This study aims to empirically examine the influence of religiosity, work environment, lifestyle, and social climber tendencies on fraudulent behavior within Islamic financial institutions. Specifically, the research seeks to identify both direct and indirect relationships among the variables within the framework of Fraud Triangle Theory, incorporating the mediating role of social climbing as a psychosocial determinant. Furthermore, it contributes theoretically by extending and refining the fraud triangle through the integration of structural, psychological, and spiritual dimensions. Utilizing a quantitative approach and SEM-PLS analysis, this study is expected to yield findings that are not only academically rigorous but also practically relevant in designing contextual fraud mitigation strategies, particularly for financial sectors operating under Sharia principles.

METHODS

The respondents of this study were employees of Islamic banks located in the city of Medan, and data collection was conducted from February 2021 to April 2022. The data utilized in this research consisted of quantitative data, obtained directly from 160 respondents through the distribution of an online questionnaire using Google Forms. The collected

data were then tabulated according to specific criteria, namely length of employment and regional placement. A purposive sampling technique was employed to ensure that the selected participants met the inclusion criteria relevant to the research objectives. Prior to statistical analysis, the dataset was carefully examined for completeness, consistency, and outlier detection to enhance data reliability and validity. Additionally, all responses were handled with strict confidentiality, and participation was entirely voluntary in compliance with established ethical research standards. These procedures ensured that the data accurately represented the behavioral characteristics of employees in Islamic financial institutions.

Data collection utilized a survey technique through the distribution of closed-ended questionnaires. The questionnaire was developed based on theoretical constructs and variable indicators drawn from validated prior studies. A five-point Likert scale was used to measure responses, ranging from “strongly disagree” to “strongly agree.” Questionnaires were distributed both online and offline to employees of Islamic banks in the city of Medan. The sample size comprised 160 respondents, determined using Hair’s sampling method, which recommends multiplying the number of indicators by a factor between 5 and 10 (Hair et al. 2019). This guideline is also supported by Ferdinan’s approach cited in (Robustin et al. 2019), suggesting the sample size should be five to ten times the number of indicators. With 16 indicators used in this study, a sample of 160 respondents was deemed appropriate.

Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 3 software. This method was chosen for its robustness in analyzing complex causal relationships among latent variables and its ability to handle small to moderate sample sizes and non-normal data (Mart, 2021). The analysis followed two stages: evaluation of the measurement model (to test validity and reliability), and structural model (to test hypothesis and path significance)(Jain & Raman, 2022; Chin, 2010).

Fraud in the financial sector, particularly within Islamic banking institutions, is a complex phenomenon influenced by psychological, social, and organizational factors, as explained through the Fraud Triangle and Fraud Diamond Theories. Religiosity serves as a critical internal control that reinforces moral values such as honesty and trustworthiness, thereby

weakening the rationalization processes that typically precede fraudulent behavior (Safitri & Baridwan, 2023; Urumsah et al. 2018). Additionally, religiosity reduces the tendency for social climbing by discouraging symbolic consumption and excessive status orientation (Adil, 2022; Ananda et al. 2024). In contrast, a permissive work environment characterized by weak internal controls and a culture that tolerates misconduct creates opportunities for unethical behavior and fosters motivations for social image construction (Al-Shattarat, 2021; Gissel, 2018). A hedonistic or consumerist lifestyle adds further pressure, compelling individuals to maintain social status through material symbols, even if it requires unethical means (Reskino et al. 2024; Balogun et al. 2013). Within this framework, social climbing emerges as a mediating variable that connects these antecedents to fraudulent behavior. Although religiosity is presumed to reduce fraud, its effect may be undermined in competitive, image-driven environments where the pursuit of social recognition overrides internal moral restraints (Balogun et al. 2013; Ewa & Udoayang, 2012). Similarly, both lifestyle and work environment intensify social status pressures, prompting individuals to justify fraud as a legitimate tool for maintaining symbolic success (Yego & John, 2016; D. Yiu, 2019; Emil Safitri & Baridwan, 2023). Thus, social climbing plays a pivotal role in understanding how religiosity, lifestyle, and organizational context interact to influence fraud, particularly in ethical institutions where both spiritual and structural factors are expected to guide behavior.

The conceptual framework of this study is developed through the integration of Fraud Triangle Theory with a social-psychological approach (Figure 1). Pressure is represented by lifestyle and social climbing behavior,

opportunity is captured by the work environment, and rationalization is illustrated through levels of religiosity. This study tests both direct and indirect relationships among these variables within a single structural model.

RESULTS

The sample size in this study was determined to be 160 respondents, calculated by multiplying the total number of indicators (16) by a factor of 10, in accordance with established methodological guidelines. Although the target sample size was 160 respondents, a total of 230 responses were collected through Google Forms. This larger distribution was intended to anticipate potential responses that might not meet the inclusion criteria. After a thorough screening and data verification process, only 160 respondents were found to meet the inclusion criteria and were deemed suitable for further analysis. Therefore, the final number of respondents used in this study remained consistent with the predetermined sample size. After mapping the research sample, the next step involved conducting the outer loading test to identify measurement items that met the requirements for further data processing. The criterion for acceptability in the outer loading test is a factor loading value greater than 0.70. Items with outer loading values below 0.70 were excluded from subsequent analyses.

Following this, a reliability test was performed by assessing Cronbach's Alpha and Composite Reliability values. A construct is considered reliable if the Cronbach's Alpha exceeds 0.70 and the Composite Reliability exceeds 0.60. Additionally, the model's convergent validity is deemed acceptable if the Average Variance Extracted (AVE) value exceeds 0.50.

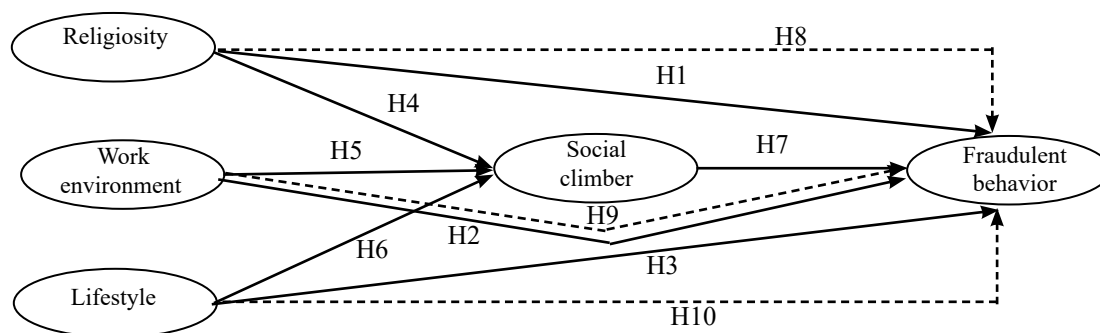


Figure 1. Conceptual framework of the relationship between religiosity, work environment, lifestyle, social climber, and fraudulent behavior

The results (Table 2) indicate that 29 items demonstrated outer loading values above the threshold of 0.70, while 21 items fell below this threshold and were therefore excluded from further analysis. Thus, of the 50 statements originally proposed, only 29 met the minimum requirement for validity and were retained for subsequent data processing. Furthermore, an examination of the reliability statistics revealed that all constructs achieved Cronbach's Alpha values greater than 0.70 and Composite Reliability values exceeding 0.60, confirming the internal consistency and reliability of all measured variables. In addition, the Average

Variance Extracted (AVE) for each construct was above 0.50, indicating adequate convergent validity and affirming that the measurement model is acceptable.

The next stage of the analysis involved testing the structural model to assess the relationships between independent and dependent variables. This included calculating the coefficient of determination (R^2) to measure the proportion of variance in the dependent variable that can be explained by the independent variables. According to established criteria, an R^2 value of 0.75 indicates a substantial effect, 0.50 indicates a moderate effect, and 0.25 indicates a weak effect.

Table.2. Outer loading, validity, and reliability test results for religiosity, lifestyle, work environment, social climber, and fraudulent behavior constructs

Description	Items	Loadings	Cronbachs Alpha	CR	AVE
Religiosity	RGS.2	0.886	0.950		
	0.958	0.739			
	RGS.3	0.898			
	RGS.4	0.918			
	RGS.5	0.888			
	RGS.6	0.856			
	RGS.7	0.859			
	RGS.8	0.796			
Work Environment	RGS.10	0.769	0.906	0.927	0.680
	EVT.3	0.815			
	EVT.5	0.773			
	EVT.7	0.862			
	EVT.8	0.858			
	EVT.9	0.845			
Lifestyle	EVT.10	0.790	0.903	0.925	0.674
	LS.2	0.723			
	LS.5	0.854			
	LS.6	0.824			
	LS.7	0.802			
	LS.8	0.873			
Social Climber	LS.9	0.841	0.919		
	SC.2	0.881			
	0.939	0.756			
	SC.4	0.885			
	SC.5	0.883			
	SC.6	0.867			
Fraudulent Behavior	SC.7	0.830	0.938	0.956	0.844
	FRD.3	0.948			
	FRD.5	0.957			
	FRD.7	0.837			
	FRD.8	0.928			

The Table 3 shows that the R-square value for Path 1 is 0.516, indicating that the ability of the variables Religiosity (X1), Work Environment (X2), and Lifestyle (X3) to explain the construct of Social Climber (Z) is moderate, accounting for 51.6% of the variance. For Path 2, the R-square value is 0.545, suggesting that the influence of Religiosity (X1), Work Environment (X2), and Lifestyle (X3) on Fraudulent Behavior (Y), mediated by Social Climber (Z), is also moderate at 54.5%.

The hypothesis testing in this study was conducted to evaluate the direct and indirect effects between exogenous and endogenous variables using path coefficient analysis through the direct effect table derived from the Partial Least Squares (PLS) model estimation. Three main parameters were employed: the Original Sample (O) value, which indicates the direction and magnitude of the relationship, and the T-statistics and p-values, which determine the significance level. The relationship between variables is considered significant when T-statistics > 1.65 and p-value < 0.05 . Accordingly, the hypothesis conclusions are based on the combination of these values to ensure the accuracy of the interpretation of relationships among variables within the research model. The results of the hypothesis testing are presented in Table 4.

Figure 2 presents the results of the Structural Equation Modeling–Partial Least Squares (SEM-PLS) analysis, which visualizes the direction and magnitude of the relationships among variables. The diagram illustrates the role of the social climber as a mediating variable in explaining the relationship between lifestyle and fraudulent behavior, while also showing the relative contributions of religiosity and work environment in influencing individuals' fraudulent behavior within the workplace context.

Religiosity Has No Significant Effect on Fraudulent Behavior (H1 Rejected)

The path coefficient of -0.083, accompanied by a T-statistics value of 1.221 and a p-value of 0.223, demonstrates that religiosity does not exert a statistically significant influence on fraudulent behavior. This result implies that variations in individuals' levels of religiosity neither enhance nor mitigate their propensity

to commit fraudulent acts. The weak and non-significant relationship suggests that religiosity, as an internalized belief system, may not effectively translate into consistent ethical conduct in practical contexts. It is possible that external situational or organizational factors play a more dominant role in shaping fraudulent tendencies than personal religiosity alone. Therefore, the findings highlight the need to reconsider the assumption that higher religiosity automatically fosters moral restraint in organizational or financial behavior. This finding contrasts with the Fraud Triangle Theory's rationalization aspect, which posits that religiosity acts as an internal control mechanism to suppress moral justification for fraudulent acts. Although prior studies (Emil Safitri & Baridwan, 2023; Urumsah et al. 2018) have asserted that religiosity enhances moral integrity, the present results suggest that religious values may not be fully internalized at the behavior level. This discrepancy may stem from the dominance of social pressure or the influence of a competitive organizational culture, where religious values are more symbolic or ritualistic rather than transformative. Therefore, the effectiveness of religiosity in curbing fraudulent behavior cannot function in isolation; it must be supported by a conducive work environment and strengthened ethical values within organizational practice.

Work Environment Has a Significant Effect on Fraudulent Behavior (H2 Accepted)

The path coefficient of -0.258, with a T-statistics value of 3.041 and a p-value of 0.002, indicates that the work environment has a negative and significant effect on fraudulent behavior. This means that the more conducive the work environment, the lower the likelihood of individuals engaging in unethical or dishonest acts. A healthy, transparent, and integrity-based workplace fosters positive social pressure that encourages adherence to organizational norms and regulations. These findings emphasize that contextual organizational factors play a crucial role in shaping employees' moral behavior, beyond individual characteristics alone. Therefore, cultivating an ethical and supportive work culture serves as an effective strategy to minimize potential fraudulent practices within institutional settings.

The findings of this study corroborate the Fraud Triangle Theory's opportunity component, which posits that weaknesses in internal control systems create conditions that enable individuals to commit fraud with minimal risk of detection. A permissive organizational climate, inconsistent enforcement of sanctions, and inadequate monitoring of deviant behavior act as catalysts for fraudulent activity. These results are consistent with previous research (Al-Shattarat, 2021; Yego & John, 2016; Lubis et al. 2023), demonstrating that lax regulatory environments increase the prevalence of fraud in the financial sector. Moreover, the study highlights that a work environment misaligned with Sharia principles can simultaneously generate both pressure and opportunity for unethical conduct. Jas et al. (2023) emphasize that institutional weaknesses and poor governance contribute to deviations from Sharia norms, which is particularly concerning in Islamic banking institutions that are expected to uphold honesty and trustworthiness. Consequently, enhancing work environment quality through robust internal control systems and a strong, integrity-based organizational culture is critical for mitigating fraud risk in the Islamic banking sector.

Lifestyle Has a Significant Effect on Fraudulent Behavior (H3 Accepted)

The path coefficient of 0.169, with a T-statistics value of 2.229 and a p-value of 0.026, indicates a positive and significant relationship between a hedonistic lifestyle and fraudulent behavior. This suggests that individuals driven by material pleasure and luxury are more prone to justify unethical actions to satisfy personal desires. The pursuit of social status and financial gratification can erode moral boundaries, increasing the likelihood of fraudulent conduct. Thus, strengthening ethical awareness and self-control becomes essential to counteract the behavioral risks associated with hedonistic tendencies.

Within the Fraud Triangle Theory framework, lifestyle is classified under the pressure component, which drives individuals to rationalize fraudulent actions in order to sustain a particular standard of living. Prior research (Reskino et al. 2024; Balogun et al. 2013) supports this finding, demonstrating a positive correlation between lifestyle pressure and fraud tendencies, especially in the financial sector. In Islamic banking environments, lifestyles that conflict with Islamic values of simplicity may erode employees' religiosity and ethical standards. Therefore, managing employees' lifestyle orientation is a vital component of a comprehensive, Islamic value-based fraud prevention strategy.

Table.3. R-Square measurement results for the structural model of fraudulent behavior and social climber constructs

Description	R Square
Fraudulent Behavior	0.545
Social Climber	0.516

Table 4. Results of direct effect testing between religiosity, work environment, lifestyle, social climber, and fraudulent

Factors	Original Sample (O)	Sample Mean (M)	Standard Deviation (Stdev)	T Statistics (O/Stdev)	P Values
1	2	3	4	5	6
Religiosity → Fraudulent Behavior	-0.083	-0.083	0.068	1.221	0.223
Work Environment → Fraudulent Behaviour	-0.258	-0.257	0.085	3.041	0.002
Lifestyle → Fraudulent Behaviour	0.169	0.181	0.076	2.229	0.026
Religiosity → Social Climber	0.008	0.008	0.065	0.123	0.902
Work Environment → Social Climber	-0.525	-0.533	0.092	5.724	0.000
Lifestyle → Social Climber	0.314	0.318	0.074	4.236	0.000
Social Climber → Fraudulent Behaviour	0.399	0.392	0.089	4.470	0.000

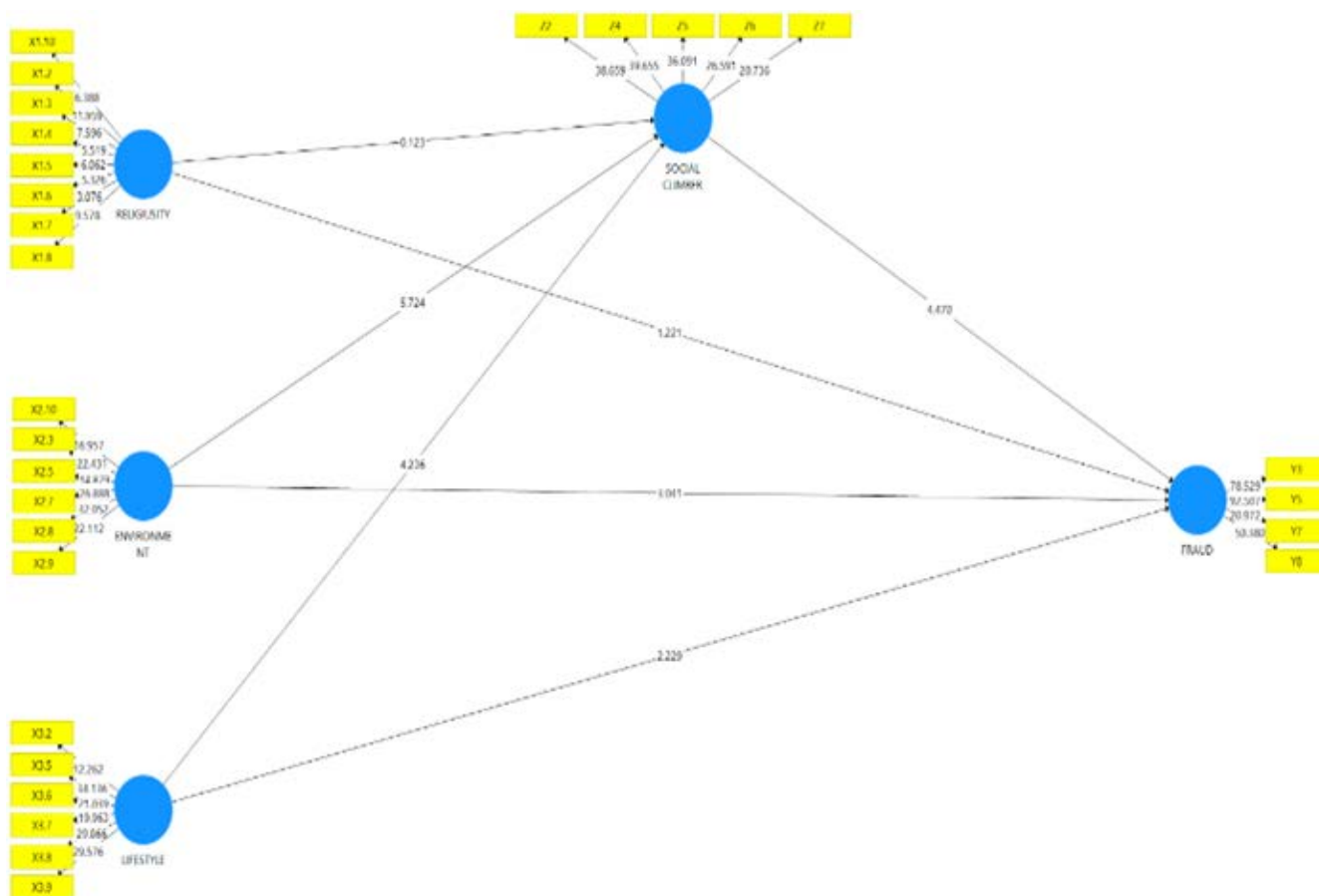


Figure 2. Structural Equation Model (SEM-PLS) results showing the relationships among variables

Religiosity Has No Significant Effect on Social Climbing (H4 Rejected)

The coefficient value of 0.008, with a T-statistics value of 0.123 and a p-value of 0.902, demonstrates that religiosity has no significant effect on social climber behavior. This finding indicates that an individual's level of religiosity does not meaningfully influence the desire to achieve higher social status through appearance or symbolic display. Although previous studies (Adil, 2022; Ananda et al. 2024) suggest that religiosity can suppress symbolic consumption and status-oriented tendencies, in this context, religious values seem insufficient to restrain individuals' pursuit of social recognition. Such a pattern implies that religiosity among respondents may be more normative or ritualistic rather than internalized as a guiding ethical principle. Furthermore, a competitive organizational culture may weaken the moderating role of religiosity, indicating that it alone is not an effective protective factor against status-seeking behavior in socially pressurized environments.

Work Environment Has a Significant Effect on Social Climbing (H5 Accepted)

The path coefficient of -0.525, with a T-statistics value of 5.724 and a p-value of 0.000, indicates a strong and significant negative effect between the work environment and social climber behavior. This finding suggests that a positive and supportive work environment can reduce individuals' tendency to seek excessive social recognition. In this context, an ethical and healthy competitive workplace discourages employees from engaging in image-oriented or status-driven behaviors. Conversely, an organizational culture that tolerates status competition and lacks ethical internalization can motivate individuals to construct social identities through symbolic consumption and competitive lifestyles. Studies by Gissel (2018) and Emil Safitri & Baridwan (2023) further emphasize that permissive workplace environments foster social image-building behaviors strongly associated with social climbing tendencies. Within Islamic financial institutions, these findings highlight a dissonance between normative Sharia values and prevailing workplace practices, which may increase the likelihood of deviant behaviors such as social climbing.

Lifestyle Has a Significant Effect on Social Climbing (H6 Accepted)

The path coefficient of 0.314, with a T-statistics value of 4.236 and a p-value of 0.000, demonstrates a positive and significant relationship between lifestyle and social climber behaviour. This finding indicates that a luxurious and consumptive lifestyle amplifies individuals' tendencies to seek higher social status and construct self-image through artificial or symbolic means. Within the framework of the Fraud Triangle Theory, lifestyle represents a psychological pressure that drives individuals to pursue social recognition beyond their real economic capacity. Consistent with previous studies (Balogun et al. 2013; U. E. Ewa & Udoayang, 2012), the results confirm that materialistic and extravagant lifestyles serve as antecedents of deviant behaviour in financial settings. In the context of Islamic financial institutions, such tendencies conflict with the Sharia principle of simplicity, generating internal and social pressures to maintain prestige and reinforcing social climbing orientations. Therefore, lifestyle functions as a key psychosocial determinant that must be addressed through ethical cultivation and the institutionalization of Sharia-based organizational values.

Social Climbing Has a Significant Effect on Fraudulent Behavior (H7 Accepted)

The path coefficient of 0.399, with a T-statistics value of 4.470 and a p-value of 0.000, demonstrates a positive and significant relationship between social climbing and fraudulent behaviour. This finding suggests that individuals with strong social climbing tendencies are more inclined to engage in unethical practices to maintain or enhance their social image. In line with the Fraud Triangle Theory, social climbing functions as a form of psychosocial pressure that enables the rationalization of dishonest actions as a means to preserve social status. Empirical studies by Emil Safitri and Baridwan (2023) as well as Reskino et al. (2024) corroborate this, showing that status orientation significantly contributes to fraudulent behaviour, particularly when individuals feel compelled to sustain an established social identity. Within Islamic banking institutions, where professional achievement and social prestige often intersect, social climbing emerges as a critical behavioural factor influencing ethical deviance.

Consequently, monitoring social climbing tendencies is essential for developing preventive strategies aimed at reducing the risk of fraud in organizational settings.

Indirect Effect Testing

The next stage involves conducting an Indirect Effect test, which measures the extent to which an independent variable influences a dependent variable through a mediating variable. In path analysis, this test helps determine the mediator's contribution to establishing the relationship between variables. The significance of the mediating effect is confirmed if the P-value is less than 0.05 (Mart & Mart, 2021). The results of the indirect effect analysis in Table 5.

Social Climber Does Not Mediate the Relationship Between Religiosity and Fraudulent Behavior (H8 Rejected)

Table 5 shows that the P-value for the mediating variable is 0.904 (> 0.05), indicating that Social Climber (Z) does not mediate the relationship between Religiosity (X1) and Fraudulent Behavior (Y). This suggests that the higher an individual's religiosity, the lower their inclination to display material wealth and commit fraud. Empirical findings reveal that social climbing behavior does not mediate the relationship between religiosity and fraud. Theoretically, religiosity is expected to reduce an individual's tendency to commit fraud both directly and indirectly by lowering their orientation toward social status. However, the results indicate that religious values alone are not sufficient to suppress symbolic drives or disrupt the rationalization process underlying deviant behavior.

This aligns with the concept of moral licensing, where individuals who believe they have fulfilled moral standards in one area may become more permissive in violating norms in another. In this case, religiosity may exist at a normative or cognitive level but is not yet substantively internalized to influence behavior. It has not been effective in countering the desire for status projection through social climbing, thus failing to reduce fraud risk indirectly. These findings highlight the need for religiosity to be substantively integrated into individuals' ethical frameworks to serve as an effective safeguard against deviant behavior in Islamic financial institutions.

Table.5. Results of indirect effect testing through the mediating role of social climber behavior

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Religiosity → Social Climber → Fraudulent Behavior	0.003	0.004	0.026	0.121	0.904
Work Environment → Social Climber → Fraudulent Behavior	-0.210	-0.209	0.062	3.355	0.001
Lifestyle → Social Climber → Fraudulent Behavior	0.126	0.125	0.044	2.840	0.005

Social Climber Mediates the Relationship Between Work Environment and Fraudulent Behavior (H9 Accepted)

Table 5 shows a p-value of 0.001 (< 0.05), indicating that the Social Climber variable (Z) significantly mediates the relationship between Work Environment (X2) and Fraudulent Behaviour (Y) within Islamic financial institutions. This finding suggests that permissive, highly competitive, or weakly regulated organizational settings encourage individuals to construct social identities through symbolic status expressions, which subsequently increase the likelihood of fraudulent actions. In accordance with the Fraud Triangle Theory particularly the opportunity dimension such structural weaknesses not only create avenues for unethical practices but also shape social dynamics that rationalize deviant behaviour. Supporting this, Balogun et al. (2013) found that unethical work environments produce symbolic pressures that trigger misconduct. Therefore, the mediating effect of social climbing reveals that the influence of work environment on fraud operates indirectly through the transformation of social pressure into rationalized, yet ethically deviant, behaviour.

Social Climber Mediates the Relationship Between Lifestyle and Fraudulent Behavior (H10 Accepted)

Table 5 presents a p-value of 0.005 (< 0.05), indicating that the Social Climber variable (Z) significantly mediates the relationship between Lifestyle (X3) and Fraudulent Behaviour (Y) within Islamic financial institutions. This finding demonstrates that social climbing behaviour serves as a crucial intermediary through which a consumerist lifestyle influences the propensity to commit fraud. Theoretically, a consumptive lifestyle embodies both social and psychological pressures that drive individuals to fulfill symbolic expectations of status and prestige. In such conditions, the pursuit of social image through symbolic consumption fosters tendencies to project

elevated status beyond one’s actual economic capacity, and when unrestrained by moral control, may lead to fraudulent acts as an expedient solution. These results align with the Fraud Triangle Theory, particularly the dimensions of pressure and rationalization, and are supported by prior studies (D. Yiu, 2019; Emil Safitri & Baridwan, 2023) highlighting the strong link between symbolic consumption and ethical deviance. Hence, a high-consumption lifestyle indirectly increases the risk of fraud through the mediating effect of social climbing behaviour, especially in competitive and permissive organizational environments.

Managerial Implications

The findings of this study carry strategic implications for Islamic financial institutions in developing more contextual and adaptive fraud prevention systems. The results reveal that work environment, consumerist lifestyle, and social climbing tendencies significantly influence fraudulent behavior, underscoring the need for multidimensional interventions. Strengthening internal control mechanisms, enforcing strict supervision, and cultivating an integrity-based organizational culture are essential to mitigate permissive environments that enable fraud. Furthermore, institutions should implement continuous educational initiatives addressing psychosocial aspects such as managing social pressure, moderating consumption patterns, and fostering ethical consciousness while integrating lifestyle and social orientation indicators into employee evaluations as part of human resource risk management. Most importantly, religious values must be internalized substantively within organizational systems, ensuring that Islamic principles are embedded not merely symbolically but as transformative ethical foundations. Through these integrated efforts, Islamic financial institutions can establish organizational ecosystems that are structurally resilient to fraud and cultivate work ethics grounded in honesty, trustworthiness (*amānah*), and simplicity, in harmony with Sharia principles.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study aims to identify and analysis the influence of religiosity, work environment, lifestyle, and social climbing behavior on fraudulent conduct among employees of Islamic financial institutions in Medan, Indonesia. Grounded in the Fraud Triangle Theory which categorizes the causes of fraud into three core elements: pressure, opportunity, and rationalization the research tested ten hypotheses. Empirical findings revealed that seven hypotheses were supported, while three were rejected based on statistical analysis.

Notably, both work environment and lifestyle demonstrated a significant impact on fraudulent behavior, highlighting the role of social pressure and weak internal control systems as key catalysts for misconduct. In addition, social climbing behavior exhibited a significant positive effect on fraud and served as a mediating variable in the relationships between work environment, lifestyle, and fraudulent behavior. These findings underscore the critical role of symbolic self-presentation in driving deviant actions. In contrast, religiosity was not found to have a significant effect on either fraud or social climbing behavior, nor did it operate effectively as a mediating factor. This suggests that religious values, though professed, may not be fully internalized at the behavioral level within organizational contexts.

In conclusion, structural and psychosocial factors appear more dominant than formalistic spiritual elements in explaining the propensity for fraud, consistent with prior studies highlighting the role of social environment and lifestyle in influencing unethical behavior. Theoretically, this study suggests the need for an integrative fraud framework that incorporates social pressure and symbolic orientation alongside technical controls. Practically, the findings inform Islamic financial institutions in developing fraud prevention strategies grounded not only in regulations but also in organizational culture and authentic internalization of ethical and religious values.

Recommendations

Based on the findings that work environment, lifestyle, and social climbing tendencies significantly influence fraudulent behavior, Islamic financial institutions must

strategically align internal policies to manage these contributing factors. First, management should establish a more adaptive internal monitoring and control system, supported by the consistent enforcement of ethical sanctions to close the opportunity gap, as identified in the Fraud Triangle Theory. Second, initiatives to guide employees' lifestyles through Islamic value-based approaches should be intensified, as a consumerist lifestyle has been empirically shown to create pressure that drives fraud either directly or through the mediation of social climbing behavior. Third, institutions should develop psychosocial assessment systems for employees, incorporating indicators of social status orientation to identify potential fraud risks at an early stage.

For future research, it is recommended to develop a conceptual model that integrates substantive dimensions of religiosity and Islamic work ethics, considering that religiosity in this study did not show a significant effect. Further studies may also expand the scope to include non-bank institutions or different geographic regions and adopt mixed-methods approaches to explore more deeply the social and spiritual contexts that shape fraudulent behavior in Sharia-based financial institutions.

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