
Spiritual Leadership and Fraud Prevention in Financial Service Companies: Mediation of Organizational Culture and Moderation of Employee Motivation

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Abstract:

This study aims to explore the impact of spiritual leadership on fraud prevention in financial service companies in Indonesia, focusing on the mediating role of organizational culture and the moderating effect of employee motivation. Employing a quantitative approach, the target population consists of all employees working in banking and non-banking financial service companies across several provinces in Indonesia. The 220 samples are selected through convenience sampling based on participants' availability and willingness. Data is obtained using a 5-point Likert scale questionnaire, and the analysis is conducted using descriptive statistics and Partial Least Squares (PLS) to test the hypotheses. The findings indicate that spiritual leadership significantly influences fraud prevention, both directly and through the organizational culture. Organizational culture effectively mediates the relationship between spiritual leadership and fraud prevention. However, employee motivation does not moderate this relationship. Interestingly, employee motivation does moderate the relationship between organizational culture and fraud prevention. These results imply that financial service companies should cultivate spiritual leadership and a solid organizational culture to enhance fraud prevention efforts while recognizing employee motivation's critical role in this context.

Keywords: *Employee Motivation, Financial Service Companies, Fraud Prevention, Organizational Culture, Spiritual Leadership*

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1. Introduction

Financial service companies, including both banks and non-bank financial institutions, are crucial to the economic development and stability of nations worldwide (Chen, kumara, & Sivakumar, 2023), including Indonesia. These institutions play a vital role in mobilizing savings, facilitating investments, extending credit, and providing a range of financial services that support both individuals and businesses. In Indonesia, the financial services sector is particularly instrumental in driving economic growth, enhancing financial inclusion, and supporting infrastructure development critical for national progress (Yusgiantoro, Soedarmono, & Tarazi, 2019). Given their significant influence, ensuring the integrity and reliability of these

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companies is paramount. However, the sector is increasingly susceptible to fraudulent activities, which can erode trust and economic stability (Pham & Doan, 2020).

If financial service companies fail to implement effective fraud preventions, they can face severe and far-reaching consequences. These consequences can affect the organization at multiple levels, including financial stability, regulatory compliance, reputation, and overall operational effectiveness, as well as business sustainability (Rezaee, 2016). Therefore, investigating effective strategies for fraud prevention is essential. Effective fraud prevention can protect a company's financial and physical assets from misappropriation (Kazemian, Said, Hady Nia, & Vakilifard, 2019). Ensuring compliance with regulations like anti-money laundering (AML) and know your customer (KYC) helps avoid legal penalties and ensures smooth operations (Thommandru & Chakka, 2023). Cultivating a strong anti-fraud culture promotes ethical behavior and integrity, fostering a positive work environment. Moreover, preventing fraud helps maintain the company's reputation and builds trust with clients, investors, and stakeholders (Astuti, Rozali, & Cakhyanu, 2019). By mitigating fraud risks, companies can avoid operational disruptions and ensure the continuity of their business processes.

Several factors influence the effectiveness of fraud prevention in an organization. Strong internal controls are essential to detect and deter fraudulent activities by ensuring proper checks and balances (Handoyo & Bayunitri, 2021). Robust corporate governance practices enhance oversight and accountability, reducing the risk of fraud (Akyol, 2020). A positive organizational culture that emphasizes integrity and ethical behavior fosters an environment where fraud is less likely to occur (Efendi, Sayekti, & Irmadariyani, 2024). Regular employee training and awareness programs equip staff with the knowledge and tools to identify and report suspicious activities (Astria & Adhariani, 2019). Implementing advanced technological solutions helps monitor transactions and detect anomalies in real-time (Priya & Saradha, 2021). Adherence to regulatory compliance ensures that companies meet legal standards and avoid penalties (Fajri & Setiany, 2024). Lastly, ethical or spiritual leadership sets the tone from the top, promoting a value of honesty and transparency throughout the organization (Yohanna, Pujiningsih, & Juliardi, 2021).

The emphasis on ethical, moral, religious, and spiritual values implemented by an organization's leadership can be the primary driver in preventing fraud. When leaders prioritize and model these values, they not only create an integrity culture permeating the organization but also empower employees to act in line with these values. This ethical foundation encourages employees to act honestly and discourages fraudulent behavior (Black, Burton, & Cieslewicz, 2022). Additionally, incorporating spiritual values can foster a sense of higher purpose and accountability among staff, reinforcing ethical conduct and quality of work-life (Pio & Lengkong, 2020). By embedding these principles into the organization's core values, policies, and practices, leaders set clear expectations for behavior and decision-making, giving employees a sense of responsibility in maintaining the organization's integrity. Consequently, solid ethical and spiritual climates can deter potential fraudsters and enhance overall trust and

transparency within the organization, safeguarding its reputation and assets (Göçen & Özğan, 2018).

The impact of spiritual leadership on fraud prevention in financial service companies in Indonesia can be significantly influenced by organizational culture and employee motivation. Spiritual leadership fosters an environment of ethical behavior and integrity, essential for preventing fraudulent activities (Fry, Latham, Clinebell, & Krahnke, 2017; Sanders, 2017). This influence is mediated by organizational culture; a culture that embodies these values creates a strong foundation where ethical practices are the norm. When spiritual leadership instills a sense of purpose and higher ethical standards, it reshapes the organizational culture to prioritize integrity and accountability. Additionally, this relationship is moderated by employee motivation. Motivated employees who feel aligned with the organization's values and mission are more likely to adhere to ethical standards and report suspicious activities (Fry cited in Wang, Guo, Ni, Shang, & Tang, 2019). Thus, our study has the potential to enhance the understanding and application of spiritual leadership in fraud prevention, leading to a more robust and resilient financial service sector in Indonesia.

Existing research on the link between spiritual leadership and fraud prevention is limited, indicating several significant gaps that warrant urgent and thorough investigation (Göçen & Özğan, 2018; Oh & Wang, 2020; Pio & Lengkong, 2020). Firstly, relatively few studies specifically examine the direct relationship between spiritual leadership and fraud prevention within organizations, particularly in the context of financial service companies. This gap in the literature underscores the novelty and significance of our study. Secondly, the mediating role of organizational culture in this relationship has not been extensively explored. Understanding how spiritual leadership shapes and reinforces organizational culture, which influences fraud prevention efforts, remains an under-researched area, presenting a unique opportunity for our study to contribute to the field.

Additionally, the moderating effect of employee motivation on the effectiveness of spiritual leadership in preventing fraud is another area that lacks empirical evidence. Studies investigating how motivated employees respond to spiritual leadership and how this affects their likelihood to engage in or prevent fraudulent activities are sparse. Furthermore, there is a need for more context-specific research, particularly in emerging markets like Indonesia, where cultural, religious, and organizational dynamics may differ significantly from Western contexts. Addressing these gaps can provide a more comprehensive understanding of how spiritual leadership can be leveraged to enhance fraud prevention strategies in financial service companies.

This study aims to explore the impact of spiritual leadership on fraud prevention in financial service companies in Indonesia, focusing on the mediating role of organizational culture and the moderating effect of employee motivation. Our study not only provides deeper insights into the integration of spiritual values into leadership practices for ethical behavior and fraud reduction but also offers practical recommendations for these companies. These recommendations aim to enhance their

fraud prevention strategies by cultivating a robust organizational culture, motivating employees, and safeguarding their reputation and assets.

2. Theoretical Background

Fraud Prevention

To comprehensively address the grand theories pertinent to fraud prevention in financial service companies, the authors try to integrate relevant theories from criminology and organizational behavior that provide a theoretical framework for understanding fraud prevention namely the Fraud Triangle Theory. The theory is a foundational theory in understanding the motivations behind fraudulent behavior. It posits that fraud occurs when three elements converge: pressure, opportunity, and rationalization (Homer, 2020). Pressure refers to the financial or emotional forces that compel individuals to consider fraudulent actions. Opportunity arises when there are weak internal controls within an organization, providing the ability for individuals to commit fraud without being detected. Rationalization involves the personal justifications individuals create to make their fraudulent behavior seem acceptable or less unethical in their minds (Van Akkeren, 2023).

Besides that, the authors also try to understand the fraud prevention from General Deterrence Theory. The theory suggests that individuals are deterred from committing crimes, including fraud, if the consequences (punishments) are perceived as severe, certain, and swift. This theory underscores the importance of robust internal controls and legal frameworks in preventing fraud (Nehme, Anderson, Dixon, & Kingsford-Smith, 2018). General Deterrence Theory posits that the prevention of fraud is significantly influenced by three key factors: severity, certainty, and celerity. Severity refers to the harshness of penalties imposed for committing fraud, which can deter individuals from engaging in fraudulent activities due to the fear of severe consequences. Certainty is the likelihood of being caught and punished, emphasizing the importance of robust detection and enforcement mechanisms that ensure potential fraudsters believe they will be apprehended. Celerity involves the swiftness with which punishment is administered following a fraudulent act, reinforcing the deterrent effect by demonstrating that fraudulent behavior will be met with prompt and decisive action (Bhattacharjee & Shrivastava, 2018).

Together, these factors form a comprehensive framework for deterring fraud in financial service companies. Understanding these elements is crucial for developing effective fraud prevention in financial service companies. Several researchers have developed the framework of fraud prevention in several settings, including in financial service companies. From previous study, the authors develop several dimensions to measure the fraud prevention (1) Internal Control Effectiveness, (2) Fraud Detection Mechanisms, (3) Employee Training and Awareness, (4) Corporate Governance and Ethical Culture, (5) Regulatory Compliance, (6) Incident Response and Investigation, and (7) Technological Safeguards (Akyol, 2020; Astriana & Adhariani, 2019; Efendi et al., 2024; Fajri & Setiany, 2024; Handoyo & Bayunitri, 2021; Priya & Saradha, 2021).

Spiritual Leadership

Spiritual leadership integrates spirituality and leadership by emphasizing the inner life, values, and ethical behavior of leaders. It aims to inspire and motivate employees by fostering a sense of meaning, purpose, and interconnectedness within the organization (Göçen & Özğan, 2018). Spiritual leadership involves practices such as self-awareness, empathy, ethical behavior, and fostering a sense of community. Leaders who embody spiritual leadership create an environment where employees feel valued, supported, and committed to the organization's goals and ethical standards. In the business sector, including financial service companies, spiritual leadership can drive ethical behavior, enhance corporate culture, and improve overall performance (Oh & Wang, 2020). It encourages leaders to act with integrity, prioritize ethical decision-making, and foster a sense of purpose among employees, which can reduce instances of fraud and misconduct.

Spiritual leadership is a versatile and impactful approach that can be implemented across various sectors to promote ethical behavior, enhance organizational culture, and improve overall outcomes. Organizations can achieve sustainable success and make a positive impact on their communities and stakeholders by integrating spiritual leadership. According to existing literature, spiritual leadership is often conceptualized with several key dimensions or components (Egel & Fry, 2017; Fry & Egel, 2016; Fry et al., 2017; Gotsis & Grimani, 2017; Pio & Lengkong, 2020; Sanders, 2017): (1) *vision*, the articulation of a clear and compelling picture of the future that inspires and guides the organization; (2) *hope/faith*, fostering a belief in the organization's vision and the confidence that it can be achieved; (3) *altruistic love*, including genuine care, concern, and appreciation for others, promoting a sense of belonging and interconnectedness; (4) *meaning/calling*, helping employees find a sense of purpose and meaning in their work; and (5) *membership*, that emphasizes the importance of creating a sense of belonging and community within the organization.

Organizational Culture

Much of the literature examines organizational culture issues related to organizational output and performance. Most of the literature reveals that a strong and positive organizational culture is closely associated with improved employee morale, higher productivity, and enhanced overall performance (Efendi et al., 2024; Fajri & Setiany, 2024; Pangarso, Winarno, Aulia, & Ritonga, 2022). Studies consistently show that employees with shared values and beliefs are more likely to be engaged, motivated, and aligned with organizational goals (Sawangnuwatkul, 2021). Furthermore, a robust organizational culture often leads to better teamwork, increased innovation, and a greater ability to adapt to changes and challenges (Bendak, Shikhli, & Abdel-Razek, 2020). This positive correlation highlights organizational culture's critical role in driving success and achieving sustainable competitive advantage (Azeem, Ahmed, Haider, & Sajjad, 2021).

The authors will use Denison's Organizational Culture Model to explore the connection between organizational culture and business performance: involvement, consistency, adaptability, and mission (Abane, Adamtey, & Ayim, 2022; Christopher

& Edwinah, 2022; Costanza, Blacksmith, Coats, Severt, & DeCostanza, 2016; Mousavi, Hosseini, & Hassanpour, 2015; Wahyuningsih, Sudiro, Troena, & Irawanto, 2019). This model is particularly relevant as it emphasizes four key dimensions critical to understanding how culture impacts organizational outcomes. The first dimension, *Involvement*, assesses the degree of employee engagement and empowerment, recognizing that when employees are actively involved in their work, they contribute more effectively to the organization's success. *Consistency* examines core values, agreement, coordination, and integration within the organization, ensuring all members are aligned and working cohesively towards common goals. *Adaptability* evaluates the organization's ability to respond and adjust to external changes, highlighting the importance of flexibility and innovation in maintaining competitiveness. Finally, *mission* focuses on having a clear sense of purpose and direction, which guides strategic decision-making and provides a roadmap for achieving long-term objectives. This organizational culture model provides a comprehensive analysis of how these cultural dimensions influence business performance, particularly in the context of fraud prevention in financial service companies.

Employee Motivation

Employee motivation is a critical aspect of organizational behavior and has been studied extensively. Recent theories incorporate psychological, social, and economic factors to understand what drives employee motivation. Some of the latest and most influential theories include Self-Determination Theory (SDT), Expectancy Theory, Equity Theory, Goal-Setting Theory, and Psychological Capital (PsyCap) (Hite, 2015; Rosen, 2023). Mostly, those theories talk about (1) Intrinsic Motivation, (2) Extrinsic Motivation, and (3) Competence (Gerhart & Fang, 2015; Mekler, Brühlmann, Tuch, & Opwis, 2017; Ryan & Deci, 2020).

To measure employee motivation in financial service companies, we utilize three key constructs: intrinsic motivation, extrinsic motivation, and competence. These constructs are derived from recent influential theories in organizational behavior that incorporate psychological, social, and economic factors to understand what drives employee motivation. Intrinsic motivation refers to the internal drive to perform tasks for the inherent satisfaction and fulfillment they provide. On the other hand, extrinsic motivation involves external incentives such as rewards, recognition, and financial benefits that encourage employees to achieve organizational goals. Competence reflects the employees' belief in their ability to perform tasks effectively and achieve desired outcomes. By focusing on these three dimensions—*intrinsic motivation*, *extrinsic motivation*, and *competence*—we aim to gain a comprehensive understanding of the factors that motivate employees in financial service companies, which is crucial for enhancing their performance and preventing fraudulent behaviors.

Research Framework and Hypotheses Development

The impact of spiritual leadership on fraud prevention in financial service companies in Indonesia can be understood through several grand theories. The Fraud Triangle Theory highlights that fraud occurs when pressure, opportunity, and rationalization converge. Spiritual leadership mitigates these elements by fostering a culture of

integrity and ethical behavior, thereby reducing the opportunity and rationalization for fraud. General Deterrence Theory underscores the importance of robust internal controls and clear consequences for fraudulent behavior, which spiritual leadership can support by promoting a strong ethical climate. Routine Activity Theory further suggests that a capable guardianship, manifested through vigilant organizational culture, can deter motivated offenders. This culture, shaped by spiritual leadership, serves as a deterrent to fraud. Additionally, the moderating effect of employee motivation is crucial; highly motivated employees who internalize spiritual and ethical values are less likely to commit fraud, aligning their actions with the organizational ethos. By integrating these theories, we can better understand the mechanisms through which spiritual leadership, mediated by organizational culture and moderated by employee motivation, effectively prevents fraud in financial service companies. Based on literature review, the framework of this research can be depicted in Figure 1.

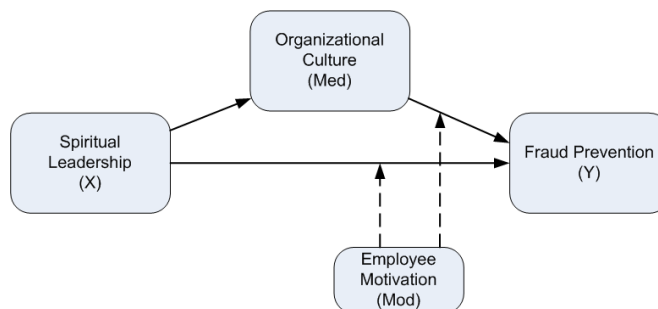


Figure 1. Research Framework

Spiritual Leadership and Organizational Culture

The presence of spiritual leadership within an organization leads to the development of a more positive, ethical, and cohesive organizational culture. Spiritual leadership's focus on values such as compassion, integrity, and community create an environment where employees feel valued and connected to the organization's mission, thereby enhancing overall organizational culture. The results of research by (Alimudin & Sukoco, 2017) show that there is a significant positive influence between spiritual leadership on organizational culture.

H1: Spiritual leadership positively influences organizational culture.

Spiritual Leadership and Fraud Prevention

Cressey's fraud triangle posits that fraud occurs when there is pressure, opportunity, and rationalization. Spiritual leadership's focus on values such as integrity, honesty, and ethical behavior creates an environment where fraudulent activities are less likely to occur. By fostering a culture of transparency, accountability, and ethical conduct, spiritual leadership can mitigate the factors that contribute to fraud, such as opportunity and rationalization. Milliman, Czaplewski, and Ferguson (cited in Afsar et al., 2016) found that spiritual leadership increases employees' commitment to ethical behavior, which can reduce opportunities for fraud.

H2: Spiritual leadership positively influences fraud prevention.

Organizational Culture and Fraud Prevention

Schein (cited in Ristino & Michalak, 2018) posits that organizational culture is created and managed primarily through leadership, which sets the tone for behavior and practices within the organization. When organizational culture promotes high ethical standards and strong internal controls, it creates an environment where fraudulent activities are less likely to occur. Employees in such a culture are more likely to adhere to ethical guidelines and are less likely to rationalize or engage in fraudulent behavior. This is supported by Simbolon & Kuntadi (2022) research which found that organizational culture has an effect on fraud prevention.

H3: Organizational culture positively influences fraud prevention.

Spiritual Leadership, Organizational Culture, and Fraud Prevention

Spiritual leadership fosters an ethical and values-driven organizational culture, which then leads to better fraud prevention measures. The organizational culture acts as a conduit through which the values and practices promoted by spiritual leadership are translated into reduced opportunities and rationalizations for fraud. Empirical studies have shown that ethical leadership can influence organizational culture positively, which in turn impacts fraud prevention (Ko, Ma, Bartnik, Haney, & Kang, 2018; Kaptein cited in Resende, Porto, & Gracia, 2024). Research on spiritual leadership similarly suggests its positive impact on organizational values and ethics (Fry cited in Phuong V. Nguyen et al., 2018).

H4: Organizational culture mediates the relationship between spiritual leadership and fraud prevention.

Employee Motivation and Fraud Prevention

Higher levels of employee motivation lead to better fraud prevention. Motivated employees, who are more engaged and satisfied with their work, are less likely to engage in fraudulent activities and more likely to adhere to ethical standards. By fostering a work environment that encourages motivation, organizations can improve their fraud prevention measures. Ramadhaniyati & Hayati (2015) research results show that internal auditor motivation has a significant effect in preventing fraud with a positive coefficient, this means that motivation can reduce fraud.

H5: Employee motivation positively influences fraud prevention.

Spiritual Leadership, Employee Motivation, and Fraud Prevention

When employees are highly motivated, the values and ethical standards promoted by spiritual leadership are more likely to be internalized and acted upon, leading to more effective fraud prevention. Conversely, if employee motivation is low, the impact of spiritual leadership on fraud prevention may be diminished. Empirical studies have shown that both spiritual leadership and employee motivation positively impact ethical behavior and reduce the likelihood of fraud (Otake-Ebede, Shaffakat, & Foster, 2020; Ryan & Deci, 2020). The interaction between leadership and motivation can enhance these outcomes (Brown & Treviño cited in Lumpkin & Achen, 2018).

H6: Employee motivation moderates the relationship between spiritual leadership and fraud prevention.

Organizational Culture, Employee Motivation, and Fraud Prevention

The ethical norms and tone of an organization are established by its strong organizational culture. However, employee motivation levels may have an impact on how well this culture prevents fraud. Employees with high levels of motivation are more likely to accept and uphold the standards and values set out by the company culture, actively supporting efforts to avoid fraud. Stronger fraud prevention results from motivated staff members who are more likely to internalize and uphold the moral principles and standards supported by the company culture. On the other hand, a low level of employee motivation may lessen the influence of company culture on preventing fraud. Research has demonstrated that employee motivation and corporate culture have a beneficial influence on moral behavior and lower the risk of fraud (Ryan & Deci, 2020; Setiawan & Cholili, 2023). These results can be improved by the relationship between motivation and organizational culture (Al-Musadieq, Nurjannah, Raharjo, Solimun, & Achmad Rinaldo Fernandes, 2018).

H7: Employee motivation moderates the relationship between organizational culture and fraud prevention.

3. Methodology

This study employs a quantitative approach to examine the impact of spiritual leadership on fraud prevention in financial service companies in Indonesia, with a focus on the mediating role of organizational culture and the moderating effect of employee motivation. A quantitative approach is chosen because it allows for the systematic collection and analysis of numerical data, facilitating the testing of hypotheses and the determination of relationships between variables through statistical methods. By using structured questionnaires to gather data, we can quantify the constructs of spiritual leadership, organizational culture, employee motivation, and fraud prevention, providing a robust framework for analysis.

The target population for this study included all employees working in both banking and non-banking financial service companies across several provinces in Indonesia. Specifically, the study focused on employees from General Banks and Sharia Banks, including BNI, Mandiri, BRI, Muamalat, Nobu, BSI, and Mayapada, as well as BPR (rural banks) and non-banking institutions such as Regional Credit Guarantee companies. The provinces included in the study are Jakarta, West Java, Riau, Central Java, East Java, Yogyakarta, Central Kalimantan, South Kalimantan, and West Kalimantan.

To select the sample, we used convenience sampling, a non-probability sampling technique where participants were selected based on their availability and willingness to participate (Nowiński, Haddoud, Lančarič, Egerová, & Czeplédi, 2019). This approach was suitable given the practical constraints and the need to gather data

efficiently from financial service companies that are ready to participate. The sample size for this study was 220 employees from the aforementioned financial service companies. These respondents were asked to fill in a structured questionnaire designed to measure the key constructs of the study. The questionnaire (5-scaled) included items related to spiritual leadership, organizational culture, employee motivation, and fraud prevention, ensuring comprehensive coverage of the research variables. Each variable (spiritual leadership, fraud prevention, organizational culture, and employee motivation) was measured by several relevant construct based on the theories, as outlined in Table 1.

Table 1. Measurement of Variables

Variables	Indicators	Item No.
Spiritual Leadership (X)	Vision (X1)	1 – 3
	Hope/Faith (X2)	4 – 6
	Altruistic Love (X3)	7 – 9
	Meaning/Calling (X4)	10 – 12
	Membership (X5)	13 – 15
Organizational Culture (Med)	Involvement (Med1)	1 – 3
	Consistency (Med2)	4 – 6
	Adaptability (Med3)	7 – 9
	Mission (Med4)	10 – 12
Employee Motivation (Mod)	Intrinsic Motivation (Mod1)	1 – 3
	Extrinsic Motivation (Mod2)	4 – 6
	Competence (Mod3)	7 – 9
Fraud Prevention (Y)	Internal Control Effectiveness (Y1)	1 – 3
	Fraud Detection Mechanisms (Y2)	4 – 6
	Employee Training and Awareness (Y3)	7 – 9
	Corporate Governance and Ethical Culture (Y4)	10 – 12
	Regulatory Compliance (Y5)	13 – 15
	Incident Response and Investigation (Y6)	16 – 18
	Technological Safeguards (Y7)	19 – 21

Notes: Scale = interval.

The collected data were analyzed using descriptive statistics and Partial Least Squares (PLS) structural equation modeling to test the proposed hypotheses and examine the relationships between the constructs. PLS is well-suited for exploratory research where the theoretical model may not be fully developed. Since the relationship between spiritual leadership, fraud prevention, organizational culture, and employee motivation is relatively new and under-researched, PLS can provide valuable insights. PLS can handle complex models with multiple constructs, mediators, and moderators (Hair Jr et.al cited in Ringle, Sarstedt, Mitchell, & Gudergan, 2020). This study examines the mediating role of organizational culture and the moderating effect of employee motivation, making it a complex model that PLS can effectively analyze. PLS is effective with smaller sample sizes, making it ideal for this study's sample of 220 employees. PLS is designed to maximize the explained variance in the dependent variables and enhance the predictive power of the model. This aligns well with the study's goal of understanding and predicting the impact of spiritual leadership on fraud prevention.

4. Empirical Findings/Result

In the results section, we present the calculation of descriptive statistics and then we test the proposed hypotheses and examine the relationships between the constructs using PLS. Table 2 presents descriptive statistics for the latent variables measured in the study, including Spiritual Leadership, Organizational Culture, Employee Motivation, and Fraud Prevention. The table provides information on the mean, sample standard deviation (SD), percentage, and corresponding category for each latent variable.

Table 2. Statistics Descriptive

Latent Variables	Mean	SD	Percentage	Category
Spiritual Leadership	3.802	0.592	70.0	High
Organizational Culture	3.793	0.563	69.8	High
Employee Motivation	4.016	0.572	75.4	Very High
Fraud Prevention	3.852	0.632	71.3	High

Notes: SD = sample standard deviation

Source: Data Calculation (2024)

Table 2 presents descriptive statistics for the latent variables measured in the study, providing insights into the perceived levels of spiritual leadership, organizational culture, employee motivation, and fraud prevention among employees in financial service companies. The mean scores indicate the average ratings given by participants for each construct, with higher values suggesting stronger endorsement of the respective construct. The sample standard deviation (SD) reflects the degree of variability in responses around the mean, indicating the extent to which opinions diverge within the sample. The percentages represent the distribution of respondents across different categories, categorized as "High" and "Very High" based on predetermined thresholds. The findings reveal that, on average, respondents perceive relatively high levels of spiritual leadership (mean = 3.802) and organizational culture (mean = 3.793), with moderate variability in responses (SD = 0.592 and 0.563, respectively). Employee motivation scores notably higher (mean = 4.016) with relatively low variability (SD = 0.572), suggesting a widespread perception of high motivation among employees. Fraud prevention also receives a high mean rating (mean = 3.852) with moderate variability (SD = 0.632). These findings suggest a positive perception of the studied constructs among employees in financial service companies, highlighting the potential strengths in spiritual leadership, organizational culture, employee motivation, and fraud prevention within the surveyed companies.

To test the proposed hypotheses and examine the relationships between latent variables, PLS was utilized by evaluating measurement and structural models. The measurement model (outer model) focuses on the relationships between the latent variables (constructs) and their observed indicators (manifest variables). To evaluate the quality criteria of measurement model, Composite Reliability (CR) is used to measure construct reliability and validity, while Average Variance Extracted (AVE) to measure convergent validity. To test the discriminant validity, Heterotrait-Monotrait Ratio (HTMT) can be used. Indicator loadings on their respective latent

variables should be statistically significant and typically exceed a threshold (0.7) to indicate that the indicators adequately represent the constructs. Table 3 shows the output of measurement model, consisting outer loadings of each manifest variable and the value of CR and AVE.

Table 3. Output of Measurement Model

Construct	Outer Loadings	CR	AVE
X1	0.796	0.899	0.641
X2	0.795		
X3	0.778		
X4	0.795		
X5	0.837		
Med1	0.799	0.867	0.619
Med2	0.804		
Med3	0.769		
Med4	0.774		
Mod1	0.840	0.855	0.663
Mod2	0.743		
Mod3	0.856		
Y1	0.814	0.933	0.667
Y2	0.826		
Y3	0.793		
Y4	0.796		
Y5	0.842		
Y6	0.815		
Y7	0.827		

Source: SmartPLS Output (2024)

Table 3 shows that the biggest outer loading for Spiritual Leadership (X) is X5 (Membership) with a loading of 0.837, while the smallest is X3 (Altruistic Love) with a loading of 0.778. The biggest outer loading for Organizational Culture (Med) is Med2 (Consistency) with a loading of 0.804, while the smallest is Med3 (Adaptability) with a loading of 0.769. The biggest outer loading for Employee Motivation (Mod) is Mod3 (Competence) with a loading of 0.856, while the smallest is Mod2 (Extrinsic Motivation) with a loading of 0.743. The biggest outer loading for Fraud Prevention (Y) is Y5 (Regulatory Compliance) with a loading of 0.842, while the smallest is Y3 (Employee Training and Awareness) with a loading of 0.793. An outer loading above 0.7 indicates a robust and meaningful relationship between the observed variable and the latent construct, suggesting that the variable is a reliable and valid measure of the underlying concept. The table also includes values for Composite Reliability (CR) and Average Variance Extracted (AVE) for all latent variables. All CR values are above the commonly accepted threshold of 0.7, indicating good internal consistency and reliability for each construct. Moreover, all AVE values are above the threshold of 0.5, indicating that the constructs are valid and capture

sufficient variance from their respective indicators, which suggests good convergent validity.

Table 4 displays the value of discriminant validity using Heterotrait-Monotrait Ratio (HTMT) criterion.

Table 4. Discriminant Validity

Construct	Med	Mod	X*Mod	Med*Mod	X	Y
Med						
Mod	0.493					
X*Mod	0.281	0.111				
Med*Mod	0.211	0.063	0.753			
X	0.825	0.575	0.377	0.282		
Y	0.847	0.653	0.308	0.254	0.832	

Source: SmartPLS Output (2024)

Typically, HTMT values should be below 0.90 (or more conservatively, 0.85) to suggest that discriminant validity is established. From Table 4, most HTMT values are well below 0.85, indicating good discriminant validity among the constructs. However, the HTMT value between Med and Y (0.847) is slightly near 0.85, suggesting a potential issue with discriminant validity between these two constructs. The HTMT values between Med and X (0.825) and between X and Y (0.832) are also on the higher side but still within the acceptable range.

The next step is to report the structural model, focusing on inner path coefficients and R-Squared values. Displaying the overall model of PLS (see Figure 2) can simplify interpreting the results.

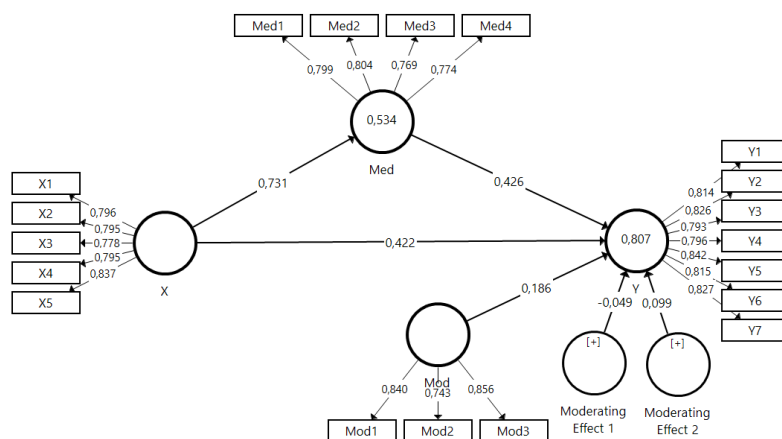


Figure 2. Overall Model

Based on Figure 2, there are two models that can be explained. Model 1 has one independent variable, X, and predicts the dependent variable Y. The R-squared value is 0.534, indicating that approximately 53.4% of the variance in the dependent variable is explained by the independent variable X. The error can be calculated as 1

- $R\text{-squared} = 1 - 0.534 = 0.466$, which means that approximately 46.6% of the variance remains unexplained by the model. Next, model 2 includes multiple independent variables: X, Med, Mod, and interactions between them. The R-squared value is higher than that of Model 1, at 0.807, indicating that approximately 80.7% of the variance in the dependent variable Y is explained by the independent variables and their interactions. The error for this model can be calculated as $1 - R\text{-squared} = 1 - 0.807 = 0.193$, meaning that approximately 19.3% of the variance remains unexplained. Model 2 suggests that Model 2 provides a better fit to the data.

We have run the bootstrapping procedure to test the hypotheses to obtain suitable t-statistics and p-values to determine whether to accept or reject them. Table 5 presents the results of the hypotheses testing.

Table 5. Results of Hypotheses Testing

Path	Coef.	Bootstrap	SD	t-stat	p-values	Hypotheses
X -> Med	0.731	0.733	0.034	21.340	0.000	Accepted
X -> Y	0.422	0.424	0.052	8.152	0.000	Accepted
Med -> Y	0.426	0.423	0.050	8.454	0.000	Accepted
X -> Med -> Y	0.311	0.310	0.035	8.948	0.000	Accepted
Mod -> Y	0.186	0.188	0.035	5.297	0.000	Accepted
X*Mod -> Y	-0.049	-0.049	0.044	1.131	0.259	Rejected
Med*Mod -> Y	0.099	0.099	0.045	2.202	0.028	Accepted

Source: Developed from SmartPLS Outputs.

Table 5 provides the path coefficients, bootstrap statistics, standard deviations (SD), t-statistics, p-values, and the status of the hypotheses (accepted or rejected) for the relationships between constructs in the model. From the table, the brief results of the hypotheses testing are as follows:

1. The path from X to Med is statistically significant ($p < 0.05$), indicating a strong positive relationship between Spiritual Leadership (X) and Organizational Culture (Med).
2. The direct path from X to Y is statistically significant ($p < 0.05$), indicating a strong positive relationship between Spiritual Leadership (X) and Fraud Prevention (Y).
3. The path from Med to Y is statistically significant ($p < 0.05$), indicating a strong positive relationship between Organizational Culture (Med) and Fraud Prevention (Y).
4. The indirect effect of X on Y through Med is statistically significant ($p < 0.05$), indicating mediation by Organizational Culture (Med) in the relationship between Spiritual Leadership (X) and Fraud Prevention (Y).
5. The path from Mod to Y is statistically significant ($p < 0.05$), indicating a positive relationship between Employee Motivation (Mod) and Fraud Prevention (Y).
6. The interaction effect of X and Mod on Y is not statistically significant ($p > 0.05$), suggesting that Employee Motivation (Mod) does not significantly moderate the relationship between Spiritual Leadership (X) and Fraud Prevention (Y).

7. The interaction effect of Med and Mod on Y is statistically significant ($p < 0.05$), suggesting that Employee Motivation (Mod) significantly moderates the relationship between Organizational Culture (Med) and Fraud Prevention (Y).

The paths of Med \rightarrow Y, Mod \rightarrow Y, Med*Mod \rightarrow Y, X \rightarrow Med, X \rightarrow Med \rightarrow Y, X \rightarrow Y show statistically significant relationships, supporting the proposed hypotheses. Nevertheless, the path of X*Mod \rightarrow Y shows no statistically significant relationship, indicating that the moderating effect of Mod on the relationship between X and Y is not supported.

5. Discussion

Spiritual leadership in the model can be the main driver to improve the organizational culture and implement fraud prevention in Financial Service Companies in Indonesia. The implementation of spiritual leadership is considered to have demonstrated a vision by articulating a clear and compelling picture of the future that inspires and guides the organization. This vision can inspire hope and faith among employees, provide a sense of purpose and direction, and align with the values and aspirations of the employees (Fry et al., 2017). Moreover, hope and faith are about fostering a belief in the organization's vision and the confidence to achieve it. It encourages perseverance and resilience, cultivates a positive outlook and optimism, and drives motivation and commitment toward achieving the vision. Besides that, altruistic love in spiritual leadership involves genuine care, concern, and appreciation for others, promoting a sense of belonging and interconnectedness. It demonstrates compassion, kindness, and empathy. It also fosters a culture of trust and mutual respect and encourages supportive and ethical behavior within the organization (Fry cited in Gotsis & Grimani, 2017).

The dimension of meaning/calling in spiritual leadership dimension refers to helping employees find a sense of purpose and meaning in their work. It connects individual roles to the larger organizational mission and enhances intrinsic and extrinsic motivation by linking work to personal values and life goals (Jabeen, Irfan, Salman, & Mubasher, 2017). The dimension of membership emphasizes the importance of creating a sense of belonging and community within the organization. It encourages collaboration and teamwork, builds a supportive and inclusive organizational culture, and promotes shared values and collective identity (Egel & Fry, 2017).

Given that X5 (Membership) has the highest loading, this aspect strongly contributes to the construct of spiritual leadership as measured in your analysis. It suggests that fostering a sense of belonging, community, and inclusion may be crucial for effective spiritual leadership. On the other hand, X3 (Altruistic Love) has a smaller loading, indicating it is less strongly associated with spiritual leadership in this context. However, it should be considered. Altruistic love is often considered a fundamental aspect of spiritual or ethical leadership, emphasizing empathy, compassion, and selflessness in guiding others. Even though it has a lower loading, it still holds importance and should be considered for improvement. So, while preserving the

emphasis on membership (X5), exploring ways to enhance the presence of altruistic love (X3) within the framework of spiritual leadership is worthwhile. It could involve incorporating practices that cultivate empathy, compassion, and a deeper connection with others into leadership approaches and organizational culture (Raina, 2022).

In organizational culture, the finding that Med2 (Consistency) has the highest loading suggests that maintaining consistency in values, practices, and behaviors is particularly important. This consistency fosters employees' stability, predictability, and coherence, contributing to a sense of alignment and unity. Conversely, the smaller loading for Med3 (Adaptability) indicates that adaptability is less strongly associated with organizational culture as measured in your analysis. However, adaptability is often crucial in today's dynamic and ever-changing business environments. It allows companies to respond effectively to challenges, embrace innovation, and remain competitive. While consistency (Med2) is essential as a foundational element of organizational culture, it is also important to recognize the value of adaptability (Med3). Exploring ways to enhance adaptability within the organizational culture can help the organization thrive amidst uncertainty and change (Dwyer & Azevedo, 2016).

In employee motivation, the substantial loading for Mod3 (Competence) suggests that employees' sense of competence and mastery in their roles significantly influence their motivation levels. When employees feel skilled and capable in their work, it often leads to higher levels of intrinsic motivation, job satisfaction, and engagement (Gheitani, Imani, Seyyedamiri, & Foroudi, 2018). Contrarily, the smaller loading for Mod2 (Extrinsic Motivation) indicates that extrinsic factors, such as external rewards or incentives, have a weaker association with employee motivation in this analysis (Ryan & Deci, 2020). While extrinsic motivators can influence behavior to some extent, they may not be as influential in driving sustained motivation as intrinsic factors like competence, autonomy, and meaningful work. To enhance employee motivation effectively, companies could focus on fostering a culture that emphasizes developing employees' skills, provides opportunities for growth and learning, and offers meaningful work experiences (Furiady & Kurnia, 2015). While acknowledging the importance of extrinsic motivators, prioritizing intrinsic motivators like competence (Mod3) can lead to more sustainable and fulfilling outcomes for employees.

In the domain of fraud prevention, the significant loading for Y5 (Regulatory Compliance) suggests that adherence to regulatory standards and guidelines plays a crucial role in preventing fraudulent activities within an organization. Compliance with regulations helps mitigate legal risks and fosters trust and credibility with stakeholders (Astria & Adhariani, 2019). Nevertheless, the smaller loading for Y3 (Employee Training and Awareness) indicates that the emphasis on employee training and awareness regarding fraud prevention is somewhat less pronounced in this analysis. However, investing in employee education and awareness programs can be instrumental in detecting and preventing fraudulent behavior. Well-trained and vigilant employees are often the first line of defense against fraud. To effectively bolster fraud prevention efforts, companies should focus intensely on regulatory compliance (Y5) while prioritizing initiatives to enhance employee training and

awareness (Y3). By combining regulatory adherence with comprehensive employee education programs, financial service companies can establish a robust framework for mitigating fraud risks and promoting ethical conduct throughout the workplace (Fajri & Setiany, 2024).

The path coefficient from X to Med unveils a compelling narrative of a robust, affirmative correlation between Spiritual Leadership (X) and Organizational Culture (Med), underscoring their intertwined significance. Similarly, the direct path from X to Y illuminates a vibrant connection, highlighting Spiritual Leadership (X) in bolstering Fraud Prevention (Y) and fostering resilience against deceit. Moreover, the path from Med to Y elucidates a symbiotic bond between Organizational Culture (Med) and Fraud Prevention (Y), symbolic of a harmonious organizational ethos combating malfeasance. Delving deeper, the indirect influence of X on Y through Med echoes the mediation arranged by Organizational Culture (Med), intricately shaping the dynamic between Spiritual Leadership (X) and Fraud Prevention (Y).

Additionally, the path from Mod to Y sheds light on the positive synergy between Employee Motivation (Mod) and Fraud Prevention (Y), celebrating motivation as a catalyst for ethical conduct. While the combination of X and Mod on Y fails to reach statistical significance, implying a limited moderating effect of Employee Motivation (Mod) on the bond between Spiritual Leadership (X) and Fraud Prevention (Y), the synergy of Med and Mod on Y resonates profoundly. Here, Employee Motivation (Mod) emerges as a potent moderator, infusing vitality into the relationship between Organizational Culture (Med) and Fraud Prevention (Y), manifesting the pivotal role of motivation in shaping organizational culture.

The findings of this study regarding the positive influence of spiritual leadership on have been confirmed by several previous literature (Cortellazzo, Bruni, & Zampieri, 2019; Göçen & Özğan, 2018; Pio & Lengkong, 2020; Shafique, N Kalyar, & Ahmad, 2018). In numerous studies, researchers have consistently found that spiritual leadership fosters a sense of purpose, meaning, and alignment with organizational values among employees (Egel & Fry, 2017). Additionally, it has been shown to correlate positively with employee engagement, job satisfaction, and organizational commitment (Fry et al., 2017). Moreover, scholars have highlighted the role of spiritual leadership in promoting ethical behavior, fostering a supportive work environment, and enhancing organizational performance (Fry et al., 2017; Pio & Lengkong, 2020). These findings underscore the importance of integrating spiritual principles into leadership practices for cultivating a thriving workplace culture.

Solid organizational culture should prevent fraud better in financial service companies. A robust organizational culture serves as a potent deterrent against fraudulent activities within financial services companies (Astuti et al., 2019). The influence of spiritual leadership can be significantly amplified within such cultural frameworks, further fortifying the prevention of potential fraud. By nurturing a culture deeply rooted in ethical principles, transparency, and integrity, companies not only deter fraudulent behavior but also cultivate an environment where spiritual the

companies can flourish, bolstering trust, accountability, and ethical decision-making at all levels (Wahyuningsih et al., 2019).

The exciting findings are that the interaction effect of employee motivation can significantly moderate the relationship between organizational culture and fraud prevention but does not significantly moderate the relationship between spiritual leadership and fraud prevention in the financial service company in Indonesia. It could be attributed to the fact that employee motivation may have a more pronounced effect on the relationship between organizational culture and fraud prevention due to cultural norms and expectations within the Indonesian context. In contrast, the influence of spiritual leadership may be perceived differently or may not be as strongly linked to fraud prevention in this specific cultural context. It is possible that within financial service companies in Indonesia, the impact of organizational culture on fraud prevention is more tangible and directly influenced by factors like employee motivation.

On the other hand, the role of spiritual leadership may be perceived as less directly connected to fraud prevention, with its effects mediated by other factors or not as explicitly integrated into organizational processes. The leadership practices prevalent in Indonesian financial service companies may prioritize aspects of organizational culture closely tied to employee motivation and behavior, thus leading to a more significant effect of interaction between employee motivation and organizational culture concerning fraud prevention. The absence of a significant moderation effect for spiritual leadership could also stem from methodological considerations such as sample size, measurement precision, or the statistical techniques employed in the analysis. This is why employee motivation moderates the relationship between organizational culture and fraud prevention. At the same time, the same may not hold true for the relationship between spiritual leadership and fraud prevention in the context of financial service companies in Indonesia.

6. Conclusions

The study investigated the influence of spiritual leadership on fraud prevention within financial service companies in Indonesia, specifically focusing on the mediating role of organizational culture and the moderating effect of employee motivation. The findings indicate that spiritual leadership significantly directly influences fraud prevention, both independently and through its impact on organizational culture. Moreover, organizational culture emerges as a crucial mediator in the relationship between spiritual leadership and fraud prevention, highlighting the importance of fostering a culture aligned with spiritual principles to enhance fraud prevention efforts. Interestingly, while employee motivation does not directly moderate the relationship between spiritual leadership and fraud prevention, it plays a significant moderating role in organizational culture and fraud prevention. This finding underscores the significance of employee motivation in shaping the effectiveness of organizational culture in preventing fraudulent activities within financial service companies.

These findings carry several implications for practice. Firstly, financial service companies should prioritize cultivating spiritual leadership among their leaders to foster a culture imbued with ethical values, integrity, and accountability, thereby enhancing fraud prevention measures. Secondly, organizations should recognize the importance of aligning organizational culture with spiritual principles to strengthen fraud prevention efforts, acknowledging the pivotal role of culture as a mediator in this relationship. Additionally, attention should be given to enhancing employee motivation as it can bolster the impact of organizational culture on fraud prevention.

One notable novelty from the findings is the confirmation of the mediating role of organizational culture in the relationship between spiritual leadership and fraud prevention within the context of financial service companies in Indonesia. It highlights the interconnectedness of leadership, culture, and fraud prevention outcomes, suggesting a holistic approach to addressing fraud risks. Furthermore, identifying employee motivation as a significant moderator in the relationship between organizational culture and fraud prevention underscores the nuanced interplay of individual and organizational factors in shaping fraud prevention efforts. In short, the study underscores the importance of spiritual leadership, organizational culture, and employee motivation in mitigating fraud risks within financial service companies, offering valuable insights for practitioners and researchers alike.

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