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Fraud risk management practice among listed companies in Malaysia: an Islamic perspective

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Abstract

Purpose – This paper aims to explore how fraud risk management is practiced in Malaysia and to identify the role of Maqasid Shariah in deterring fraud cases. At the end, this study aims to propose a fraud risk management model centric on Maqasid Shariah for deterring fraud among public-listed companies. Design/methodology/approach – This study applied a semi-structured interview method that focused on companies with risk management practices, and the responses are then analysed using NVIVO analysis. Findings – The study found that overall, all companies have implemented fraud risk management processes, which consist of fraud risk assessment, fraud risk evaluation,

fraud risk prevention and control, fraud risk implementation and monitoring and finally, risk communication. However, Shariah-compliant companies are currently lacking in understanding of the role of Maqasid Shariah in fraud risk management. This can be attributed to the strong influence of Western values in their governance and corporate practices. Therefore, this study proposes a comprehensive fraud risk management model centric on Maqasid Shariah that can help regulators and firms in deterring corporate failure among the listed companies in Malaysia. Research limitations/implications – This study provides guidance to the regulators on the rules and regulations, policies and procedures compatible with Malaysian institutional settings to be followed by the corporations in managing fraud risk and hence reducing fraud cases and corporate failures. However, it is important to note that the findings of this study cannot be generalised to all companies, as its main objective is to specifically analyse the practices of fraud risk management from an Islamic perspective in Shariah-compliant companies. Practical implications – This study provides insights to the regulators to continually improve the practice of fraud risk management among Shariah-compliant companies. Originality/value – This study fills the research gap on the practice of fraud risk management among Shariah-compliant companies that are listed in Bursa Malaysia, which are still underdeveloped. © 2025 Emerald Publishing Limited

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