



Al-Amwal: Jurnal Ekonomi dan Perbankan Syariah
ISSN: 2303-1573 e-ISSN: 2527-3876
Homepage: <https://www.syekhnrjati.ac.id/jurnal/index.php/amwal>
email: jurnalalamwal@syekhnrjati.ac.id

AL-AMWAL

The Mediating Role of Reputation on Trust, Governance and Sharia Bank Performance

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Abstract

This research aims to analyze the influence of trust and governance on Islamic bank performance which is mediated by corporate reputation. This research uses quantitative methods with data collection techniques through questionnaires with sampling using Accidental Sampling. Data analysis uses Partial Least Square Structural Equation Model (SEM PLS). The research results show that trust has a positive effect on the performance of Islamic banks, but trust does not act as a mediator in the relationship between governance and Islamic bank performance. Furthermore, governance variables have a significant influence on reputation. However, other variables such as governance and reputation have no effect on the performance of Islamic banks. Apart from that, governance on the performance of Islamic banks which is mediated by reputation does not have a significant influence. Overall, trust, governance and reputation play an important role, but to improve the overall performance of Islamic banks requires support from various other factors such as product innovation, operational efficiency, service quality and effective risk management. The results of this research contribute to Sharia Banking to improve company performance through the implementation of Trust, Governance and Corporate Reputation.

Keywords: Trust, Governance, Reputation, Company performance, Sharia Banking

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kepercayaan dan Tata kelola terhadap kinerja bank syariah yang dimediasi oleh reputasi perusahaan. Penelitian ini menggunakan metode kuantitatif dengan teknik pengumpulan data melalui kuesioner dengan pengambilan sampel menggunakan Accidental Sampling. Analisis data menggunakan Partial Least Square Structural Equation Model (SEM PLS). Hasil penelitian menunjukkan bahwa kepercayaan berpengaruh positif terhadap kinerja bank syariah, namun kepercayaan tidak berperan sebagai mediator dalam hubungan tata kelola dengan kinerja bank syariah. Selanjutnya variabel tata kelola mempunyai pengaruh yang signifikan terhadap reputasi. Namun variabel lain seperti tata kelola dan reputasi tidak berpengaruh terhadap kinerja bank syariah. Selain itu tata kelola terhadap kinerja bank syariah yang dimediasi oleh reputasi tidak memberikan pengaruh yang signifikan. Secara keseluruhan kepercayaan, tata kelola dan reputasi memegang peranan penting, namun untuk meningkatkan kinerja bank syariah secara keseluruhan diperlukan dukungan dari berbagai faktor lain seperti inovasi produk, efisiensi operasional, kualitas layanan dan manajemen risiko yang efektif. Hasil penelitian ini berkontribusi pada Perbankan Syariah untuk meningkatkan kinerja perusahaan melalui penerapan Kepercayaan, Tata Kelola, Reputasi.

Kata kunci: *Kepercayaan, Tata Kelola, Reputasi, Kinerja Perusahaan, Bank Syariah*

INTRODUCTION

The performance of sharia banking in Indonesia has increased significantly in recent years. This is driven by various strategies implemented by the government as well as international factors that support the growth of this industry (Destantina Tadsuri et al., 2022; Fatimah Tuzzuhro, Noni rozaini, 2019; Lenap et al., 2021). Based on data from research Sayekti et al., (2020) which stated that the Financial Services Authority (OJK), growth in sharia banking financing as of June 2020 reached 10.13 percent on an annual basis (year on year/ yoy). This figure is higher than the growth in conventional banking credit distribution of 1.49 percent (yoy) in that period, Apart from that, the performance of the sharia banking industry is recorded to be better than conventional banking conditions. So with this significant growth, Indonesian sharia banking shows the potential to become a leader in the global sharia economy. This is driven by government support, increasing public awareness, large market potential, and strong financial performance (Alam et al., 2022; Fatimah Tuzzuhro, Noni rozaini, 2019). This increase in performance can also prove that sharia banks are not only an alternative, but also the main choice for people who want to carry out financial transactions safely and in accordance with sharia principles, by continuing to improve their performance through product innovation, better service, and compliance. Commitment to sharia principles, Indonesian banking has a great opportunity to expand market share and increase its contribution to the global economy (Fatimah Tuzzuhro, Noni rozaini, 2019; Pratiwi et al., 2021).

Although sharia banking in Indonesia has experienced positive growth (Nastiti & Kasri, 2019; Rizvi et al., 2020). There are still many aspects that require improvement, especially regarding public awareness and understanding (Yanti, 2021). This lack of awareness is one of the factors inhibiting the further growth of Islamic banks (Norrahman, 2024), public awareness of the existence and advantages of sharia banking is still relatively low. Many people do not know that Sharia banking can be the best alternative

compared to conventional banking. This ignorance often makes people not consider Sharia banking options when they want to open a new account or seek financing (Aribi & Gao, 2010; Lisa, 2016). Lack of knowledge about sharia banking products can make potential customers reluctant to switch, because they may perceive Sharia banking as something that is old-fashioned or full of restrictions (Albaity & Rahman, 2019). Apart from that, according to Dusuki, (2015) Without adequate understanding, the level of public trust in the principles and practices of sharia banking can be low, and hinder their involvement in using sharia banking services, so that people prefer to continue using conventional banking with which they are more familiar. The lack of financial literacy among the general public also makes it difficult for them to understand sharia banking products and make the right financial decisions (Wartoyo et al, 2023; Yusuf et al, 2017). Low financial literacy causes the public to be unable to differentiate between sharia and conventional banking products, and unable to understand the benefits and basic principles of sharia banking, such as prohibition of usury (interest), the concept of profit sharing and ethical investment (Amin et al., 2014; Natalina & Zunaidi, 2023). All of these factors directly influence the performance of sharia banks, because limitations in attracting new customers and retaining customers hinder the growth and stability of sharia banks in the financial market. Several previous studies have shown that there is a positive impact on governance and the level of customer trust in Islamic banks (Amin et al., 2014; Listriyani et al, 2024).

This research is very important to carry out because it can help reveal how reputation influences trust, governance and performance of Islamic banks. Understanding this relationship is crucial for the long-term success of Islamic banks. With this research, Islamic banking strategies can be improved through a deeper understanding of the role of reputation. Islamic banks that have a good reputation tend to be more trusted by customers, which in turn can improve their performance and governance effectiveness (Tahir et al., 2021). From a practical side, the results of this research can help Islamic banks to develop more effective and targeted strategies. With a better understanding of how reputation influences various operational and managerial aspects, Islamic banks can design programs and policies that focus on increasing trust and satisfaction. customers then from the theoretical side this research can provide a broad understanding of the role and impact of reputation in the operational and managerial context of Islamic banks. This research can also provide a foundation for further research in this area, as well as help develop a more comprehensive theoretical framework for examining the relationship between reputation, trust, governance and performance of Islamic banks (Wartoyo, 2023).

The novelty of this research focuses on the mediating role of reputation in the relationship between trust, governance and performance of Islamic banks, which is rarely discussed in previous research, so it is hoped that this research can provide significant new understanding of how reputation influences crucial factors in the banking sharia industry (Burke et al., 2020; Aziz et al, 2024). Therefore, this research aims to uncover and understand the role of reputation as a mediator in the relationship between trust, governance and performance of sharia banks. and explore how reputation can influence customer trust in sharia banks, its influence on internal bank governance, and its direct impact on bank performance, this research is expected to be able to provides valuable new insights for practitioners and academics in the field of sharia banking.

LITERATURE REVIEW

Islamic bank performance

Islamic bank performance can be defined as the effectiveness and efficiency of Islamic banks in achieving goals by complying with Islamic sharia principles. This includes compliance with Islamic law and ethics, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *maisir* (gambling), with all products and services approved by the sharia supervisory board (Arif et al., 2023; Wartoyo, 2023). This compliance not only ensures that Sharia banks operate in accordance with religious teachings, but also increases the trust and loyalty of customers who want halal and ethical financial products and services. Apart from that, the performance of Sharia banks is also assessed based on their ability to manage risks in accordance with sharia principles, which includes avoiding unlawful risks and implementing fair and transparent transactions (Fatmawati et al., 2022). Following are some of the main indicators used by Maradita, (2019) to assess the performance of Sharia banks involves various aspects that reflect compliance with Sharia principles, financial performance, risk management and product innovation.

The results of previous research, namely by (Lenap et al., 2021) states that there is a positive relationship between Islamic bank performance and reputation, this research is in line with previous studies (Wang & Berens, 2023) also emphasized the importance of financial and non-financial performance in building a good reputation for Sharia banking, so it can be concluded that good performance in the operational aspect of Sharia is very important for building and maintaining a positive reputation in the market.

Trust

Trust can be defined as a person's confidence or feeling of confidence in the integrity, ability or truth of an individual, group, agency or system. Trust includes the expectation that the trusted party will act in a predictable, reliable manner, and in accordance with established expectations. Trust is very important in various contexts, including personal relationships, business, government, and financial services such as banks. Sharia, trust is very important for the reputation of sharia banks by paying attention to good service, effective communication, and commitment to sharia principles can build and maintain customer trust, so that it can strengthen the reputation, performance and success of Sharia banks in the long term (Burke et al., 2020; Dietz & Den Hartog, 2019).

Trust in an institution can be seen from four main indicators that have been identified in the literature. First, institutional culture reflects the values and norms that are firmly held, as well as how the institution interacts with stakeholders and society in general. Second, institutional arrangements include policies, procedures, and organizational structures that promote transparency, accountability, and efficiency in operations. Third, the economic aspects of institutions include financial health, good risk management and long-term financial sustainability. Finally, social results and institutional performance show the positive impact they have on society and the environment, as well as the achievement of desired social goals. These four indicators together build a solid foundation to strengthen public trust in institutions, ensuring that institutions not only perform well economically but also contribute positively to society as a whole (Pratiwi et al., 2021).

Several previous studies have shown a positive relationship between trust and the performance of Islamic banks (Yusuf, et al, 2017; Usman et al., 2020), in line with the findings of research conducted by (Darmawan, 2023), which found that there was a significant influence on Muslim customers' trust in the services they perceived by the

bank. The existence of a significant positive influence between customer satisfaction and customer trust means that Muslim customers' trust in the Sharia banking industry in Indonesia is influenced by how satisfied they are with the services provided by the bank. Thus, improving the quality of Sharia bank performance can have the potential to strengthen customer trust in the long term. Based on the statement above, the hypothesis proposed is as follows:

- H1 : trust has a direct influence on the performance of sharia banks
- H2 : trust has a direct influence on reputation
- H3 : Trust has an influence on the performance of Islamic banks mediated by reputation.

Governance

E-Government governance models determine how digital initiatives are organized, managed and monitored (Puneri, 2021). Food security governance is defined as "The formal and informal rules and processes through which interests are articulated, and decisions relevant to food security in a country are made, implemented and enforced on behalf of community members (Pérez-Escamilla et al., 2024). The most common framework for measuring corporate sustainability performance is the Environmental, Social, Governance perspective. Commonly associated with ethical or socially responsible investing, governance criteria have become key indicators of management competency, risk management and non-financial performance (Martiny et al., 2024).

The Financial Services Authority (OJK) has established several governance indicators that must be met by Sharia banks, which are contained in POJK Number 2 of 2024 concerning the Implementation of Sharia Governance for Sharia Commercial Banks and Sharia Business Units. These indicators are grouped into 5 pillars, namely: Structure and Mechanism Pillar, Process and Procedure Pillar, Transparency and Accountability Pillar, Integrity and Culture Pillar, Openness and Stakeholder Participation Pillar (OJK, 2024).

Based on previous research according to Soud & Aypek, (2020) The research results show that corporate governance has a positive influence on bank efficiency as measured by the cost-to-income ratio. Furthermore, the results of previous research according to Ghuslan et al., (2021). shows that good governance can improve a company's reputation by increasing accountability, transparency and fairness. This is also in line with previous research according to Siddiqui et al., (2023) The research results show that good governance can improve a company's reputation through corporate social responsibility. Based on the statement above, the hypothesis proposed is as follows:

- H4: Governance has a direct influence on Bank Saria's performance
- H5: governance has a direct influence on reputation
- H6: Governance has an influence on the performance of Islamic banks, mediated by reputation.

Reputation

Reputation is a general assessment given by the public or other stakeholders to a person, organization or institution based on the actions, performance and behavior that has been demonstrated. In the context of Islamic banks, reputation is the key to getting customers, maintaining customer loyalty, and ensuring long-term growth and stability (Neville et al., 2021). A strong reputation built on ethical practices, transparency, and

compliance with Sharia principles will instill trust and confidence in potential customers, making them more likely to choose Islamic banks over conventional banks even though building a good reputation takes time and effort, but it is a valuable investment for the organization itself (Buhmann et al., 2020). By focusing on integrity, performance and social responsibility, anyone can build a positive reputation that will open the door to success. A strong reputation not only attracts more customers, but also increases the loyalty of existing customers, and strengthens the bank's competitive position in the market (Fieseler et al., 2019). In addition, a good reputation can minimize reputation risk and increase the financial stability of Islamic banks.

Reputation is a collective perception of the character or quality of a person, organization, or entity, which is formed based on the consistent actions, behavior, and communications of that subject. Reputation reflects how an individual or group is viewed by society at large and is influenced by various factors that include direct experience, public opinion, and information available through mass media and digital platforms. By consistently managing actions, behavior, and communications, individuals and organizations can build and maintain a strong reputation, which in turn supports long-term success and trust from all stakeholders (Reave, 2019; Wang & Yang, 2020). The following indicators are used to assess the reputation of banks, including Sharia banks, namely impression, responsibility, relationships with consumers, work environment, leadership and products and services (Lin & Smith, 2019).

Based on previous research which reveals that company reputation has a significant influence on bank performance. Banks with a good reputation have lower funding costs, higher loan values, and lower levels of bad debt (Gatzert, 2015). This is in line with research according to Musallam et al (2019) which discusses banks with a better reputation and attractiveness to institutional investors, and can also help improve bank access to capital and can improve a bank's financial performance. Based on the statement above, the hypothesis proposed is as follows:

H7 reputation has a direct influence on Sharia bank performance

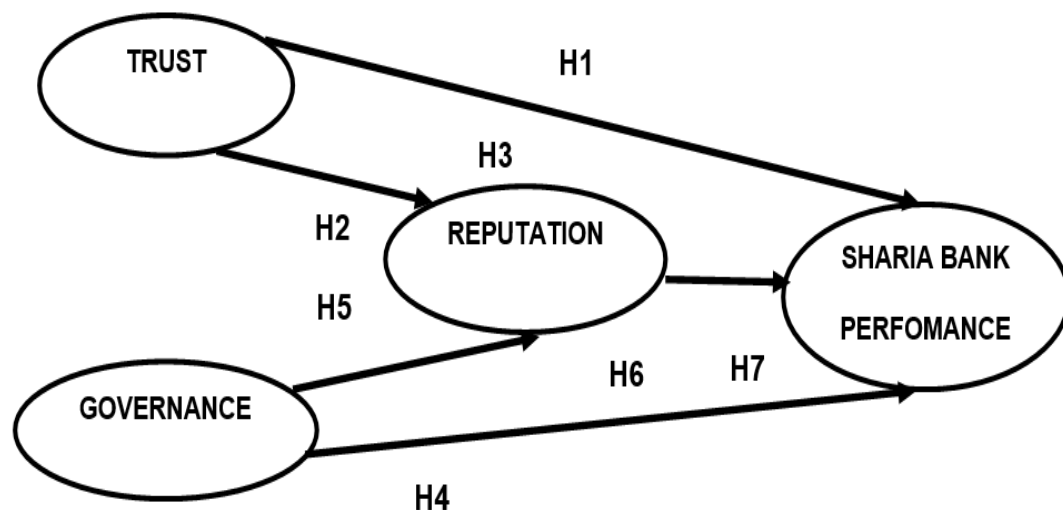


Figure 1. Conceptual Framework

METHODS

This research uses quantitative research methods through primary data collection techniques through questionnaires. The data in this research were obtained from the results of a questionnaire distributed to 72 respondents. In this research, the population is sharia bank customers. The sample in this research is more specific to customers from sharia banks who are Sharia bank users using the Accidental Sampling method, because the size of the population is unknown. The scale used in this research is a Likert scale, namely from 1 (strongly disagree) to 4 (strongly agree). Furthermore, this research measures the Trust variable which is measured with 4 indicator items taken from research (Pratiwi et al., 2021). Governance variables are measured with 5 indicator items taken from the Financial Services Authority (OJK). The Islamic bank performance variable is measured by 4 indicator items taken from research (Maradita, 2019). Furthermore, the final variable is Reputation which is measured by 6 indicator items taken from research (Lin & Smith, 2019).

RESULT AND DISCUSSION

Respondent Demographics

Based on Table 1.1 It is known that the majority of respondents in this study are Islamic bank customers. Meanwhile, based on the gender aspect used, the majority of respondents in this study were female and male Sharia customers. Apart from that, based on the age of the majority of respondents in this study, namely Less than 20 Years - More than 40 Years. Meanwhile, based on educational background, the majority of respondents in this research were customers with education ranging from vocational school/high school to master's level. The following is an overview of the demographic statistics of research respondents.

Table 1. Demographic Profile

| Profile | Total | Percentage (%) |
|--------------------|-------|----------------|
| Gender | | |
| Woman | 55 | 67% |
| Man | 17 | 33% |
| Age | | |
| Less Than 20 Years | 48 | 67% |
| 21 – 30 Years | 16 | 12% |
| 31 – 40 Years | 8 | 6% |
| Over 40 Years | 0 | 0% |
| Education | | |
| SMK/SMA | 25 | 35% |
| S1/S2/Masters | 47 | 65% |

Source: Primary data processing, Smart PLS 4

Validity and Reliability

Before carrying out SEM PLS testing, it is necessary to carry out validity and reliability tests which are a requirement. Methods that can be used are methods for assessing convergent validity, including the average extracted variance (AVE) factors loadings, as well as reliability measures (composite reliability for this study).

Table. 2 Composite Reliability

| Construct | Items | Loadings | Composite Reliability | AVE |
|-------------------------|--|----------|-----------------------|-------|
| Sharia Bank Performance | Banks avoid investing in sectors prohibited by sharia | 0.775 | 0.928 | 0.685 |
| | Islamic banks have stable and sustainable growth. | 0.831 | | |
| | The bank has clear policies | 0.892 | | |
| | The Bank has a strong internal control system | 0.845 | | |
| | The Bank is actively developing new products and services | 0.863 | | |
| | Islamic banks use the latest technology | 0.750 | | |
| Trust | The institution's interaction with stakeholders and society in general has a positive impact | 0.903 | 0.939 | 0.721 |
| | Institutional culture has a positive impact on employee performance and satisfaction | 0.807 | | |
| | The institution has long-term financial sustainability | 0.854 | | |
| | Financially healthy institutions have sufficient income | | | |
| | Institutions that perform well can help improve community welfare | 0.811 | | |
| | Institutions committed to environmental sustainability can help reduce pollution | 0.884 | | |
| | The organization has a clear structure | 0.831 | | |
| | The organizational structure reflects an effective separation of functions | | | |
| | Sharia banks have well documented work procedures | 0.713 | | |
| | Sharia banks carry out | | | |

| | | | | |
|------------|---|-------|-------|-------|
| Governance | evaluations and improvements | 0.740 | 0.945 | 0.632 |
| | The performance reporting mechanism is carried out openly and transparently. | 0.823 | | |
| | Every management action and decision is documented | 0.861 | | |
| | A work culture that prioritizes the values of honesty | | | |
| | Integrity and work ethics training is provided regularly to employees. | 0.745 | | |
| | Stakeholders are given the opportunity to provide input | 0.796 | | |
| | Information regarding the organization's programs and activities is published openly. | 0.788 | | |
| | Banks are known as trusted institutions | 0.871 | | |
| | The bank maintains good and open communication | | | |
| | The bank routinely conducts customer satisfaction surveys | 0.826 | | |
| | The Bank provides a safe and healthy workplace for employees | 0.773 | | |
| | Islamic banks provide career development opportunities for employees. | 0.903 | | |
| | Banks offer a wide range of products | 0.814 | | |
| Reputation | The bank offers innovative and competitive products and services | 0.843 | 0.948 | 0.724 |
| | The Bank provides a safe and healthy workplace for employees | 0.917 | | |
| | Islamic banks provide career development opportunities for employees. | 0.857 | | |
| | Banks offer a wide range of products | 0.734 | | |
| | The bank offers innovative and competitive products and services | 0.876 | | |

Based on Table 2, it can be seen that the validity and reliability tests of this research were carried out twice to obtain valid and reliable results. In the first test, several constructs were eliminated because they were not valid and reliable. The second test produces valid and reliable constructs or variables. Based on the table above, it is known that the AVE value is greater than 0.50 so it is considered valid. Meanwhile, the construct is reliable because the composite reliability value is more than 0.70.

Table. 3 Hypothesis testing

| | STDEV | t-Statistics | P-Values | Hypothesis |
|-------------------------------|-------|--------------|----------|--------------|
| Trust > SBP | 0.150 | 4,313 | 0,000 | H1: Accepted |
| Trust > Reputation | 0.152 | 1,908 | 0.056 | H2: Rejected |
| Trust > Reputation > SBP | 0.069 | 0.778 | 0.437 | H3: Rejected |
| Governance > SBP | 0.135 | 1,954 | 0.051 | H4: Rejected |
| Governance > Reputation | 0.150 | 3,973 | 0,000 | H5: Accepted |
| Governance > Reputation > SBP | 0.121 | 0.909 | 0.364 | H6: Rejected |
| Reputation > SBP | 0.188 | 0.989 | 0.323 | H7: Rejected |

The results of the first hypothesis are that trust has an influence on the performance of Sharia banks, mediated by reputation because when customers have trust in sharia banks, they are more confident in the bank's integrity, transparency, and commitment to implementing sharia principles. This trust encourages customers to spread positive information about the bank to others, thereby building a good bank reputation. Based on the results of previous research, according to Winasih & Hakim (2021) show, that trust and reputation mediated the relationship between service quality and customer loyalty. This research shows that trust in Islamic banks can increase reputation, which in turn strengthens customer loyalty, and overall increases customer loyalty. However, different findings were reported by Fianto et al (2020), which showed that reputation does not mediate the relationship between trust and customer loyalty. This research shows that although trust is important, reputation may not always act as a mediator between trust, and public opinion Rasoolimanesh et al (2021). The differences in the results of this study underscore the complexity of the relationship between trust, reputation, and performance in the context of Islamic banks, as well as the importance of considering contextual variables that can influence the performance of Islamic banks.

On the other hand, the finding that trust has no influence on reputation is because there are several things that can reduce trust in reputation, such as weakening the public understanding of Sharia concepts and bank regulations, which can suddenly damage the bank's reputation, regardless of the previous level of customer trust. The relatively subjective nature of reputation is influenced by individual perceptions and the mass media, making the assessment of a bank's reputation more complex so that individuals will find it more difficult to assess it objectively. Because trust is a valuable asset for

organizations that want to build a good reputation and achieve long-term success, hopefully, it can solve the existing problems (Aripin et al., 2024). As proven by research by Purwanto et al., (2020), The research results show that trust has a positive and significant influence on a bank's reputation. However, different research results were shown by Stravinskienė et al. (2021), Where no influence of trust on reputation was found.

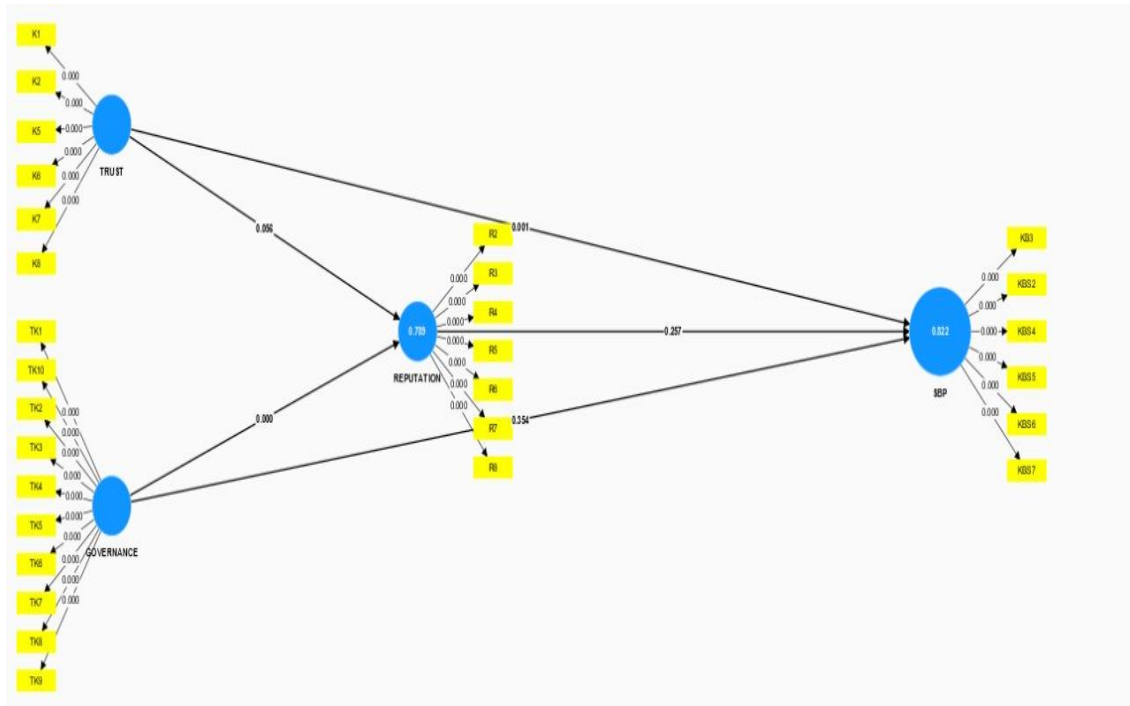


Figure 2. Standardized Direct Effects, Standardized Indirect Effects dan Standardized Total Effects

Based on Figure. 2 the data processing that has been carried out, the third hypothesis states that Trust has a positive influence on the performance of Islamic banks. This is because trust is an important factor that can improve the performance of Islamic banks in Indonesia. By building and maintaining customer trust, Islamic banks can increase customer loyalty, attract new customers, increase operational efficiency, strengthen competitiveness, and ultimately, improve financial performance. This research is in line with previous research which shows that trust has a positive and significant influence on the performance of Islamic banks (Ahmed et al., 2022). This means that the higher the customer's trust in Islamic banks, the higher their loyalty, contrary to research conducted by Ahmed et al., (2022) This positive influence means that trust and satisfaction simultaneously show a positive relationship to customer loyalty. Customer trust in Islamic banks has implications for the quality of financing. With high trust, customers are more likely to carry out transactions with sharia banks, thereby increasing the volume of financing and overall performance of sharia banks.

Furthermore, the fourth hypothesis shows that governance does not influence the performance of Islamic banks, This does not mean that increasing the performance of Islamic banks cannot be guaranteed and does not minimize agency conflicts between shareholders and management. However, other factors such as governance can dominate

the influence of Islamic banks, so that the effectiveness of governance in improving the performance of Islamic banks is reduced. Sharia bank governance is not yet fully effective in supervising and directing sharia bank activities in accordance with Sharia principles. Apart from that, the lack of enforcement of Sharia bank governance is still not strong and consistent. This can cause violations of governance principles, thereby hampering the achievement of governance objectives and not having a positive impact on the performance of Islamic banks (Alam et al., 2019). This is different from previous research, according to Ben Abdallah & Bahloul (2021), which shows that good governance has a significant relationship with higher performance in IB MENASA. Corporate governance plays an important role in overcoming agency problems and developing a culture of transparency and openness regarding performance (Aslam & Haron, 2020).

For the fifth hypothesis, governance has a direct influence on Sharia bank performance. These findings can help companies determine appropriate criteria and qualifications for their members. Members must have the right combination of skills, knowledge, experience and independent elements that enable them to take effective decisions to achieve company goals. Sharia banking governance does not only focus on compliance with sharia rules, but also builds trust, transparency, accountability and justice. By implementing good sharia governance, Sharia banks can build a positive and strong reputation, which will ultimately improve the performance and success of Sharia banks. These findings are in line with previous research according to Judijanto et al., (2024) States that significant positive relationship between Sharia Governance and Corporate Reputation and Financial Performance, as well as between CSR and its results. Furthermore, Corporate reputation acts as a partial influence that mediates between sharia governance and CSR practices on financial performance. The results of this research indicate that ethical governance and socially responsible CSR practices are critical in improving organizational outcomes. This is in line with research according to Finance & Khan, (2020) The research results show that variables related to Sharia governance are more influential in determining the financial performance of sharia banks. These findings are also in line with research (Ghuslan, Jaffar, Mohd, et al., 2021) The results show that the effectiveness of corporate governance and the quality of environmental and social reporting have a positive effect on corporate reputation.

Furthermore, the sixth hypothesis is that governance has no influence on the performance of Islamic banks, mediated by reputation. Because Indonesian people still have limited knowledge about sharia banking, so they do not really understand how Sharia bank governance functions and how the reputation of sharia banks affects the performance of sharia banks. This limited knowledge can cause people to distrust Islamic banks and not carry out transactions with Islamic banks. This is in line with the research results according to Mansoor et al., (2019) shows that Sharia governance does not have a direct influence on bank performance, but has an indirect influence through reputation. In contrast to research findings according to Usdeldi et al., (2022). The research results show that corporate governance has a positive influence on the performance of Islamic banks, and this influence is strengthened by the reputation of Islamic banks. Although good governance can improve the reputation and performance of Islamic banks, other factors such as effective governance mechanisms, strong governance enforcement, transparency and accountability, public awareness, and favorable external conditions also need to be considered to maximize the positive impact of governance on performance of Islamic banks (Aslam et al., 2024).

The last hypothesis is that reputation does not have a direct influence on the performance of Islamic banks, because in Islamic banking, adherence to sharia principles and a deep understanding of religious values are much more important than reputation in the conventional sense. Customers choose Islamic banks because they seek the security that their funds are managed in accordance with Islamic sharia principles, such as the prohibition of usury and Sharia-compliant investments. This is in line with research Mohiuddin (2022), The research results show that reputation does not have a direct influence on Sharia bank customer satisfaction. Islamic banks need to focus on building a positive reputation through consistent application of sharia principles, offering high quality products and services, and increasing transparency and accountability (Atia et al., 2020).

CONCLUSION

Based on the data above, it can be concluded firstly that trust has a positive influence on the performance of Sharia banks, which means that the higher the level of consumer trust in Sharia banks, the better the bank's performance. However, trust does not have a significant effect on the reputation of Islamic banks, indicating that although consumers trust banks, this does not directly improve the reputation of Islamic banks. Apart from that, trust also does not act as a mediator in the relationship between governance and Islamic bank performance, so that trust does not strengthen or weaken the influence of governance on Islamic bank performance.

Furthermore, governance has a positive and significant influence on the reputation of Islamic banks, which shows that the implementation of good governance can improve the bank's reputation in the eyes of consumers and other stakeholders. However, governance does not have a positive and significant effect on the performance of Islamic banks directly. This shows that although good governance is important for reputation, this factor alone is not enough to directly improve the performance of Islamic banks. Reputation also does not have a positive and significant influence on the performance of Islamic banks, which shows that although reputation is important in building consumer image and trust, reputation alone is not enough to directly improve the performance of Islamic banks.

There are limitations in this research. This research uses a sample relatively small, so the generalization of the findings to a wider population is limited. The small sample may not adequately represent the diversity of characteristics of Islamic banks and their customers in Indonesia. This can cause bias in research results and reduce its validity. This research focuses on Islamic banks in Indonesia. The findings of this research may not be directly applicable to other banking industries or to Islamic banks in other countries with different cultural and economic contexts. Suggestions for further research are to improve the results of this research in order to increase the size and representativeness of the sample, update variable measurements, and examine the role of other variables.

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