International Journal of Islamic Economics Vol 6, Number 2, (2024), pp.105-118
DOI: https://doi.org/10.32332/ijie.v6i2.9417

Reputational Risk Management Strategies for Islamic Banking: Comparison of Bank Victoria Syariah and Bank Syariah Indonesia

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Article History:	Abstract
Submitted: June 11th, 2024 **Revised:** August 13th, 2024 **Accepted:** August 23rd, 2024 **Published:** September 13th, 2024 **By:** **International Journal of Islamic Economics (IJIE)**	**Introduction:** Reputation reflects a public perception of banking activities. The existence of reputation risks can affect the performance of the banking industry sector because they can lead to various other risks. In 2023, Bank Victoria Syariah and Bank Syariah Indonesia, as Islamic banking in Indonesia, experienced reputational risk and caused different impacts. **Objective:** This study aims to determine the reputation risk management strategies of Bank Victoria Syariah and Bank Syariah Indonesia in mitigating, managing, and controlling reputation risk and then compare them. **Method:** The research approach used is a comparative qualitative approach. The research data was obtained from risk management reports contained in the annual reports of Bank Victoria Syariah and Bank Syariah Indonesia in 2023. **Result:** The results showed that Bank Victoria Syariah and Bank Syariah Indonesia focus on monitoring risk exposure and *handling* customer *complaints*. Bank Victoria Syariah's reputation risk management strategy focuses more on risk mitigation measures and proper risk handling so that the company continues to grow healthy and perform well after the case. While Bank Syariah Indonesia focuses its reputation risk management strategy on mitigation actions and post-disaster reputation recovery (disaster recovery), its implementation has not been maximized, impacting the decline in BRIS shares. **Implication:** The results of this research are expected to provide an understanding to readers and be used as a material of consideration for financial institutions as a reference material in addressing reputational risks that threaten the leading institutions of Sharia Banking **Keywords:** Bank Syariah Indonesia; Bank Victoria Syaria; Reputation Risk; Risk Management Strategy.

A. Introduction

Reputation is significant for Islamic banking and is based on *stakeholder* trust. Reputation is a determining factor to ensure the long-term profitability of banks (Zaby & Pohl, 2019). (Afrizal et al., 2022) they highlighted the importance of reputation as an asset for Islamic banking due to the specialized nature of its business to attract customers and stakeholders as well as its requirement to adhere to Sharia principles where they are prohibited from engaging in activities that contain elements of *gharar, maysir,* and *riba* (Butt et al., 2022). Therefore, building a good image is very important and is the *branding* of every company, especially banking, because the reputation that is owned will significantly impact the level of customer trust and will determine the availability of customers to deposit their funds and use the products offered by the bank (Himmah et al., 2023).

Previous research by (Alzwi et al., 2024; Makalew et al., 2016) on the banking industry in Indonesia found that the reputation of a company or brand has a positive influence on consumer attitudes towards the brand or company, where consumers have a higher tendency to buy or use a brand from a company that has a good reputation than a company with a bad reputation, where this reputation will affect consumer emotional feelings as well as attitudes to re-buy and use products or services of the same brand. In connection with this, it is essential to understand that companies operating in industries that have very high levels of risk, competitive rates, and change, like the banking industry, given that they are vulnerable to reputational risk (Pratomo et al., 2024).

Empirical research (Abdul et al., 2024; Marinkovic & Obradovic, 2015) states that trust influences customers' emotional responses, followed by social ties and image. The relationship between trust and customer relationships is also discussed in (Dahlstrom et al., 2014). They concluded that trust relationships between customers and banks can significantly reduce customer risk awareness. The specific effect of ethical reputation was described by (Mulki & Jaramilo, 2011) in their study of 299 customers of two large Chilean financial institutions. Customer satisfaction, value, and loyalty can also be realized and enhanced if banks focus on their ethical reputation (Zaby & Pohl, 2019).

Islamic banking is more vulnerable to risks that can damage its reputation, considering that the risks of Islamic banking are more complex than conventional banking because the Sharia compliance aspect is closely related to reputation (Alzwi et al., 2024). Reputational risk does not have a direct impact on banking finances. Still, in the end, it will have a significant impact where reputational risk erodes customer trust, which causes the withdrawal of funds by third parties and even moves to other banks because banks include industries with a high sensitivity to public trust. In addition, the Islamic banking industry in Indonesia is only two decades old. The Islamic finance industry can experience systematic negative impacts due to a negative reputation, even if the industry is still tiny. Therefore, Islamic banks must have good reputation risk management (Purnomo, 2019).

Environmental changes like developing global media and communication channels can reduce customer loyalty and expose organizations to increased reputational risks. Because once a reputation is damaged, it is difficult to repair it. On average, it takes 3.5 years to recover from a reputation crisis. However, reputational risks can be minimized, and reputational crises can be prevented through comprehensive reputational risk management that helps reduce the risk of reputational damage and helps respond quickly and adequately in the event of an incident. According to Suharno and Sutarso (Gohae et al., 2021), one of the indicators of consumer behavior is a psychological factor that consists of motivation, perception, learning beliefs, and attitudes. Therefore, it is essential in banking to form a strong perception and confidence in the customer through agility in dealing with problems to not damage the customer's or potential customer's trust.

Research (Sharma & Joshi, 2022) shows that bank type emerges as a significant moderator between the dimensions of bank reputation and bank trust. This shows that the effect of bank reputation on customer trust is significantly different in public and private banks. Sentiment towards customers is considered high in private banks, while the other three dimensions are higher in public sector banks. Therefore, this study will take the research locus of private Islamic banks and government Islamic banks in Indonesia.

Bank Victoria Syariah, one of the private banks, and Bank Syariah Indonesia, a government bank, are two Islamic banks in Indonesia that experienced cases in 2023 that threatened the reputation of the two banks. In 2023, two corporate customers reported Bank Victoria Syariah to the police and Financial Services Authority because they could not withdraw their deposits, which did not match what they claimed. *First*, the corporate Bumiputera Sekuritas. In February 2023, Bumiputra Sekuritas wanted to withdraw its funds but could not; instead, it received information from Bank Victoria Syariah that two of its accounts had been blocked. After receiving the blocking information, BPS reported Bank Victoria Syariah to the Financial Services Authority and Bareskrim POLRI. Bumiputra Sekuritas's attorney considered that Bank Victoria Syariah had at least committed violations in three forms, namely 1) Bank Victoria Syariah unilaterally blocked the two Bumiputra Sekuritas accounts without following the applicable laws and regulations, and there was no blocking order from the police; 2) Providing additional conditions for the withdrawal of funds belonging to Bumiputra Sekuritas, and 3) Without providing a detailed explanation accompanied by official documents Bank Victoria Syariah only recognized the total balance in the two accounts as Rp17.056 billion whereas Bumiputra Sekuritas claimed to have funds amounting to 38.47 billion (Irawati, 2024).

Second, PT Pool Advista Finance Tbk (POLA). The company reported to Bareskrim POLRI and Financial Services Authority that it had lost RP 13.5 billion deposited at Bank Victoria Syariah. POLA said it could not withdraw the money from Bank Victoria due to alleged fraud within Bank Victoria Syariah. Meanwhile, the President Director of Bank Victoria Syariah stated that the money was not lost because the bank recorded all customer transactions correctly. However, Bank Victoria Syariah could not disburse the deposit because it used unregistered bills (Tim CNN Indonesia). In POLA's explanation in the Indonesia Stock Exchange (IDX) information disclosure, the billet was signed by a Bank Victoria Syariah official as the head of the Bekasi Bank Victoria Syariah branch. Based on the latest information, in January 2024, a suspect was named in the case (Burhan, 2024).

Meanwhile, in the case of Bank Syariah Indonesia, the management of PT Bank Shariah Indonesia Tbk found indications of a cyber-attack that interfered with its banking service network since May 8, 2023. Customers could not conduct four-day financial transactions (Yogatama, 2023). At first, Bank Syariah Indonesia said that the disruption occurred because system maintenance was being carried out, which caused the service to be temporarily inaccessible. However, on May 14, 2023, it was revealed that a *hacker ransomware* attack caused the Bank Syariah Indonesia service disruption. The ransomware perpetrators, Lock Bit, gave the bank's management 72 hours to provide the ransom money (Azarine, 2023).

Hackers threatened to destroy the bank's reputation if their demands were unmet. However, the Bank Syariah Indonesia Management still claimed that the service was being maintained and not hacked. However, in the end, the hackers succeeded in breaking into the state-owned banking system and holding customer data hostage. Allegedly, 1.5 terabytes of data were leaked, including nine databases containing the personal data of more than 15 million Bank Syariah Indonesia customers and employees. This data includes names, addresses, document information, card numbers, phone numbers, and transactions. This case shows the weakness of Bank Syariah Indonesia's security system. Hackers may have found vulnerabilities in the merged bank's often untested security systems (Nisaputra, 2023).

Based on the cases experienced by both banks in Indonesia, the cases of these two banks come from different sources. The Bank Victoria Syariah case originated from legal risk, while Bank Syariah Indonesia originated from IT risk, but both had an impact on the decline in banking reputation. Various social media reports about the cases experienced by Bank Victoria Syariah and Bank Syariah Indonesia caused negative sentiments from customers, the public, and other stakeholders. Both Bank Victoria Syariah and Bank Syariah Indonesia are trying to resolve their respective cases and restore their reputation in the eyes of the public through reputation risk management strategies owned by each bank. Every bank has risk management policies and strategies tailored to bank conditions.

Based on the above background and some previous research (Hassan, 2009; Khir & Mohamed, 2023; Nurulita et al., 2023; Roziq & Ilma Ahmad, 2024), the novelty of the research is interested in analyzing how the reputation risk management strategies of Bank Victoria Syariah and Bank Syariah Indonesia mitigate, manage, and control the reputational risks experienced and then compare the similarities and differences of the reputation risk management strategies of the two banks.

B. Literature Review

Corporate reputation is an asset that is difficult to protect but is considered the most critical source of competitive advantage. Companies are increasingly faced with challenges due to environmental changes, such as declining customer loyalty and the development of global media and communication systems that can increase reputational risk. In addition, reputational risk is more challenging to manage than traditional reputation because reputational risk is related to perception issues. For a company, negative feedback is more dangerous than traditional risk because reputation contains an intangible value at stake (Afrizal et al., 2022).

Reputation risk occurs due to a decrease in stakeholders' trust level stemming from negative perceptions of the bank's performance or activities (Ikatan Bankir Indonesia & Banker Association for Risk Management, 2015). The scope of reputation risk is broad and not limited to the bank's reputation alone; reputation risk can even affect the emergence of other risks. In addition, reputation risk can also affect the performance of the banking industry. Stakeholder perceptions, including social responsibility, emotional appeal, financial performance, products and services, vision and leadership, and the performance of the bank's human resources, describe the public's assessment of the bank's reputation for competence, integrity, and reliability (Zaby & Pohl, 2019).

Islamic banking often faces reputation problems when customers complain directly (to the Islamic bank) or indirectly (through word of mouth and social media). Risk events may occur only in a bank whose risk controls are inadequate. Therefore, all Islamic banks must be aware of activities or activities that indicate a decline in banking reputation, such as regulatory violations, violations of DSN-MUI provisions, financial scandals, management and operational incompetence, dishonesty, incompetence in management or service, and poor financial performance (Nugraha, 2019).

The loss of trust in any financial institution, whether conventional or Islamic, will negatively impact the financial system. The likelihood of being exposed to reputational risk is higher in the Islamic finance industry, with a much more severe impact than that of the conventional banking system. This is due to inconsistent standards and practices among Islamic banks due to different interpretations of Sharia rules and principles (Apridasari, 2021).

Reputational risk can be minimized if the management of Islamic banking is viewed positively by stakeholders. Similarly, if substantial shareholders own the company, the reputational risk will be more negligible. If Islamic banking provides poor services, it will cause high reputational risk. Therefore, to avoid negative assessments of the application of the Sharia system, which can result in unwanted publicity that can jeopardize reputation, Islamic banking must apply Sharia principles consistently and adequately (Aysan et al., 2024)

Based on (Peraturan Bank Indonesia Nomor 13/23/PBI/2011,) Risk management is a series of methodologies and procedures used to identify, measure, monitor, and control risks arising from the bank's business activities. The literature on risk management studies in Islamic Banking is pioneered by scholars such as (Khan, 1997; Vogel & Hayes, 1998; Obaidullah and Wilson, 1999 Karim, 1999 and Khan and Ahmad, 2001 Hassan, 2009). The main difference between risk management of Islamic and conventional banks lies in what they evaluate, not how they measure risk. This is because Islamic banks have some risks only borne by the bank, namely implementing operations based on Sharia provisions (A Study on Risk Management Strategies, 2023).

The essence of risk management is the appropriateness of risk management practices and methodologies to ensure that a bank's business activities are controlled within acceptable and profitable limits. However, there is no universal risk management system for all banks due to the diversity of market structure, volume, and complexity of banking operations. Therefore, each bank should develop a risk management system based on its activities and organization (Surat Edaran Bank Indonesia Nomor 5-21-DPNP Tahun 2003).

The quality of risk management functionally depends on assessing the effectiveness of the risk management system. This will determine how effective the bank's risk management implementation is against the general principles of bank risk management implementation. Assessment of the quality of risk management is seen from three components, namely: (a) risk governance, (b) risk management framework, and (c) strength of risk control system. Therefore, it is essential to know about banking risk information, which will later be used to make careful and precise decisions. Therefore, Islamic banking is expected to be able to manage the disclosure of information related to the risks faced. The information disclosed is positive and negative about risk management (Yanuardin & Siregar, 2020).

Regarding reputation risk management, failure to implement risk management can result in significant withdrawals of funds by third parties, liquidity problems, bank closure by the authorities, or even bankruptcy of the bank (Karim, 2013). Therefore, the main objective of reputation risk management is to anticipate and minimize the negative impacts that cause losses from the reputation risk of Islamic Banks (Rianto, 2013). Essential factors that indicate reputational risk are negative media coverage, the reputation of the owner and related companies, business ethics violations, the complexity of the bank's products and business cooperation, and the materiality and frequency of customer complaints.

Here are the steps of reputation risk management:

1. Identification of Reputational Risk

   The bank identifies risks associated with specific activities, including lending, property and investments, operations and services, trade finance (if any), information systems, and human resources. For any issues related to reputational risk, including the amount of loss caused by such issues, the bank manages and controls such information. This information is recorded and used as statistical data to assess potential losses at specific times and hours of operation (Ikatan Bankir Indonesia & Banker Association for Risk Management, 2015).

2. Reputational Risk Measurement

   Banks may use a combination of qualitative and quantitative approaches to measuring reputation risk. These approaches include surveys, data, mathematical models, and cooperation. Once they have information about a bank's reputation, they can process and analyze it to determine its risk. Some banks also implement regular monitoring programs to ensure that reputation risk remains within reasonable limits (Budianto, 2023).

3. Reputation Risk Monitoring

   The Bank monitors reputation risk regularly following the experience of past losses caused by reputation risk. Risk monitoring is integral to bank risk management, ensuring banks have and maintain a good reputation. Banks can monitor reputation risk by conducting social media analysis, conducting customer surveys, monitoring the press, analyzing reputation risk, and developing a response system (Budianto, 2023).

4. Reputation Risk Control

   The banking industry relies heavily on the trust and loyalty of customers and the public, so they need to protect their reputations. Banks can control reputation risk through several measures, such as 1) Implementation of policies and procedures; 2)

Product and service management; 3) *Monitoring and* reporting; 4) Training and socialization; 5) Cooperation with external parties; and 6) Evaluation and improvement (Budianto, 2023).

5. Reputation Risk Management Information System (SIMRR)

   SIMRR collects bank integrity information from various sources. SIMRR analyzes and interprets it to reduce risks, maintain the bank's reputation, address reputational risks, make control decisions, and prioritize actions (Budianto, 2023). The management information system must produce complete, accurate, and timely reputation risk reports to assist the board of directors' decision-making process (Ikatan Bankir Indonesia & Banker Association for Risk Management, 2015).

6. Reputation Risk Internal Control System

   The reputation risk internal control system is a set of measures and procedures banks use to monitor reputation risk. This process involves identifying, assessing, and controlling risks that negatively or positively impact the organization's reputation. The purpose of this system is to protect the bank from any crime and to maintain and expand its reputation. Some of the ways that can be done to manage reputational risk in banking are media *monitoring*, social *listening*, risk analysis, training and education, and adequate procedures and control mechanisms (Budianto, 2023).

C. Research Methodology

This research uses a qualitative approach with a comparative analysis that compares reputational risk management strategies in Islamic Banking in Indonesia. The Islamic Banks that are the locus of this research are Bank Victoria Syariah and Bank Syariah Indonesia. The research data used is the Risk Management Implementation Report obtained from the Bank Victoria Shariah annual report in 2023, which is accessed on the website https://www.bankvictoriasyariah.co.id/ and the Bank Syariah Indonesia annual report in 2023, which is accessed on the website https://ir.bankbsi.co.id/. This research also includes supporting data relevant to the research topic, namely books, Sinta-indexed journals, international journals, and trusted websites. The analysis phase in this study includes four phases: data collection, data reduction and categorization, data appearance, and conclusion drawing. This research produced discreet word-based data on the topics studied to meet the research objectives, namely, to determine the reputation risk management strategy at Bank Victoria Shariah and Bank Shariah Indonesia.

D. Results and Discussion

Bank Victoria Syariah Reputational Risk Management Strategy

With the rapid pace of business growth and development, Bank Victoria Syariah implements an integrated risk management model by identifying, measuring, and controlling risk exposures in all business areas. To run an efficient and effective risk management system, Bank Victoria Syariah takes a series of steps, namely: (1) Identify and control all risks; (2) Establish supporting committees; (3) Establish an independent risk analysis work unit; (4)

DOI: https://doi.org/10.32332/ijie.v6i2.9417

Manage risks and ensure the availability of policies and the establishment of risk limits; (5) Ensure the process of preparing work systems and procedures has taken into account operational, business, and risk levels; (6) Ensure that the internal control system has been implemented according to the provisions; (7) Monitor the Bank's compliance, and (8) Prepare a Risk Profile Report every quarter and a Bank Health Level Report every semester (PT. Bank Victoria Syariah, 2023).

Bank Victoria Syariah generally carries out the prevention of events that cause reputation risk through a series of activities, namely: (1) *Corporate Social Responsibility Banking*, which is one of the bank's activities that helps the community both financially and socially which is expected to create a good reputation in the eyes of its stakeholders; (2) Maintaining the positive reputation of bank stakeholders by establishing regular communication. Meanwhile, reputation risk management at Bank Victoria Syariah is carried out with two strategies, namely: (1) Monitoring bank news in the mass media and (2) Handling complaints about bank products and services through the Call Centre to be more professional and effective (PT. Bank Victoria Syariah, 2023).

Furthermore, in controlling reputation risk, Bank Victoria Syariah promptly addresses any customer complaints and lawsuits that may increase reputation risk exposure. Meanwhile, Bank Victoria Syariah strives to restore its reputation after an event that jeopardized it by doing everything possible to prevent reputational damage. Legal cases faced by Bank Victoria Syariah are cases or lawsuits arising from the company's daily business activities. The bank's management and legal counsel think that the financial statements will not be significantly affected by the ultimate liability for such legal cases or claims. As a result, no provision has been made for contingent liabilities (PT. Bank Victoria Syariah, 2023).

In connection with the legal case that befell Bank Victoria Syariah, which impacted Bank Victoria Syariah's reputation, Bank Victoria Syariah formed an Anti-Fraud Team (TAF) in which SKAI also took a strategic role. The background to the formation of the Anti-Fraud Team is as follows:

1. Strengthening Bank Victoria Syariah's internal control system and as a further implementation of POJK No.39/POJK.03/2019 concerning the Implementation of Anti-Fraud Strategies for Commercial Banks.
2. Many *fraud* cases in the banking sector are detrimental to customers and banks, so regulations governing the implementation of anti-fraud strategies are needed.
3. Instruct Bank Victoria Syariah to conduct *fraud* control through prevention and detection efforts, investigation, and system improvements as part of a vital fraud control strategy.

The anti-fraud strategy implemented at Bank Victoria Syariah is based on 4 (four) pillars, as follows:

1. *Prevention*: Provide tools to reduce the likelihood of *fraud*, including anti-fraud awareness, vulnerability identification, and employee knowledge.
2. *Detection*: Provide tools to identify and discover instances of *fraud* in Bank Victoria Syariah's business activities, including *whistleblowing* policies and mechanisms, unexpected audits, and surveillance systems.

3. *Investigation, reporting, and sanctions*: providing tools to identify and discover *fraud* in Bank Victoria Syariah business activities, including investigation standards, reporting mechanisms, and sanctions.
4. *Monitoring, evaluation, and follow-up* include tools for monitoring and evaluating *fraud* events and the necessary follow-up mechanisms. The evaluation results determine the tools needed to monitor and evaluate fraud incidents.

Based on a series of reputation risk management strategies implemented by Bank Victoria Syariah, the risk profile assessment during 2023 conducted on a *self-assessment basis* by Bank Victoria Syariah shows the composite rating of Bank Victoria Syariah's reputation risk profile is two or low to moderate with an inherent risk assessment is composite three or moderate and the quality of the bank's risk management implementation is composite two or satisfactory. Of course, this case makes Bank Victoria Syariah have its reputation record in the eyes of customers because there is negative news in the online media even though Bank Victoria Syariah has submitted a refutation of the information submitted by the media. Even so, Bank Victoria Syariah conveyed in the Explanation of Letter No. S-11170/BEI.PP2: S-11170/BEI.PP2/12-2023, dated December 22, 2023, shows that the company continues to grow healthy and perform well. As of the end of November 2023, Bank Victoria Syariah's financial condition had assets of Rp 2.71 trillion (grew 96.64% yoy) supported by an increase in third-party funds of 325.77 billion. The bank's core capital was recorded at Rp 1.06 trillion, which regulatory requirements have been met. Profit before tax was achieved at 30.15 billion with a *Non-Performing Finance* Ratio maintained.

Bank Syariah Indonesia Reputational Risk Management Strategy

In managing reputation risk, Bank Syariah Indonesia is integrated with other risks, such as legal, strategic, compliance, and yield risks. Bank Syariah Indonesia takes risk management *best practices* from each *legacy* bank to be refined and implemented in Bank Syariah Indonesia. Bank Syariah Indonesia has risk management policies and standard risk management procedures to support risk management, including *Know Your Customer* (KYC) Control Procedures, Customer Protection and Complaints Operational Procedures, Legal Control Procedures, Compliance Control Procedures, Anti Laundering and Terrorism Financing Prevention, *Corporate Secretary Operational Procedures, Corporate Plan* Operational Procedures, Bank Business Plan (RBB), Corporate Budget and Work Plan (RKAP), and *Performance Management Operational Procedures* (PT. Bank Syariah Indonesia Tbk, 2023).

Bank Syariah Indonesia implements a risk management process that includes risk identification, measurement, monitoring, and control activities, as well as the availability of adequate information systems carried out monthly and quarterly. Bank Syariah Indonesia manages reputation risk through *complaint handling management, reputation risk measurement through publicity effectiveness level* and media news monitoring. Bank Syariah Indonesia has a *whistleblowing system* (WBS), which monitors complaints or disclosures of issues that could result in financial and non-financial losses, including reduced credibility. The bank's reputation depends on these efforts (PT. Bank Syariah Indonesia Tbk, 2023).

DOI: https://doi.org/10.32332/ijie.v6i2.9417

In connection with the hacking case experienced by Bank Syariah Indonesia in 2023, which caused a decline in Bank Syariah Indonesia's reputation with BRIS shares markedly corrected to around 4%-6%, BSI formed a *disaster recovery* strategy/process, which is an integration of *Emergency Response* (ER), *Business Continuity* (BC), and *Data Recovery* (DR). The Bank has a crisis management procedure, which includes identification and escalation of disturbances, crisis declaration process, activation of *Crisis Management Team Crisis Center* (CMTCC), activation of recovery activities and periodic reporting, crisis information management, response to news of extraordinary events/crisis communication, and deactivation of *Crisis Management Team* (CMT) (PT. Bank Syariah Indonesia Tbk, 2023). After a press release on May 16, 2023, conducted by Bank Syariah Indonesia, the next day, BRIS shares began to recover even though they were only able to close stagnant at the end of trading. Then, on May 19, 2023, BRIS shares finally managed to rise 6.88% after slumping due to the hacking case or *ransomware* cyber-attack (Dewi, 2023).

To create a positive image and reputation, Bank Syariah Indonesia carries out several strategies, including establishing good relations with the mass media to gain a public understanding of the company, maintaining and improving the image through consistency and standardization in the implementation of the *Bank's Corporate Identity*, communicating sustainable financial actions or activities to increase recognition and a positive image of the bank in various media channels, and managing corporate *branding* and RAKB processes effectively and efficiently to increase positive perceptions of stakeholders and shareholders to increase *brand equity* (PT. Bank Syariah Indonesia Tbk, 2023).

Based on a series of reputation risk management strategies implemented by Bank Syariah Indonesia, the risk profile assessment as of December 31, 2023, conducted on a *self-assessment basis* by Bank Syariah Indonesia, shows the composite rating of Bank Syariah Indonesia's reputation risk profile is two or low to moderate, with an inherent risk assessment of composite two or low to moderate, and the quality of the bank's risk management implementation is composite two or satisfactory (PT. Bank Syariah Indonesia Tbk, 2023).

Similarities and Differences between Bank Victoria Syariah and Bank Syariah Indonesia Reputational Risk Management Implementation

Reputation risk management at Bank Victoria Syariah and Bank Syariah Indonesia is carried out to handle risks and anticipate losses due to risks. The similarity between Bank Victoria Syariah and Bank Syariah Indonesia in overcoming emerging reputational risks lies in the risk management organization, procedures, and the focus of the problem. Bank Victoria Syariah and Bank Syariah Indonesia form a particular organization to deal with the problem of the emergence of threatening reputational risks. Risk handling procedures are established to handle risk handling properly and thoroughly. However, both have different steps in implementing procedures to overcome risks tailored to the conditions at each bank. Both banks focus on monitoring risk exposures and *handling customer complaints because customers are the determinants of the bank's future operations, so complaints must* be handled properly to maintain customer loyalty and the bank's reputation.

Of course, there are differences between Bank Victoria Syariah and Bank Syariah Indonesia when forming a reputation risk management strategy. At Bank Victoria Syariah as a private bank, Bank Victoria Syariah requires more comprehensive steps in building its reputation, so Bank Victoria Syariah focuses on managing reputation risk management strategies through preventive action by building regular communication/education to stakeholders and implementing *Corporate Social Responsibility* (CSR) to form a positive reputation. By building positive relationships among *stakeholders* and *shareholders*, Bank Victoria Syariah has pocketed the trust of stakeholders so that if cases affect the banking reputation, it will not have a significant impact even though it will still get its record in the eyes of *stakeholders* and *shareholders.*

Meanwhile, Bank Syariah Indonesia as a bank resulting from the merger of 3 Sharia banks, namely BRI Syariah, Mandiri Syariah, and BNI Syariah, took the *best practice of* risk management from each *legacy bank* to be refined and implemented at Bank Syariah Indonesia. In addition to focusing on mitigation actions through maintaining communication with the mass media as well as *stakeholders* and *shareholders* to improve the bank's reputation, Bank Syariah Indonesia also focuses on post-disaster recovery actions that integrate *Emergency Response* (ER), *Business Continuity* (BC), and *Data Recovery* (DR). Bank Syariah Indonesia has risk management policies and standard procedures to support risk management: Standard Legal Control Procedures, Standard Compliance Control Procedures, and Standard *Know Your Customer* (KYC) Control Procedures.

E. Conclusion

Reputation risk is inherent in Islamic banking and continuous with other risks, so Islamic banking must create the right strategy to build and maintain a good reputation in the eyes of the public. Building good relationships with *stakeholders* is an essential reputational risk mitigation action to be taken by Islamic banking to invest in reputation. However, Islamic banking must also strive to maintain this reputation so that it remains positive through the risk management process, namely, identification, measurement, monitoring, and control, to maintain the sustainability of the banking business. Bank Victoria Syariah and Bank Syariah Indonesia, as Islamic banks in Indonesia, have formed a reputation risk management strategy following the conditions of their respective banks' market structure, size, and business complexity.

The results of this study are expected to provide readers with an understanding and be considered for financial institutions as reference material in overcoming reputational risks that threaten institutions. Future researchers are expected to be able to conduct more in-depth research related to risks that arise in banking or analyze how far banks can overcome the risk exposure that occurs by plunging and making direct observations in the field. This research still has many shortcomings. However, this research has been pursued as much as possible so that the results obtained can contribute to science and be helpful for those in need.

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