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Identifying and Prioritizing the Components of Reputational Risk in the Iranian Banking System: A Quantitative Study of Banking Risk Management Experts

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ABSTRACT

Reputational risk has become an increasingly important concern for banks because adverse events related to banking operations, corporate governance, financial performance, and customer relations can undermine stakeholder confidence and affect the stability and sustainability of banking institutions. Despite its growing importance, limited empirical research has systematically identified and prioritized the main dimensions of reputational risk within the Iranian banking system. Therefore, this study aims to identify the key components of reputational risk and determine their relative priority from the perspective of banking risk management experts. The study adopts a quantitative research approach and examines the views of professionals and experts involved in risk management in the Iranian banking industry. Using Cochran's formula, 155 respondents were selected as the statistical sample. Data were analyzed using descriptive statistics and inferential statistical techniques. The Kolmogorov–Smirnov test was used to assess data normality, followed by the one-sample t-test to examine the statistical significance of the research variables. Structural equation modeling was subsequently employed to examine the contribution and significance of the identified components in the proposed reputational risk model, while the Friedman test was used to prioritize the identified dimensions. The results indicate that all four dimensions make statistically significant contributions to the reputational risk model. These dimensions comprise operations and supervision, corporate governance and shareholders, economic and accounting factors, and customers and market competition. Based on the Friedman prioritization, these dimensions are ordered according to their relative importance in the assessment of reputational risk by the surveyed experts. The findings contribute to the empirical understanding of reputational risk in the Iranian banking system and provide practical implications primarily for bank risk managers, boards of directors, internal-control functions, and banking supervisors. The findings may also provide indirect information for capital-market participants; however, the study does not directly examine stock returns, firm valuation, portfolio performance, investor responses, or listed-bank performance.

Keywords: Reputational Risk; Bank Risk; Iranian Banking System; Risk Management; Banking Industry

1. Introduction and Problem Statement

Reputation represents an important intangible asset for banks because confidence and trust are fundamental to the continuity of banking relationships. Unlike many conventional financial risks, reputational risk does not necessarily originate from a single identifiable financial loss. It may arise from the way customers, shareholders, investors, counterparties, regulators, employees, and other stakeholders perceive a bank and its conduct. The Basel Committee on Banking Supervision defines reputational risk as the risk arising from negative perceptions of a bank that may adversely affect its ability to maintain existing or establish new business relationships and to continue accessing sources of funding. The Basel Framework also emphasizes that reputational risk is multidimensional, exists throughout the organization, and is influenced by both the adequacy of internal risk-management processes and the manner in which management responds to external events and influences (Bank for International Settlements).

The importance of reputational risk is closely related to the nature of banking activities. Banks operate in an environment characterized by information asymmetry, fiduciary relationships, and a high degree of dependence on public confidence. Customers generally cannot directly observe the quality of a bank's internal processes, risk-management practices, governance arrangements, or financial decision-making. Consequently, reputation can serve as an important signal of reliability, integrity, service quality, and organizational credibility. A deterioration in reputation may therefore affect customer relationships, funding conditions, business opportunities, and the bank's relationships with regulators and other market participants. The Basel Committee has specifically recognized that reputational risk may affect a bank's ability to maintain funding and may generate consequences for liquidity, capital, earnings, and other risk categories (Bank for International Settlements).

Reputational risk is also closely connected to other categories of banking risk. Operational failures, fraud, information-system disruptions, inappropriate employee behavior, inadequate customer service, legal or regulatory violations, weaknesses in corporate governance, and failures in communication can all create conditions in which reputational damage occurs. Nevertheless, reputational risk should not simply be regarded as a component of operational risk. Under the Basel Framework, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events, while reputational risk is explicitly excluded from that definition. (Bank for International Settlements) Thus, an operational event may constitute a source or trigger of reputational damage, but the reputational consequences may extend beyond the direct financial loss associated with the original event.

This distinction is particularly important because reputational consequences may generate second-round effects across different areas of a bank. For example, a service failure may initially represent an operational problem, but if it results in widespread customer dissatisfaction or negative public perceptions, it may subsequently affect customer retention, funding stability, business relationships, and regulatory confidence. The Basel Framework consequently requires banks to identify potential sources of reputational risk and incorporate relevant exposures into their risk-management processes. It also emphasizes the importance of considering reputational risk in stress testing and assessing its potential effects on other risk categories, particularly credit, liquidity, market, and legal risks. (Bank for International Settlements)

The governance and control environment of a bank is therefore an important part of reputational risk management. Corporate governance mechanisms, the behavior and accountability of managers and employees, internal controls, compliance systems, operational processes, financial reporting, customer-service practices, and the quality of relationships with shareholders and other stakeholders can influence how a bank is perceived and how effectively it responds to reputational threats. The Basel Core Principles similarly emphasize the importance of sound governance, risk management, internal controls, and effective supervision in maintaining the safety and soundness of banks. (Bank for International Settlements) Accordingly, reputational risk should be examined as a multidimensional organizational phenomenon rather than as an isolated consequence of individual operational incidents.

Despite the growing recognition of reputational risk, its identification and measurement remain challenging. One reason is that reputation is based partly on stakeholder perceptions and may change in

response to internal and external events. Another reason is that the consequences of reputational damage may not appear immediately in traditional financial statements. A bank may experience reputational deterioration before observable effects become evident in profitability, liquidity, customer retention, or market-related indicators. Therefore, an effective reputational risk-management framework requires the identification of the underlying factors that can create reputational vulnerability and the assessment of their relative importance.

Although reputational risk has been addressed in international banking literature and regulatory frameworks, there remains a need for a context-specific framework for identifying and prioritizing its components in the Iranian banking system. Existing approaches frequently examine particular sources of reputational risk separately, such as operational failures, corporate governance weaknesses, financial performance, customer dissatisfaction, or market-related factors. Such fragmented treatment may make it difficult for bank managers and supervisory authorities to determine which dimensions should receive greater managerial and control attention.

This gap is particularly relevant to the Iranian banking system because reputational risk is influenced by the institutional, regulatory, technological, economic, and competitive environment in which banks operate. A framework developed exclusively on the basis of foreign banking environments cannot necessarily be assumed to capture all of the factors that shape reputation in the Iranian context. Therefore, identifying the components of reputational risk from the perspective of the Iranian banking environment can provide a more context-sensitive basis for risk management and supervisory decision-making.

In addition, the existing literature does not sufficiently clarify how different groups of reputational-risk factors can be organized into an integrated framework for the Iranian banking system. In particular, there is a need to simultaneously consider factors related to operations and supervision, corporate governance and shareholders, economic and accounting conditions, and customers and market competition. These four dimensions provide the conceptual structure of the present study. The purpose is not merely to identify isolated reputational events, but to examine the broader components that may contribute to reputational vulnerability and subsequently determine their relative priority.

The central problem addressed in this study is therefore the absence of an integrated and context-specific framework for identifying and prioritizing the components of reputational risk in the Iranian banking system. Without a clear understanding of these components, banks may face difficulties in allocating risk-management resources, designing appropriate internal controls, strengthening governance mechanisms, improving customer relationships, and developing preventive measures against reputational crises.

Prioritization is particularly important because banks operate with limited managerial, financial, technological, and organizational resources. Identifying reputational-risk factors without determining their relative importance may provide only a descriptive understanding of the problem and may offer limited guidance for managerial decision-making. By contrast, prioritizing the identified components can help decision-makers determine which areas require greater attention in risk-management and control processes.

The rationale for the present study is therefore based on three considerations. First, reputational risk can affect multiple dimensions of a bank's relationships and performance and may interact with other categories of risk. Second, the multidimensional nature of reputational risk makes it necessary to examine its organizational, governance, economic, customer, and market-related sources simultaneously. Third, the institutional and operating characteristics of the Iranian banking system justify the development of a framework that reflects the specific context of Iranian banks rather than relying exclusively on models developed in other banking environments.

The contribution of this study lies in developing a multidimensional framework for reputational risk in the Iranian banking context and in organizing its components into four interconnected domains: operations and supervision, corporate governance and shareholders, economic and accounting factors, and customers and market competition. The results are intended primarily to support bank risk managers, boards of directors, internal-control functions, and banking supervisors in identifying areas that require greater attention in reputational-risk management. The study may also provide a basis for strengthening

preventive controls, improving governance and monitoring processes, and developing more systematic approaches to reputational-risk assessment in Iranian banks.

2- Theoretical foundations and research background

In contemporary competitive environments, organizational value is no longer determined solely by tangible and financial assets. Intangible resources, including trust, credibility, corporate reputation, and stakeholder relationships, increasingly contribute to an organization's ability to create and sustain competitive advantage. Companies that focus exclusively on their physical and financial assets may remain vulnerable if they fail to establish and maintain a favorable reputation among their stakeholders. Accordingly, corporate reputation can be regarded as an intangible strategic resource that develops gradually through an organization's historical performance, behavior, and interactions with its stakeholders (Jackson, 2004).

2.1. Corporate Reputation and Reputational Risk

Corporate reputation refers to the overall and relatively enduring assessment that stakeholders—including customers, employees, investors, regulators, business partners, and the general public—form regarding an organization. This assessment is shaped by the organization's past performance, credibility, quality of products and services, managerial practices, financial performance, social responsibility, and corporate governance (Fombrun, 1996; Helm, 2011). Therefore, reputation should not be understood as a temporary public image or as a synonym for brand value. Rather, it represents an accumulated stakeholder assessment based on previous experiences and expectations concerning the organization's future behavior.

This distinction is particularly important in the banking sector. Banking services are largely intangible, while many banking transactions involve commitments that will be fulfilled in the future. Consequently, trust in the bank's ability and willingness to fulfill its obligations constitutes an essential element of the banking relationship (Wang et al., 2003; Gaultier-Gaillard & Louisot, 2006). A bank's reputation can therefore influence customer relationships, stakeholder confidence, competitive positioning, and the sustainability of its business activities.

Reputational risk is conceptually different from corporate reputation. While reputation represents stakeholders' accumulated assessment of an organization, reputational risk concerns the possibility that an event, action, omission, or organizational condition may negatively affect that assessment and consequently generate financial, operational, regulatory, or strategic consequences. Reputational risk may arise from operational failures, regulatory violations, unethical behavior, poor financial performance, inadequate corporate governance, inappropriate treatment of customers, or ineffective communication. It can also emerge indirectly through the manifestation of other risks, such as credit, liquidity, market, operational, or compliance risks.

Similarly, reputational loss should be distinguished from reputational risk. Reputational risk represents the possibility of damage, whereas reputational loss refers to the actual deterioration in stakeholder trust, credibility, customer loyalty, market position, or business opportunities following a reputational event. Credibility, in turn, concerns the extent to which stakeholders perceive the organization as trustworthy, reliable, competent, and capable of fulfilling its commitments. Although these concepts are closely interconnected, treating them as interchangeable may lead to conceptual ambiguity. The present study therefore considers corporate reputation as the underlying stakeholder assessment, reputational risk as the potential threat to that assessment, reputational loss as the realized consequence of reputational damage, and credibility as an important mechanism through which stakeholder trust is maintained.

2.2. Importance of Reputational Risk in the Banking Industry

The importance of reputational risk is particularly pronounced in banking because banks operate within a highly trust-dependent environment. Unlike many tangible products, banking services cannot generally be evaluated completely before consumption. Customers therefore rely heavily on the perceived reliability, integrity, and competence of banks when making decisions concerning deposits, payments, borrowing, investment, and other financial services.

The competitive transformation of the banking industry has further increased the strategic importance of reputation. The establishment and expansion of private banks have intensified competition for customers and market share. Under these circumstances, banks cannot rely exclusively on price or conventional service characteristics to differentiate themselves. They must also develop intangible sources of competitive advantage, including trust, service quality, responsible management, transparency, and a favorable reputation.

The importance of reputation is also related to the interconnected nature of financial institutions. Walter (2014) argues that reputational problems can have particularly serious consequences for financial services firms because these institutions manage other parties' funds and because failures in financial intermediation may generate broader external effects. In addition, systemic characteristics of financial markets can amplify the consequences of reputational events (De Bondt & Hartmann, 2000).

Accordingly, reputational risk should not be considered an isolated public-relations issue. It is a multidimensional organizational risk that can interact with operational, financial, regulatory, governance, and customer-related factors. A failure in one area may initiate a reputational event, while reputational deterioration may subsequently intensify other organizational risks. This reciprocal relationship explains why effective reputational risk management requires coordination across organizational functions rather than responsibility being assigned solely to communication or public-relations departments.

2.3. Dimensions of Corporate Reputation and Their Relationship with the Research Model

Previous research has conceptualized corporate reputation as a multidimensional construct. Frequently discussed dimensions include emotional appeal, quality of management, quality of products and services, workplace quality, financial performance, social responsibility, and corporate governance and leadership. These dimensions demonstrate that reputation is not produced by a single organizational function; rather, it reflects the cumulative outcome of organizational behavior and stakeholder experiences.

For the purposes of the present study, these broad dimensions are reorganized according to the specific characteristics of the banking industry and the research framework into four components: operations and supervision; corporate governance and shareholders; economics and accounting; and customers and market competition. This categorization provides a clearer bridge between the general reputation literature and the empirical structure of the present research.

2.3.1. Operations and Supervision

The operations and supervision component concerns the reliability and effectiveness of banking processes, internal controls, regulatory compliance, risk management, and supervisory mechanisms. Operational disruptions, weaknesses in internal control, failures to comply with regulations, and inadequate monitoring may directly affect stakeholders' perceptions of a bank's reliability and managerial quality.

This component is therefore related to the reputation dimensions of management quality, organizational performance, and corporate governance. The connection is important because operational failures can become reputational events when stakeholders interpret them as evidence of broader managerial or organizational deficiencies. Consequently, operational and supervisory effectiveness represents an important mechanism for protecting a bank's reputation.

2.3.2. Corporate Governance and Shareholders

Corporate governance concerns the structures and processes through which an organization is directed, monitored, and held accountable. Transparency, managerial accountability, protection of shareholders' interests, board oversight, ethical leadership, and effective internal governance can contribute to stakeholder confidence.

Within the broader reputation framework, this component corresponds particularly to corporate governance and leadership, management quality, and aspects of social responsibility. Weak governance may damage perceptions of managerial integrity and organizational accountability even when the immediate financial consequences of a governance failure are limited. Thus, governance mechanisms

represent both a source of reputational strength and a potential source of reputational vulnerability.

2.3.3. Economics and Accounting

The economics and accounting component reflects the financial condition, financial transparency, accounting practices, profitability, and overall economic performance of the bank. Financial performance is traditionally recognized as one of the dimensions contributing to corporate reputation because stakeholders may interpret sustained financial strength as evidence of organizational competence and stability.

At the same time, accounting irregularities, inadequate financial disclosure, unexpected losses, or deterioration in financial performance may generate reputational concerns. This component therefore corresponds directly to the financial-performance dimension of corporate reputation and provides an important link between economic outcomes and stakeholder perceptions.

2.3.4. Customers and Market Competition

The customers and market competition component addresses service quality, customer satisfaction, customer treatment, innovation, product quality, responsiveness, and the bank's ability to maintain a competitive position. Because customers directly experience banking services, their perceptions constitute an important source of reputation formation. This component is closely associated with the reputation dimensions of product and service quality, value, innovation, and emotional appeal. Poor customer treatment, inadequate service quality, misleading communication, or failure to meet customer expectations may weaken trust and generate negative perceptions that extend beyond individual customer relationships.

2.4. Measurement and Management of Reputational Risk

Measuring reputational risk presents methodological challenges because reputation is an intangible and multidimensional construct. Unlike credit or market risk, reputational risk cannot generally be captured through a single universally accepted numerical indicator. Furthermore, reputational events frequently overlap with other types of risk, making it difficult to isolate the specific contribution of reputational factors. One possible approach is to assess an organization's reputation before and after a reputational event and then examine the change in stakeholder perceptions or organizational outcomes. Historical observations can subsequently be used to identify patterns of reputational loss and develop risk-management or scenario-based assessments. However, this approach requires systematic and repeated measurement of reputation over time.

Effective reputational risk management consequently requires a continuous process rather than a response limited to crisis situations. The process should include identification of potential sources of reputational vulnerability, assessment of their likelihood and consequences, continuous monitoring, preventive controls, stakeholder communication, and corrective actions following adverse events.

Reputational risk management should also be integrated with the organization's broader enterprise risk-management system. Operational failures, compliance problems, financial weaknesses, governance deficiencies, and customer-related problems may all become sources of reputational damage. Therefore, responsibility for reputation should extend beyond senior management or public-relations functions and be embedded within organizational risk governance.

2.5. Reputational Risk in Banks

The banking literature emphasizes that reputational risk is particularly difficult to measure but increasingly important to manage. The Basel Committee and banking-sector discussions have recognized the difficulty of establishing a precise quantitative measure for reputational risk while emphasizing the need for banks to develop appropriate processes for identifying and managing its sources.

An effective banking framework should begin with the identification of activities and decisions that may expose the bank to reputational damage. These may include new products and services, major investments, business relationships, operational processes, regulatory decisions, and customer-facing activities. Risk assessment should be supported by independent risk-management functions and, where necessary, reviewed by appropriate governance or risk committees.

The management process should also involve regular monitoring of customer communications, assessment of reputational implications of major business decisions, periodic review of policies and procedures, internal auditing, and employee training. These mechanisms are particularly important because reputational responsibility is distributed throughout the organization. Employees' decisions and interactions with customers can affect stakeholder perceptions even when those decisions are not explicitly classified as reputational-risk events.

Accordingly, reputational risk management in banks can be conceptualized as an integrated governance process involving identification, assessment, monitoring, prevention, communication, response, and organizational learning. This perspective is consistent with the multidimensional nature of reputation and supports the four-component structure adopted in the present study.

2.6. Review and Synthesis of Previous Studies

2.6.1. International Studies

Godin et al. (2025) examined the assessment and management of reputational risk in the banking industry and emphasized that reputational risk may emerge from organizational failures, public controversies, partnership problems, inadequate managerial advice, and inappropriate organizational decisions. Their discussion highlights the difficulty of measuring reputational risk because the underlying asset—organizational reputation—is intangible. However, the study primarily adopts a conceptual and descriptive perspective and does not provide a comprehensive empirical framework for integrating the different sources of reputational risk.

Mayer et al. (2024) examined the importance of reputational risk in the banking industry and emphasized the role of supervisory authorities in preventing the escalation of banking risks. Their analysis identifies potential consequences such as deposit withdrawals, deterioration in market confidence, reduction in credit standing, loss of business partners, and weakening of confidence in supervisory institutions. Although the study emphasizes the regulatory dimension of reputational risk, its primary focus is on supervisory responses rather than on developing a multidimensional organizational model of the determinants of reputational risk.

Heidinger and Gatzert (2018) investigated the impact of reputational risk on firm value in the banking and insurance industries. Their findings indicate that reputational risk can have direct financial consequences and that organizations should assess their exposure to reputational events and identify activities that may be particularly vulnerable. Their contribution is important because it connects reputational risk with measurable economic outcomes. However, the emphasis on financial consequences leaves room for further investigation of the organizational and stakeholder-related sources of reputational risk.

Taken together, the international literature indicates three major patterns. First, reputational risk is increasingly recognized as a strategically important risk in financial institutions. Second, its effects can extend beyond immediate reputational perceptions to financial and operational outcomes. Third, the multidimensional and interconnected nature of reputational risk makes its measurement and management difficult. Nevertheless, much of the existing literature either focuses on the consequences of reputational damage or examines individual sources of reputation risk. A comprehensive framework linking operational, governance, financial, and customer-market dimensions remains important, particularly in the context of emerging banking markets.

2.6.2. Domestic Studies

Mohammadi et al. (1404) examined the effectiveness of reputational risk on organizational performance and emphasized that corporate reputation represents an important intangible organizational asset. Their study discusses the sources and consequences of reputational risk and distinguishes reputation from related concepts such as brand. The study contributes to conceptual clarification and emphasizes the need for systematic reputation-risk management. However, it does not specifically develop a multidimensional model tailored to the banking sector.

Dinarmand et al. (1403) investigated the relationship between corporate reputation and organizational risk using information from leading Iranian companies. The study operationalized corporate risk through systematic, unsystematic, and

total risk measures and examined the relationship between reputation and corporate risk. Its contribution lies in demonstrating the economic relevance of corporate reputation. However, because the analysis is conducted at the level of general corporations rather than banking institutions, its findings do not fully capture the specific institutional and stakeholder characteristics of banks.

Rezamand and Jafari (2018) examined the effect of corporate reputation on firm market value among companies listed on the Tehran Stock Exchange using a neural-network approach. Their findings indicate a significant relationship between corporate reputation and market value. This study provides evidence that reputation can have measurable economic consequences in the Iranian corporate environment. Nevertheless, its focus on market value does not address the broader organizational determinants of reputational risk within banks.

2.6.3. Critical Synthesis and Research Gap

The reviewed studies collectively establish that corporate reputation constitutes an important intangible organizational resource and that reputational damage can generate financial, operational, regulatory, and stakeholder-related consequences. International research has generally emphasized the difficulty of measuring reputational risk, its financial consequences, and the importance of supervisory and managerial responses. Domestic studies, meanwhile, have provided evidence regarding the relationship between corporate reputation, organizational risk, performance, and market value in the Iranian context.

Despite these contributions, several gaps remain. First, the existing literature does not provide a sufficiently integrated framework that simultaneously considers operational and supervisory factors, corporate governance and shareholders, economic and accounting factors, and customer and market-competition factors. Second, previous studies frequently examine reputation as an outcome or organizational attribute rather than systematically identifying the factors that constitute reputational vulnerability. Third, the majority of domestic studies are not specifically designed around the structural characteristics of the Iranian banking industry. Finally, the literature does not sufficiently connect the established dimensions of corporate reputation—such as management quality, product and service quality, financial performance, social responsibility, emotional appeal, workplace quality, and corporate governance—to a banking-specific empirical framework.

The present study addresses this gap by organizing the relevant dimensions of reputation into four interconnected components: (1) operations and supervision, (2) corporate governance and shareholders, (3) economics and accounting, and (4) customers and market competition. This structure provides a conceptual bridge between the broader reputation literature and the specific institutional characteristics of Iranian banks. It also enables reputational risk to be examined as a multidimensional phenomenon rather than as a single aggregate perception or isolated financial outcome.

Accordingly, the conceptual logic of the present study assumes that reputational vulnerability is generated through the interaction of operational, governance, economic, customer, and competitive conditions. These dimensions collectively shape stakeholders' perceptions of the bank and can consequently influence the likelihood and severity of reputational damage. The proposed framework therefore moves beyond a purely descriptive review of reputation and provides a basis for empirically examining the principal components of reputational risk in the Iranian banking sector.

3- Research method

This research is quantitative and qualitative approaches in order to reveal the issues in the research and to understand the phenomena in depth. To determine the dimensions, components and indicators, the Delphi method of Lisrel software is used. First, in order to choose the appropriate test for the exploratory factor analysis test, it is necessary to examine the assumption of normality of the research constructs. For this purpose, the Kolmogorov-Smirnov test was used, and the Laserl software was used to extract the model using the exploratory factor analysis method. In the first part (descriptive statistics), the descriptive analysis of demographic data is discussed. In the second part (inferential statistics), the Kolmogorov-Smirnov test was used to show the data distribution, and due to the normality of the data distribution, the one-sample t test was used to check the significance of the research variables, the Friedman test was used for ranking (prioritization), and the exploratory factor

analysis test was used to design the final model and determine the amount of variance determined by each of the variables in the form of packaged factors, and finally, the conceptual model and The side findings of the research are stated. The statistical population in the quantitative part consists of risk management activists in the banking industry and the statistical sample in this part was selected through Cochran's formula with the number of 155 members. The statistical sample in the qualitative section was selected through convenience sampling, and ultimately 155 members were selected for the interview process in this section. In this research, the measurement tool is a questionnaire, the information of which has been collected in four areas: operations and supervision, corporate governance and shareholders, economics and accounting, and customers and market competition. Given that the proposed measurement model consists of four conceptually distinct constructs, namely Operations and Supervision, Corporate Governance and Shareholders, Economic and Accounting, and Customers and Market Competition, the reliability and validity of the measurement instrument were assessed separately for each construct. Therefore, rather than relying solely on an overall Cronbach's alpha coefficient for the entire questionnaire, construct-specific measures of internal consistency reliability and construct validity were examined.

First, the internal consistency reliability of each construct was evaluated using Cronbach's alpha (α) and Composite Reliability (CR). Cronbach's alpha assesses the internal consistency among the items measuring each construct, whereas composite reliability provides a complementary assessment based on the standardized factor loadings of the individual indicators. In accordance with commonly accepted methodological criteria, values of 0.70 or higher for Cronbach's alpha and composite reliability were considered indicative of satisfactory internal consistency. The results demonstrate that all four constructs achieve acceptable levels of internal consistency reliability.

Next, convergent validity was assessed by examining the standardized factor loadings and the Average Variance Extracted (AVE) for each construct. Factor loadings indicate the extent to which individual indicators represent their respective latent constructs, while AVE measures the proportion of variance in the indicators that is explained by the underlying construct. An AVE value of 0.50 or higher was considered evidence of adequate convergent validity. The results indicate that the indicators associated with each of the four constructs exhibit satisfactory factor loadings and that the AVE values meet the recommended threshold. Accordingly, convergent validity is supported for all four constructs. In addition, discriminant validity was assessed to determine whether the four constructs are empirically distinguishable from one another. Specifically, the Fornell–Larcker criterion and, where applicable, the Heterotrait–Monotrait (HTMT) ratio were used to evaluate discriminant validity. The results indicate that each construct shares greater variance with its own indicators than with the other constructs in the model. Furthermore, the HTMT values remain within the recommended threshold, providing additional evidence that the four constructs are sufficiently distinct from one another.

Overall, the measurement model was not validated merely on the basis of statistically significant factor loadings. Instead, Cronbach's alpha, composite reliability, factor loadings, AVE, convergent validity, and discriminant validity were jointly examined for each of the four conceptually distinct constructs. The findings provide adequate evidence that the measurement instrument demonstrates satisfactory reliability and validity and that the four constructs—Operations and Supervision, Corporate Governance and Shareholders, Economic and Accounting, and Customers and Market Competition—are empirically distinguishable and suitable for subsequent structural model analysis.

4- Research findings

4-1- Descriptive statistics

4-1-1 Gender

Table 1: Distribution of respondents according to gender

Percent	Abundance	Gender
66	102	Male
34	53	female
100	155	Total

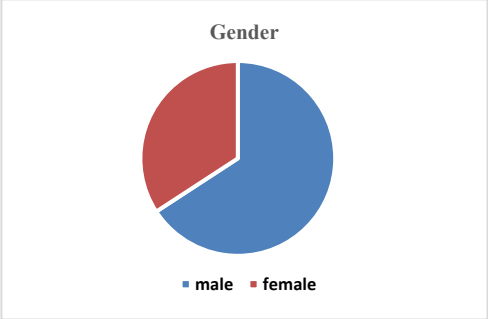


Chart 1: Distribution of respondents by gender

4-1-2 Service Experience

Table 4-2 shows the work experience of the sample individuals. As can be seen in this table, individuals with work experience between 11 and 20 years have the highest percentage in the society and individuals with work experience over 30 years have the lowest percentage.

Table 2: Distribution of respondents by work experience

Percent	Abundance	Work history
14	21	5 to 10 years
45	70	11 to 20 years
32	50	21 to 30 years
9	14	More than 30 year
100	155	Total



Chart 2: Distribution of respondents by work experience

4-1-3 Education level

As can be seen in Table 3, the highest number of observations is related to people with a master's degree and the lowest number of observations is related to people with a bachelor's degree.

Table 3: Distribution of respondents by education

Percent	Abundance	Educational qualification
9	14	Bachelor
47	73	Master
44	68	PhD
100	155	Total

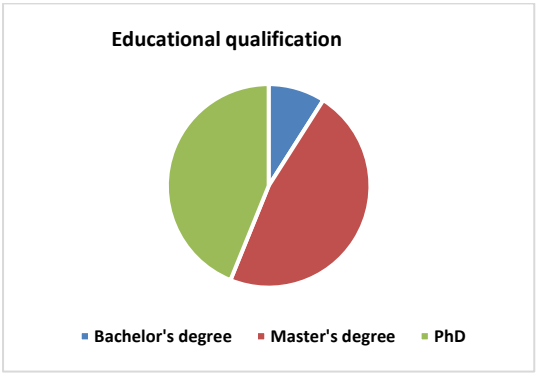


Chart 3: Distribution of respondents by education

4-2-Hypothesis testing

4-2-1- Checking the normality of items

- Normality test (Kolmogrov-Smirnov) for the field of operations and monitoring

H0: The data is normal (the data came from a normal population)

H1: The data is not normal (the data did not come from a normal population)

If the significance level is greater than the error value (0.05), we conclude the null hypothesis, and if the significance level is smaller than the error value (0.05), we conclude the null hypothesis.

Table 4: Results of the Kolmogrov-Smirnov test for the field of operations and monitoring

Conclusion	Hypothesis confirmation	Error value	Sig	Variable
Normal	H0	0.05	0.362	Operations and monitoring area

Since the significance level is 0.362 and greater than the error value (0.05), we conclude the null hypothesis, meaning that the operations and monitoring domain is normal.

- Normality test (Kolmogrov-Smirnov) for the domain of corporate governance and shareholders

H0: The data is normal (the data comes from a normal population)
H1: The data is not normal (the data does not come from a normal population)
If the significance level is greater than the error value (0.05), we conclude the null hypothesis, and if the significance level is smaller than the error value (0.05), we conclude the hypothesis one.

Table 5: Results of the Kolmogrov-Smirnov test for the domain of corporate governance and shareholders

Conclusion	Hypothesis confirmation	Error value	Sig	Variable
Normal	H0	0.05	0.149	Corporate governance and shareholders

Since the significance level is 0.149 and greater than the error value (0.05), we conclude the null hypothesis, meaning that the corporate governance and shareholders domain is normal.

- Normality test (Kolmogrov-Smirnov) for the economic and accounting domain

H0: The data is normal (the data comes from a normal population)
H1: The data is not normal (the data does not come from a normal population)
If the significance level is greater than the error value (0.05), we conclude the null hypothesis, and if the significance level is smaller than the error value (0.05), we conclude the null hypothesis.

Table 6: Results of the Kolmogrov-Smirnov test for the economic and accounting domain

Conclusion	Hypothesis confirmation	Error value	Sig	Variable
Normal	H0	0.05	0.295	Economics and accounting

Since the significance level is 0.295 and greater than the error value (0.05), we conclude the null hypothesis, meaning that the economic and accounting domain is normal.

- Normality test (Kolmogrov-Smirnov) for the customer domain and market competition

H0: The data is normal (the data comes from a normal population)
H1: The data is not normal (the data does not come from a normal population)
If the significance level is greater than the error value (0.05), we conclude the null hypothesis, and if the significance level is smaller than the error value (0.05), we conclude the hypothesis one.

Table 7: Results of the Kolmogrov-Smirnov test for the customer domain and market competition

Conclusion	Hypothesis confirmation	Error value	Sig	Variable
Normal	H0	0.05	0.388	Customer scope and market competition

Since the significance level is 0.388 and greater than the error value (0.05), we conclude the null hypothesis, meaning that the customer domain and market competition are normal.

2-2-2-Testing structural equations and testing hypotheses

In this section, the outputs of the model run by the LISREL software are displayed. In this study, the questionnaire was designed in 4 areas: operations and supervision (9 factors), corporate governance and shareholders (8 factors), economics and accounting (7 factors), and customers and market competition (7 factors). The Cronbach's alpha coefficient was 0.875, so the reliability of the questionnaire can be evaluated well.
In the previous section, the model was reported by factor loading, and in this section, for a more accurate assessment, they are reported by statistical numbers.
Based on the results obtained from the structural equation modeling (SEM) analysis and the corresponding statistical estimates, it can be concluded that the four domains of Operations and Supervision, Corporate Governance and Shareholders, Economic and Accounting Factors, and Customers and Market Competition all have statistically significant path coefficients and exert significant effects on the reputation risk model in the Iranian banking system. In other words, the significance of the structural relationships indicates that each of these domains, both independently and in interaction with other factors, plays an important role in shaping and explaining reputation risk in the banking sector.

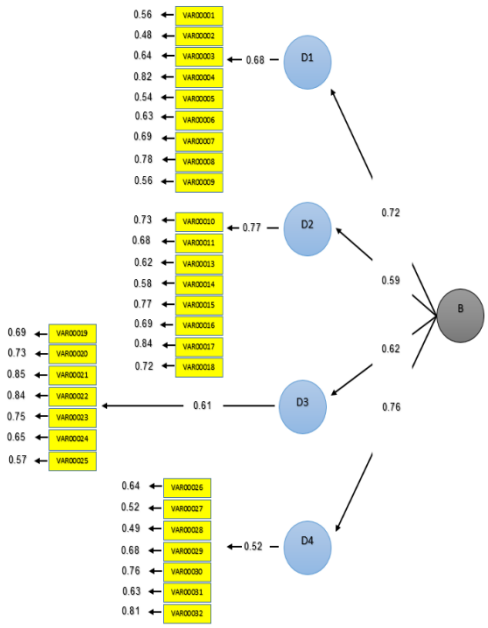


Figure 1: Structural equation model of reputation risk pattern in the Iranian banking system based on factor

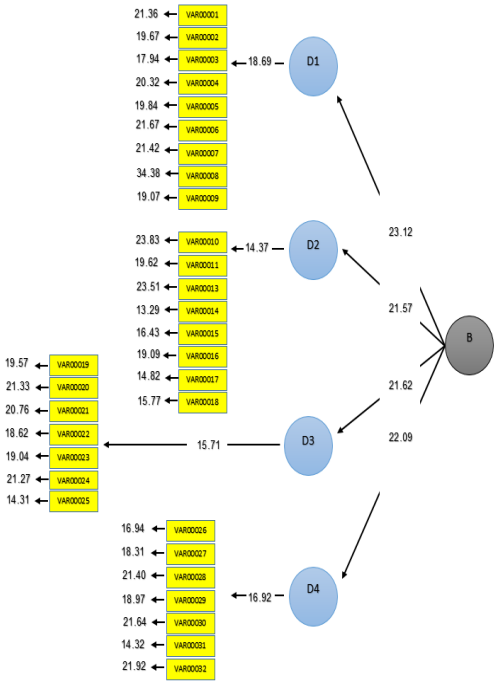


Figure 2: Structural equation model of reputation risk pattern in the Iranian banking system based on statistical number

Weaknesses in operational processes and supervisory mechanisms, deficiencies in corporate governance practices, economic and accounting challenges, as well as increasing customer expectations and intensified market competition can all contribute to greater exposure to reputational risk. Therefore, the simultaneous significance of all four domains demonstrates that reputation risk in the banking system is a multidimensional phenomenon that cannot be attributed to a single factor or specific area. Rather, its effective management requires simultaneous attention to the quality of operations and supervision, transparency and accountability in corporate governance and shareholder relations, economic and accounting stability, and the quality of customer relationships and the bank's competitive position in the market. Overall, the structural equation modeling results confirm that all four domains constitute significant and influential determinants of reputation risk in the Iranian banking system, and strengthening these dimensions simultaneously can play a critical role in preventing reputational damage, maintaining stakeholder trust, enhancing corporate credibility, and safeguarding the long-term value and sustainability of banks.

4-3-Ranking of research components

In order to rank the research components, the Friedman test was used to rank the factors according to the mean scores. In this test, the hypotheses H0 and H1 are defined as follows:

H0: $\mu 1 = \mu 2 = \mu 3 = \mu 4 = \ldots$

H1: At least one of the means is not equal.

Since the significance level of 0.000 is smaller than the error value of 0.05, the means are not equal to each other for at least one of the factors, so the ranking of the components according to the rank mean is as follows.

Table 8: Ranking of the 4 research components

Average rank	Component	Rank
5.79	Operations and Supervision	1
5.33	Corporate Governance and Shareholders	2
5.25	Economics and Accounting	3
4.47	Customers and Market Competition	4

4-4- Exploratory factor analysis to discover the final model

In exploratory factor analysis, the researcher seeks to examine empirical data in order to discover and identify indicators and the relationships between them, and does so without imposing any specific model. In other words, exploratory analysis, in addition to having investigative or suggestive value, can be structuring, modeling, or hypothesis-building. Exploratory analysis is used when the researcher does not have sufficient prior and pre-experimental evidence to form a hypothesis about the number of factors underlying the data and actually wants to explore the data to determine the number or nature of factors that explain the variance between variables. Based on the findings from factor analysis, a suitable model for the subject under study is the KMO value, Bartlett coefficient value, and significance level as shown in the following table:

According to the Kaiser Criteria, the above factors with eigenvalues greater than one were extracted. After factor rotation using the Varimax method, the inhibiting factors of these systems were categorized into the above factors. In order to classify the factors, the eigenvalue criterion was used and factors with eigenvalues greater than one were considered.

Table 9: KMO value, Bartlett coefficient value, and significance level of the four research components

Sig	Bartlett coefficient	KMO	Component	Row
0.000	4722.031	0.782	Operations and Supervision	1
0.000	4521.022	0.753	Corporate Governance and Shareholders	2
0.000	4490.071	0.642	Economics and Accounting	3
0.000	4439.146	0.640	Customers and Market Competition	4

4-4-1-Exploratory factor analysis for components

The results of factor analysis for the different component indices showed that among the 4 factors presented in this section, 3 factors had the greatest impact on this component by explaining 49.79 of the coefficient of variation. These factors are as follows:

Table 10: Extracted results related to the components

Cumulative variance percentage	Percentage variance of the eigenvalue	Special value	Component
17.557	17.557	3.336	1
34.421	16.864	3.204	2
50.497	16.069	3.053	3
66.566	15.303	3.520	4

Source: Research findings

Based on the findings from the above table, the first factor with an eigenvalue of 3.336 alone explains more than 17.557% of the total variance. Which is a very high value for the four factors obtained.

5- Conclusion

The findings of this study indicate that reputational risk should be regarded as a multidimensional and strategically important risk for banking institutions. Rather than being limited to isolated negative events or adverse public perceptions, reputational risk can emerge from a combination of operational, supervisory, corporate governance, economic, accounting, customer-related, and competitive factors. The results therefore suggest that effective reputational risk management requires an integrated framework capable of identifying and prioritizing the factors that may influence stakeholders' perceptions of a bank. In this regard, the study moves beyond a general discussion of reputation and focuses on the relative importance of the identified dimensions and their implications for reputation risk management in the banking context.

The findings provide an empirical basis for addressing the central objective of the study, namely, identifying and prioritizing the factors associated with reputational risk in the examined banking context. The results show that reputational risk cannot be effectively managed solely through conventional risk-control mechanisms or by increasing regulatory requirements and security procedures. Instead, banks need to consider the interaction between internal processes, governance mechanisms, financial and accounting practices, and relationships with customers and competitors. The identified priorities consequently provide a basis for directing managerial attention and allocating organizational resources toward areas that

have greater potential to influence the bank's reputation.

From a practical perspective, the findings have several implications for bank risk managers, boards of directors, internal-control functions, and supervisory authorities. First, reputational risk management should be incorporated into the broader enterprise risk-management framework rather than being treated as an isolated communication or public-relations issue. Second, the areas identified as higher-priority factors should receive greater attention in internal monitoring, control procedures, and risk-assessment processes. In particular, weaknesses in operations and supervision can directly affect the reliability and quality of banking services, while deficiencies in corporate governance and shareholder-related practices may undermine stakeholder confidence. Similarly, economic and accounting practices can influence perceptions of transparency and financial reliability, whereas customer-related problems and competitive pressures can directly affect trust and the bank's relationship with its stakeholders.

The practical implications also indicate the importance of establishing clear institutional responsibility for reputational risk. Banks may benefit from designating an internal coordinating function responsible for identifying reputational risk indicators, monitoring emerging threats, coordinating relevant departments, and reporting significant developments to senior management and the board of directors. Such a function should not necessarily operate independently of existing risk-management and internal-control structures; rather, it should facilitate coordination among operational risk management, internal audit, compliance, corporate governance, customer-relations, and other relevant units. Employee training is also important because inappropriate employee behavior, failure to comply with established procedures, and inconsistent implementation of organizational standards may transform relatively minor operational problems into broader reputational events.

The results should also be considered in relation to previous research on reputational risk. Prior studies have generally emphasized the relationship between reputation and stakeholder trust, organizational performance, corporate governance, operational failures, customer satisfaction, and financial stability. The findings of the present study are consistent with this broader literature in recognizing that reputational risk has multiple sources.

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