

The Impact of Service Quality and Sharia Governance on Cooperative Members Loyalty of Post Conversion as Mediated by Brand Image

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ABSTRACT

Keywords:

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Member Loyalty;
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Sharia Governance;
Service Quality

Background: The growth of sharia cooperatives in Aceh following the implementation of Qanun No. 11/2018 Aceh has intensified competition and highlighted the importance of maintaining member loyalty. Factors such as service quality, sharia governance, and brand image are crucial in influencing satisfaction and sustaining cooperative member loyalty.

Method: This study utilized primary data by distributing questionnaires to 113 respondents through cluster sampling, namely sharia cooperatives located in the West, East, and Central Aceh regions. We tested the seven proposed hypotheses using the Structural Equation Modeling (SEM) technique.

Results: The findings of this study indicate that service quality and sharia governance have an effect on the brand image. Likewise, service quality has an effect on member loyalty. However, sharia governance and brand image do not have an effect on member loyalty. The indirect effect also reveals that the brand image cannot influence service quality or sharia governance's effect on member loyalty. The study investigates the mediated effect of sharia governance and service quality on member loyalty.

Conclusion: This empirical evidence demonstrates that sharia cooperatives need to improve the quality of their services in order to preserve member loyalty

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INTRODUCTION

There has been a substantial increase in the quantity of Islamic financial institutions in Indonesia, as well as their development and dynamics (Irawan, 2018). This condition enhances the quality of a variety of financial institutions by facilitating the implementation of evaluations and transformations to achieve a state that is consistent with the requirements of the business sector in accordance with Islamic law (Waluyo, 2016). A cooperative that operates under a sharia system is among the financial institutions that are presently in the process of development (Kumala, 2022). The economic business sector of sharia

cooperatives is well-organized and socially oriented, and they adhere to sharia principles and ethics in their operational activities. Sharia Savings and Loans and Financing Cooperatives (KSPPS) are sharia cooperatives that have emerged as a resource for individuals who require a sharia-based management system (Wachyu, 2020).

Each year, sharia cooperatives, including those in Aceh, have grown significantly. The 2018 enactment of Qanun No. 11, which mandates all sharia financial institutions, including cooperatives, to adhere to sharia regulations, substantiates this condition (Umuri et al., 2023). According to the most recent data from the Aceh Province Cooperatives and Small and Medium Enterprises Office in 2023, there were 106 sharia cooperative units in Aceh Province, out of a total of 6,212 registered cooperatives (Atikah et al., 2023). The transition from a cooperative to a sharia cooperative also influences the loyalty of cooperative members. Consequently, special attention to the organization's administration is imperative for cooperative members to maintain their loyalty to a sharia cooperative (Umuri et al., 2023).

Service quality and product quality are both indicators of member loyalty (Badara et al., 2013). Therefore, we can interpret loyalty as a psychological commitment of consumers that affects purchase order, purchase proportion, and purchase probability (Novianti et al., 2018). Consequently, member loyalty significantly affects a business's development and income. Service quality can be implemented to enhance customer loyalty (Winarno et al., 2020).

In order to foster greater loyalty among cooperative members, it is imperative to provide the highest quality of service. Good service quality will result in consumers feeling more contented and loyal to financial institutions (Al-Jazzazi & Sultan, 2014). In fact, sharia cooperatives gain two advantages when their members are satisfied with their services: Initially, elderly members will remain loyal to the organization. Secondly, the organization will transmit the contentment of existing members to new members, thereby increasing its membership. Members who are content and loyal will not hesitate to disseminate positive information regarding Islamic cooperative products. The degree of satisfaction with sharia cooperatives can contribute to the development of loyalty (Sutrisno & Qomariah, 2017). In order to prevent consumers from leaving for other financial institutions, financial institutions must prioritize the development and preservation of customer loyalty (Bhat & Darzi, 2016).

The subsequent factor in enhancing consumer loyalty is the implementation of sharia governance. In accordance with Puspitasari and Darma, sharia governance has a substantial impact on loyalty and satisfaction (Puspitasari & Darma, 2019). Rifa'i et al. (2023) also conveyed the same message, observing a positive correlation between the satisfaction of sharia cooperative members and sharia compliance. Previous research Kartika et al. (2020), Safittri & Riyaldi (2022), and Setiawati et al. (2023) has demonstrated that sharia governance positively impacts loyalty. Implementing sharia governance can motivate sharia cooperatives to consistently deliver sharia-compliant, honest, equitable, and high-quality services that meet their requirements and expectations. Therefore, we anticipate that the application of sharia governance principles will foster member loyalty and bring them satisfaction (Asnawi et al., 2020).

Furthermore, the institution's favorable image also influences the loyalty of its members (Shabbir et al., 2017). Establishing a positive reputation within the community is a sustainable advantage for financial institutions, as it fosters public confidence in their products and services. According to Brown et al. (2016), brand image refers to the perception or impression that other parties have of the institution. The brand image is a significant asset of the corporation or organization, and the impression it creates is based on its knowledge and experience. Michaelidou et al. (2015) have demonstrated in their research that brand image significantly influences customer satisfaction. Substantiate the assertion that brand image has a substantial impact on satisfaction and a positive impact on member loyalty.

A company's corporate image is a critical concern. The organization's corporate image is not only an asset, but also an attraction. Furthermore, the company's corporate image has the potential to serve as a source of enduring competitiveness in the medium and long term (Le, 2023). According to Oparaugo (2021), an individual's corporate image is the result of their interactions and information about the company. Therefore, the quality of the service provided will establish a favorable impression in the minds of members and directly influence their loyalty (Ali et al., 2016; Özkan et al., 2020).

Recent studies have emphasized that customer loyalty in Islamic financial institutions is not only influenced by service quality and institutional image but also by perceived value and economic benefits (McKillop et al., 2020; Hafasnuddin & Majid, 2022). Moreover, contemporary research highlights that

governance mechanisms in Islamic institutions function not only as compliance tools but also as trust-building instruments within stakeholder relationships. However, empirical findings remain inconsistent, particularly in cooperative settings where members simultaneously act as both owners and users of services. This inconsistency indicates the need for further investigation using updated empirical evidence and context-specific analysis.

In the context of sharia cooperatives, several studies have examined various determinants such as service quality, governance, and customer satisfaction (Alfarizi, 2022; Nasfi et al., 2022; Resti et al., 2020). Similarly, prior research by Zaerofi (2022), Hafasnuddin & Majid (2022), Alam et al. (2022), Javed et al. (2021), Shabbir et al. (2017), Chung et al. (2016), Brown et al. (2016), Kim & Kim (2016), Ayuni et al. (2015), Esmailpour (2015), Al-Jazzazi & Sultan (2014), and Badara et al. (2013) has explored factors influencing customer loyalty in broader financial service contexts. However, limited attention has been given to member loyalty in post-conversion sharia cooperatives, where institutional transformation, governance restructuring, and changes in member expectations may alter the determinants of loyalty. Therefore, this study aims to fill this gap by simultaneously examining the roles of service quality, sharia governance, and brand image in shaping member loyalty within a post-conversion cooperative setting.

Despite the extensive literature on customer loyalty in Islamic banking and conventional cooperatives, limited studies have examined member loyalty in the specific context of post-conversion sharia cooperatives. This context is theoretically distinct because conversion is not merely a change in financial contracts but also involves institutional transformation, governance restructuring, and alignment with Islamic legal frameworks. Unlike Islamic banks, which are established as sharia compliant institutions from inception, post-conversion cooperatives must adapt existing organizational cultures, member expectations, and operational systems. Similarly, compared to conventional cooperatives, sharia cooperatives integrate ethical, religious, and socio economic objectives that may reshape the determinants of loyalty. Therefore, this study contributes by examining whether traditional drivers of loyalty remain relevant in a post conversion setting or whether economic and experiential factors dominate member behaviour based on the previous description, we can formulate the following hypothesis:

- H1: Service quality affects brand image
- H2: Service quality affects member loyalty
- H3: Sharia governance affects brand image
- H4: Sharia governance affects member loyalty
- H5: Brand image affects member loyalty
- H6: Service quality affects member loyalty through brand image
- H7: Sharia governance affects member loyalty through brand image

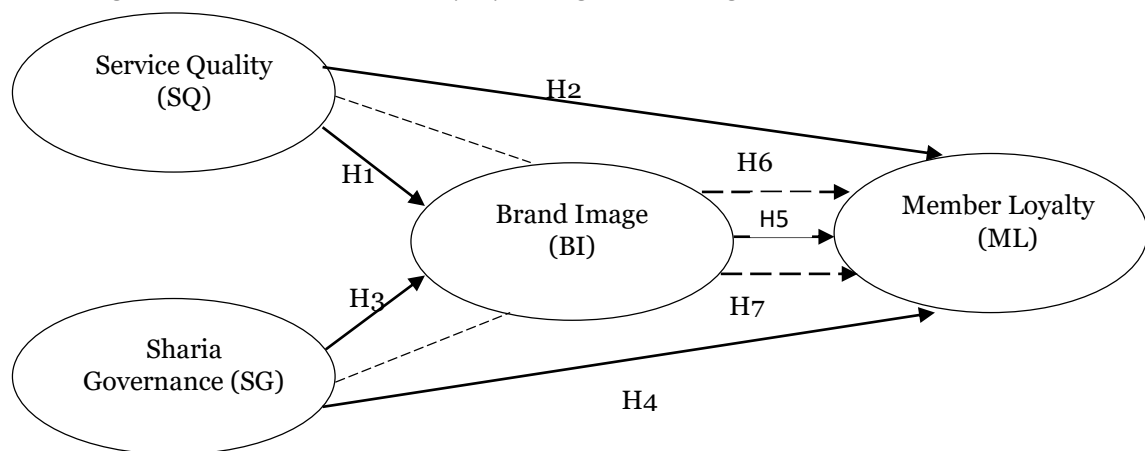


Figure 1. Research Model Structure

METHOD

This study examines the mediating role of brand image in the relationship between service quality, sharia governance, and member loyalty in sharia cooperatives in Aceh Province, Indonesia. A quantitative research design was employed to test the proposed hypotheses using a positivist approach (Ragab & Arisha, 2018). The study was conducted in selected sharia cooperatives across three regional clusters in Aceh, namely West, East, and Central Aceh. A total of 113 respondents were included in the sample, following the guideline of Hair et al. (2010), which suggests that sample size can be determined based on the number of indicators in the model. Cluster sampling was applied to capture geographical variation; however, respondent distribution across cooperatives depended on accessibility and member availability.

Data were collected using structured questionnaires with a five point Likert scale. The variables measured include service quality (four indicators), sharia governance (six indicators), brand image (four indicators), and member loyalty (three indicators). Structural Equation Modeling based on Partial Least Squares (PLS-SEM) was employed for data analysis. The analysis was conducted in two stages: evaluation of the measurement model and evaluation of the structural model. The structural model assessment examined the relationships between constructs using bootstrapping procedures and t-statistics.

PLS-SEM was selected due to its suitability for predictive analysis and its ability to handle complex mediation models. In addition, the relatively small sample size (n=113) supports the use of PLS-SEM, as it is robust under limited sample conditions. Furthermore, the inclusion of multiple constructs and indicators makes PLS-SEM appropriate due to its flexibility and minimal distributional assumptions.

RESULTS AND DISCUSSION

Results

Respondent Characteristics

In this study, there were 113 respondents as samples, 59.3 percent of whom were male and 40.7 percent of whom were female. Respondents over 50 years dominated this study with 38.9%, followed by those aged 31-40 years with 31%, those aged 41-50 years with 23.9 percent, and those aged 21-30 years with 6.2%. In this study, 94.7% of the respondents were married, while 5.3% were single. Furthermore, 43.4 percent of respondents had been cooperative members for more than 9 years, followed by 18.6% for 1 to 3 years, 15.9% for less than 1 year, 15% for 6 to 9 years, and 9.7 percent for more than 3 to 6 years. Civil servants dominated the occupation, accounting for as many as 72.5% of the respondents.

Individual Item Reliability Test

By accounted for the external exposure value, the standardized loading factor delineates the extent of the correlation between each indicator quantity and its constituents. An external burden value of 0.7 or higher is defined as good. This implies that the indicator is valid as a compositional indicator. In accordance with the outer loading stress value, all outer loadings satisfy the requirements of > 0.7 after passing the SmartPLS 3.0 test, as illustrated in Figure 2.

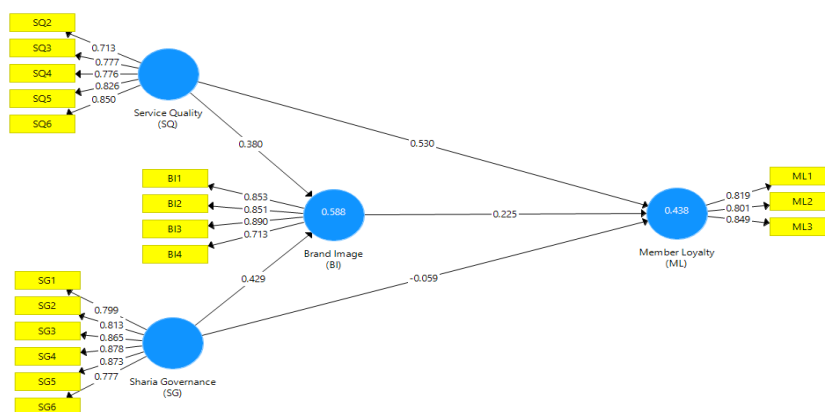


Figure 2. Outer Model Analysis Results with SmartPLS 3.0

The four phases of the previous model measurement analysis (outer model) have already demonstrated the favorable statistical characteristics of the proposed model in this study. The model meets the requirements of each stage of the model measurement, including individual item reliability, internal consistency reliability, extracted average variance, and discriminant validity. Therefore, the model measurement analysis results indicate that the model satisfies the criteria for advancement to the structural model assessment stage (inner model).

Individual Item Reliability Test

We use the outer loading value to characterize the extent of correlation between each quantity (indicator) and its constituents in the standardized loading factor. We consider an outer loading value of 0.7 or higher as favorable. This implies that the indicator is valid as a compositional indicator as seen in Table 1.

Table 1. Average Variance Extracted Value (AVE)

Variables and Items	Factor Loading	Composite Reliability	Average Variance Extracted
Member Loyalty (ML)		0.863	0.678
1. I often use Sharia Cooperative products and services.	0.819		
2. I will use various products from the Sharia Cooperative in the future.	0.801		
3. I will recommend Sharia Cooperative products to others.	0.849		
Service Quality (SQ)		0.892	0.624
1. Sharia Cooperative products can guarantee that my need are met.	0.713		
2. Sharia Cooperative can be relied upon to offer service to handle member problems.	0.777		
3. Sharia Cooperative has comfortable office facilities.	0.776		
4. Sharia Cooperative employees provide equal attention to each member.	0.826		
5. Sharia Cooperative employees are ready to serve members' needs.	0.850		
Sharia Governance (SG)		0.932	0.698
1. Sharia Cooperative X conveys information transparently to all members.	0.799		
2. The policies taken by the Sharia Cooperative are informed to all members.	0.813		
3. Sharia Cooperative comply with applicable law and regulations.	0.865		
4. Sharia Cooperative protect all member interests	0.878		
5. Sharia Cooperative policy applies equally to all members interests.	0.873		
6. Sharia Cooperative do not use products and services that deviate from sharia principles.	0.777		
Brand Image (BI)		0.898	0.688
1. Sharia Cooperatives provide products/service information that is easy for each member to understand.	0.853		
2. Implementation of service and products has a real impact on improving the good name od Sharia Cooperatives.	0.851		
3. Sharia Cooperatives can convince members to use existing services and products.	0.890		
4. The name and logo used by the Sharia Cooperative are easy to remember.	0.713		

Source: Primary Data, 2025

Composite Reliability

The statistics used for composite reliability or configuration reliability is a composite reliability value greater than 6.0, indicating that the configuration has high reliability or reliability as a measuring

tool. A limit of 0.6 or more is acceptable, while 0.8 and 0.9 or higher are very satisfactory as seen in Table 1.

Average Variance Extracted (AVE) Test

We then carry out the convergence validity test by testing the Average Sampling Variance (AVE) value. The AVE value represents the amount of variance or diversity of manifest variables (indicators) that can be entered into latent variables (constituents). An AVE score of at least 0.5 provides a satisfactory measure of convergence validity. In other words, latent variables (structures) can explain more than half of the metric variance on average. Table 1 presents the AVE score results for this study. This shows that each variable has an AVE score greater than 0.5, so it can be considered good, meets the requirements, and there are no problems with the AVE score.

Discriminant Validity

The Heterotrait-Monotrait Ratio of Correlations (HTMT) and Cross Loadings have undergone discriminant validity testing. Cross-loadings indicate that discriminant validity is achieved since the constructs are significantly different from each other. Conversely, the results presented in Table 2 indicate that the HTMT value remains below the threshold of 0.90. Therefore, this indicates discriminant validity, which means the extent to which one construct is different from another.

Table 2. Heterotrait-Monotrait Correlation Ratio (HTMT) Results

	Brand Image	Service Quality	Member Loyalty	Sharia Governance
Brand Image	0.830			
Service quality	0.722	0.790		
Member Loyalty	0.564	0.654	0.823	
Sharia Governance	0.732	0.797	0.528	0.835

HTMT < 0.90

Source: Primary Data, 2025

Structural Model Analysis Results (Inner Model)

1. Path Coefficient (β) Test

The path coefficient reveals the significance of the influence between constructs. To determine the significance of the path coefficient, the sign must be in accordance with the accepted theory. The t-test (critical ratio) from the bootstrap process (resampling method) demonstrates this.

2. Coefficient of Determination (R-Square) Test

R-Square is a measure of the variation in the value of the influenced (endogenous) variable that can be explained by the influencing (exogenous) variables. It helps predict how good or bad the model will be.

Table 3. Coefficient of Determination (R-Square) Test Results

Relationship	R Square	R Square Adjusted
Brand Image	0.588	0.581
Member Loyalty	0.438	0.422

Source: Primary Data, 2024

After testing the R-squared value, it can be concluded that the quality of service and sharia governance are able to explain the variance of brand image by 58.8%. While the quality of service and sharia governance are able to explain the variance of member loyalty by 43.8%. So this result concludes that the model has a moderate R-Square. Furthermore, to test the predictive strength of the model by looking at the Q2 value. The Q2 result concludes that $Q2 > 0$, then the model has strong predictive relevance.

3. F-Square

F-Square is a measure used to assess the relative impact of an influencing variable (exogenous) on the influenced variable (endogenous). The change in R2 value when a particular exogenous variable is

removed from the model can be used to evaluate whether the removed variable has a substantive impact on the endogenous construct (Juliandi, 2018).

The F-Square criterion measures the relative influence of exogenous influencing variables on endogenous influencing variables. We can use changes in the R2 value when we remove certain exogenous variables from the model to determine their significant impact on the intrinsic structure. Then, we can assess the magnitude of the influence by examining the F2 (F-Square) value, which displays the following values.

Table 4. F-Square

No	Variable	Member Loyalty	Brand Image
1	Service Quality	0.162 (medium)	0.128 (medium)
2	Sharia Governance	0.002 (small)	0.163 (medium)
3	Brand Image	0.037 (small)	

Source: Primary Data, 2025

4. Hypothesis test

The testing of the research hypothesis includes 2 hypothesis tests, namely the hypothesis test on direct effect and indirect effect.

Table 5. Direct Influence

Connection	Path Coefficient	Standard Deviation	T Value	P value	Information
SQ -> BI	0.380	0.107	3.550	0.001	A significant effect
SQ -> ML	0.530	0.163	3.244	0.002	A significant effect
SG -> BI	0.429	0.106	4.065	0.000	A significant effect
SG -> ML	-0.059	0.173	0.343	0.732	No effect
BI -> ML	0.225	0.126	1.793	0.076	No effect

Source: Primary Data, 2025

Table 6. Indirect influence

Connection	Path Coefficient	Standard Deviation	T Value	P value	Information
SQ -> BI -> ML	0.086	0.059	1.440	0.153	No effect
SG -> BI -> ML	0.097	0.061	1.574	0.118	No effect

Source: Primary Data, 2025

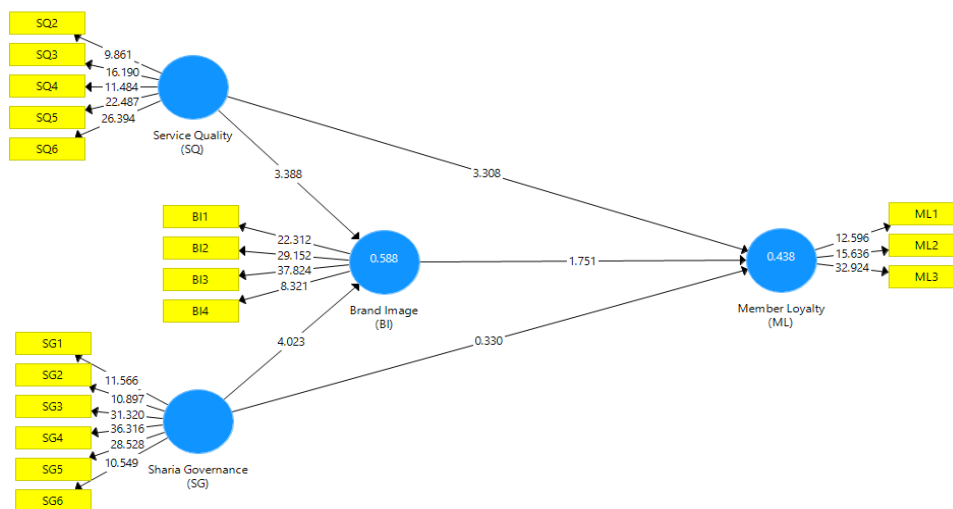


Figure 2. Outer Model Analysis Results with SmartPLS 3.0

Discussion

From a theoretical perspective, the findings can be interpreted through the lens of stakeholder theory and Islamic governance principles. In Islamic financial institutions, governance is expected to ensure accountability not only to stakeholders but also to divine principles (maqashid shariah). However, the results suggest that members, as primary stakeholders, may prioritize direct economic benefits over governance mechanisms. This indicates a potential gap between normative Islamic governance ideals and actual member perceptions, where governance is perceived as implicit rather than a differentiating factor influencing loyalty.

These insights are consistent with the empirical results obtained from the structural model analysis, which demonstrate varying levels of influence among service quality, sharia governance, brand image, and member loyalty. The results indicate that not all theoretically expected relationships are supported, highlighting the need for a more context-specific understanding of member behavior in sharia cooperatives. The detailed discussion of each hypothesis is presented in the following section.

The Effect of Service Quality on Brand Image

The first hypothesis examines the effect of service quality on brand image, and the results show a T-Statistic value greater than the T-table ($3.550 > 1.981$) and a p-value of $0.001 < 0.05$, so H1 is accepted. This means that excellent service quality significantly affects brand image. This finding is in line with previous studies by Michaelidou et al. (2015) and Shabbir et al. (2017) which also found that brand image has a significant effect on satisfaction.

Having a positive brand image can provide long-term benefits for cooperative institutions. With a positive image, public trust in cooperative services and products in Aceh Province can grow. Building trust can foster member loyalty and attract new members, thereby bolstering the cooperative's market position. Institutions with a good image tend to be more trusted and respected by the community, which can ultimately reduce marketing costs and increase promotional effectiveness. In addition, a good image helps build stronger relationships with other stakeholders, including business partners and regulators. This shows that investing in improving service quality not only has a direct impact on member satisfaction but also on the institution's reputation and long-term sustainability.

The Effect of Service Quality on Member Loyalty

The second hypothesis tests the effect of service quality on member loyalty, with the results showing a T-Statistic value greater than the T-table ($3.224 > 1.981$) and a p-value of $0.002 < 0.05$, so H2 is accepted. This indicates that excellent service quality has a significant effect on member loyalty. The indicators used in this study successfully showed that the dimensions of service quality have a positive impact on member loyalty. These results are consistent with previous studies conducted by Umuri et al. (2023), Al-Jazzazi & Sultan (2014), Bhat et al. (2018), Bhat & Darzi (2016), and Winarno et al. (2020) that service quality has a significant effect on member loyalty. This finding confirms that the application of excellent service principles by cooperatives can increase member satisfaction and loyalty.

Sharia cooperatives can achieve good service quality by paying attention to the responsiveness, reliability, concern, and competence of cooperative staff. When members feel appreciated and well served, they tend to be more loyal and committed to Islamic cooperatives. Member loyalty not only helps to maintain the existing member base, but also attracts new members through positive word of mouth recommendations. Increasing member loyalty through excellent service quality also has an effect on the financial stability of Islamic cooperatives. Loyal members will use cooperative services repeatedly, increase income, and allow sharia cooperatives to grow and innovate further. So, investing in service quality is a key strategy for the long-term sustainability of Islamic cooperatives.

The Effect of Sharia Governance on Brand Image

The third hypothesis tests the effect of sharia governance on brand image, with the results showing a T-Statistic value greater than the T-table ($4.065 > 1.981$) and a p-value of $0.000 < 0.05$, so that H3 is accepted. This shows that the implementation of favorable sharia governance has a significant effect on brand image. Good sharia governance, as implemented by Islamic cooperatives, can improve the image and credibility of Islamic financial institutions.

Implementing sharia governance demonstrates a dedication to the fundamental Islamic principles, specifically halal and tayib, in business operations to garner blessings. Cooperatives that implement ethical sharia financial governance are considered more trustworthy and respected by the community. Research by Hashim et al. (2015) also shows that favorable sharia governance can have a high positive influence on the image of the institution in the eyes of the community. This also provides long-term benefits for sharia financial institutions, including cooperatives in Aceh Province, in developing their services and products. Sharia governance can foster a positive image among members and the public, thereby enhancing member loyalty and attracting new members. This finding is in line with the research of Mustofa & Wati (2021), which states that sharia governance has a positive effect on brand image. As a result, investing in sharia governance not only improves brand image, but also supports the long-term sustainability and growth of cooperatives. This emphasizes the importance of consistently and comprehensively implementing sharia principles in all aspects of sharia cooperative operation.

The Effect of Sharia Governance on Member Loyalty

The fourth hypothesis tests the effect of sharia governance on member loyalty, with the results showing a T-statistic value smaller than the T-table ($0.343 < 1.981$) and a p-value of $0.732 > 0.05$, so H4 is rejected. This indicates that sharia governance does not have a significant effect on member loyalty. The indicators used in this study do not show a direct effect on member loyalty. These results contradict previous studies by Kartika et al. (2020), Safitri & Riyaldi (2022), and Setiawati et al. (2023) which state that sharia governance can affect member loyalty. The special conditions in Aceh Province, where the implementation of Islamic law has become a norm, cause this discrepancy. The community assumes that sharia cooperatives automatically comply with sharia rules, so they no longer pay attention to sharia governance implementation.

This condition suggests that in the context of Aceh, other factors such as service quality, direct benefits received by members, and personal relationships may have a greater influence on member loyalty than sharia governance. Despite the importance of sharia governance for the institution's image and public trust, daily interactions and the practical benefits members receive from the cooperative may have a greater influence on their loyalty. Therefore, we recommend that future researchers investigate other factors that could be more pertinent to the local context. Further research, with a quantitative approach and a larger sample size, can help identify key variables that influence member loyalty more precisely in Aceh Province.

The Effect of Brand Image on Member Loyalty

The fifth hypothesis tests the effect of brand image on member loyalty, with the results showing a T-statistic value smaller than the T-table ($1.793 < 1.981$) and a p-value of ($0.076 > 0.05$), so H5 is rejected. This indicates that brand image does not have a significant effect on member loyalty. This result contradicts previous studies by Michaelidou et al. (2015), Aramburu & Pescador (2019), and Shabbir et al. (2017) which found that brand image has a significant effect on loyalty.

The quality of services provided and the sustainability of the institution's operations significantly influence the loyalty of sharia cooperative members. Although the image of the institution can play a role, the quality of service and continuity in meeting the needs of members tend to be more dominant in forming loyalty. Member participation in sharia cooperative activities and good personal relationships with staff or cooperative management are also more significant factors in forming loyalty than just the institution's image. In addition, members' personal experiences with sharia cooperatives, including the benefits they receive and their satisfaction with the service, are major factors in forming loyalty. Positive perceptions of the image of the institution may not be strong enough to ensure member loyalty if the quality of service and real benefits received do not meet their expectations. This finding is in line with the research of Aramburu & Pescador (2019) which shows that satisfaction and direct benefits are more important in forming loyalty than just brand image.

These findings indicate that both sharia governance and brand image do not significantly influence member loyalty in this context. The non-significant influence of these variables should not be interpreted merely as statistical insignificance but as an indication of shifting member priorities. In the Aceh context, where sharia compliance is institutionally enforced, governance may be perceived as a standard requirement rather than a value added factor. Similarly, brand image may lose its strategic importance when members base their loyalty on tangible outcomes such as financial benefits, accessibility, and

service efficiency. This finding challenges conventional loyalty models and suggests that, in cooperative settings, economic rationality may outweigh symbolic and reputational factors. The Effect of Service

The Effect of Service Quality on Member Loyalty through Brand Image

The sixth hypothesis tests the effect of service quality on customer loyalty through brand image, with the results showing a T-statistic value smaller than the T-table ($1.440 < 1.981$) and a p-value of $0.153 > 0.05$, so H6 is rejected. This means that service quality does not affect member loyalty directly or through an intermediary's brand image.

The perceived adequate service quality does not play a significant role in brand image or member loyalty. If members believe that the service has met their expectations, brand image may not play a significant role in influencing loyalty. This suggests that in Islamic cooperatives, members focus more on the direct benefits they receive than their perceptions of brand image. The majority of people join sharia cooperatives because cooperatives help with their financial problems. Therefore, as long as sharia cooperatives can provide effective solutions and good services to help members' financial problems, brand image is not a major factor in increasing member loyalty (McKillop et al., 2020). This underscores the crucial role of cooperatives in consistently enhancing the quality of services that members directly experience. The real benefits provided by Islamic cooperatives, such as financial assistance, business support, and efficient services, are more important for maintaining member loyalty than efforts to improve brand image.

The Effect of Sharia Governance on Member Loyalty through Brand Image

The seventh hypothesis tests the effect of sharia governance on customer loyalty through brand image, with the results showing a T-statistic value smaller than the T-table ($1.574 < 1.981$) and a p-value of $0.118 > 0.05$, so H7 is rejected. This means that sharia governance does not have a direct effect on member loyalty, and brand image is also not a mediator between sharia governance and member loyalty. Dewi's research (2020), which found that brand image does not mediate sharia governance in influencing member loyalty, aligns with these results.

Sharia cooperative members often do not fully understand or assess the importance of sharia governance in cooperative operations (Itam et al., 2016). Therefore, the effective implementation of sharia governance does not automatically boost member loyalty by enhancing brand image. Members tend to prioritize other factors in forming their loyalty, such as economic benefits, quality of services provided, or competitive prices. In Aceh's sharia cooperatives, the direct benefits members receive have a greater impact on their loyalty than their impression of the institution's sharia governance image. Although the institution's image can play a role in building initial trust, the sustainability of member loyalty is more determined by their direct experience receiving services that meet their needs and expectations. Therefore, to increase member loyalty, sharia cooperatives need to focus on providing high-quality services that meet members' needs directly. In addition, sharia cooperatives must also ensure that members receive clear economic benefits from their membership.

CONCLUSION

This study empirically examines the determinants of loyalty among sharia cooperative members after conversion. A total of 113 respondents were analyzed using a Structural Equation Modeling (SEM) approach based on Partial Least Squares (PLS). The findings indicate that service quality and sharia governance significantly influence the brand image of sharia cooperatives. In addition, service quality has a significant effect on member loyalty, while sharia governance and brand image do not show a significant direct effect on member loyalty. These results suggest that service quality plays a central role in maintaining and enhancing member loyalty.

This study contributes to the literature by demonstrating that member loyalty in post-conversion sharia cooperatives is driven more strongly by service quality than by governance mechanisms or brand image. The findings extend stakeholder theory by highlighting that members tend to prioritize direct and tangible service experiences over formal governance structures. From a managerial perspective, cooperative managers should focus on improving service delivery, financial benefits, and operational efficiency. From a policy perspective, regulators in Aceh should not only ensure sharia compliance but

also strengthen governance transparency and member awareness so that governance mechanisms are perceived as value-adding.

The study is limited by its relatively small sample size and its focus on a specific regional context in Aceh Province. Future research is recommended to include larger samples and additional variables such as financial benefits, member satisfaction, and accessibility. Longitudinal designs are also suggested to better capture changes in member behavior over time.

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