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## Article

# Testing the role of skepticism in Islamic banks: evidence from Indonesia

Cogent Business & Management

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*Suggested Citation:* Trisanty, Aidha; Haryanto, Budhi; Sugiarto, Catur; Wahyudi, Lilik (2024) : Testing the role of skepticism in Islamic banks: evidence from Indonesia, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 11, Iss. 1, pp. 1-16, <https://doi.org/10.1080/23311975.2024.2364842>

This Version is available at:

<https://hdl.handle.net/10419/326334>

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**To cite this article:** Aidha Trisanty, Budhi Haryanto, Catur Sugiarto & Lilik Wahyudi (2024) Testing the role of skepticism in Islamic banks: evidence from Indonesia, Cogent Business & Management, 11:1, 2364842, DOI: [10.1080/23311975.2024.2364842](https://doi.org/10.1080/23311975.2024.2364842)

**To link to this article:** <https://doi.org/10.1080/23311975.2024.2364842>



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# Testing the role of skepticism in Islamic banks: evidence from Indonesia

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## ABSTRACT

Although there have been several studies on customer intention, no research has specifically examined how skepticism toward Shariah claims affects customer intention in Islamic banking. This study tests the factors influencing customer intentions based on the theory of planned behavior in the context of Islamic banking. Compliance, religiosity, and Islamic Financial Literacy (IFL) variables were used as antecedents of skepticism. This study employed a quantitative research approach utilizing online questionnaires for data collection. Data were collected through an online survey using convenience sampling (a nonprobability sampling technique). The respondents were Muslims in Indonesia who did not have funding or financing accounts in Islamic banks. The sample comprised 210 valid responses. Data analysis was conducted using partial least-squares structural equation modeling. The findings indicate that consumer skepticism toward Shariah claims in Islamic banks is influenced by compliance, religiosity, and IFL and that skepticism affects customers' intention to use Islamic banks. This study is the first to examine consumer skepticism and its impact on user intentions in the context of Islamic banking. Therefore, this study provides insights into how consumer skepticism toward Shariah claims in Islamic banks is formed, which can serve as input for Islamic banking practitioners to implement appropriate marketing strategies.

## ARTICLE HISTORY

Received 18 November 2023  
Revised 3 March 2024  
Accepted 29 May 2024

## KEYWORDS

Islamic banking; intention to use; skepticism; compliance; religiosity; Islamic Financial Literacy

## REVIEWING EDITOR

Kaouther Kooli,  
Bournemouth University,  
United Kingdom of Great  
Britain and Northern  
Ireland

## SUBJECTS

Consumer Behaviour;  
Marketing Management;  
Marketing; Banking

## 1. Introduction

Islamic banking, often referred to as a profit-sharing or interest-free banking system, has experienced remarkable growth and resilience in the global financial landscape since its inception in 1975. Despite the challenges posed by global economic crises, this banking model has endured and thrived (Hasan & Dridi, 2010; IMF Research, 2010; Mirjalili & Econstor, 2016). According to the Islamic Finance Development Report (ICD-Thomson Reuters, 2017), four decades after its inception, Islamic banking assets were worth approximately US\$ 1,599 trillion in 2016 and reached US\$ 2,349 trillion in 2020 (Refinitiv, 2021) – a 14% increase from the previous year, accounting for 70% of total Islamic financial assets. Iran, Kuwait, Malaysia, Saudi Arabia, and the United Arab Emirates are among the five countries with the highest asset volumes (Refinitiv, 2021).

Despite the positive prospects of Islamic banking in various countries (Nasser & Muhammed, 2013), an interesting situation has been observed in Indonesia. Although the majority of the country's population is Muslim, conventional banks dominate banking transactions. This is evidenced by the market share of Islamic banks in Indonesia, which stood at 6.52% as of September 2021 (Otoritas Jasa Keuangan, 2021). Previous studies have shown that religion plays a significant role in consumers' choices of Islamic banks (Abror et al., 2022; Al-Ajmi et al., 2009; Alzadjal et al., 2021), as it can shape behavioral decisions (Alzadjal et al., 2021). Individuals' religious beliefs form a moral and value system that makes religious individuals more inclined to purchase ethically oriented brands (Deb et al., 2020). Various strategies have been

implemented to increase the market share of Islamic banks, such as religious messaging, to attract customer attention and retention (Muhammad et al., 2020). Bakar et al. (2013) found that the use of religious symbols can influence the purchase intentions of Muslim consumers. This finding is consistent with Waller and Casidy (2021) and, Akbari et al. (2018) who demonstrated in their studies that religious symbols can generate positive attitudes toward advertising messages and stronger intentions to perform certain actions. However, despite the use of Islamic branding as a representation of the Islamic identity in Indonesia, this strategy has not been successful in marketing existing products and services. Islamic banks' market share remains significantly lower than that of conventional banks. Furthermore, the public is skeptical about Islamic banking, particularly regarding the Shariah claims made.

The emergence of various anti-usury movement communities (XBank Indonesia, 2018) and the prevalence of resignation by Islamic bank employees are due to their perception that Islamic banks practice usury similarly to conventional banks (Abdullah, 2022). Usury is the practice of imposing exorbitantly high and unjustified interest rates on loans (Sobol, 2013). The perception that Islamic banks are similar to conventional banks has led to distrust among certain sections of society. This situation was exacerbated by the case of Bank Syariah Indonesia (BSI) in May 2023 when financial services for BSI account holders were disrupted for a week. Thousands of skeptical comments were directed toward the bank by both existing customers and non-customers. This skepticism was not limited to BSI but extended to Islamic banks in general. The BSI case represents the tip of the iceberg faced by Islamic banking, following previous instances in which issues circulated on social media about customers complaining about Islamic banking services and perceiving Islamic banks as harsh about their business operations (Djumena, 2021).

Islamic banks face serious issues in the presence of skepticism. Studies have shown that skepticism has a significant impact on patronage intentions (Amawate & Deb, 2019; Deb et al., 2020). Skepticism was also found to significantly influence purchase intention (Kim & Rim, 2019; Luo et al., 2020; Nguyen et al., 2019). Consumer skepticism about Islamic banking in Indonesia is an interesting topic for investigation.

Despite the occurrence of skepticism in Indonesia, no specific research has yet discussed this phenomenon in the context of Islamic banking or its relationship with the intention to use Islamic banking products/services. This study fills this gap in the literature by examining skepticism as a novel aspect. This study contributes to the literature on Islamic finance by developing and testing a model that explains how consumer skepticism toward Islamic banking develops and impacts intention to use Islamic banks. This study serves as a basis for developing appropriate strategies to enhance public trust and interest in conducting transactions with Islamic banks.

## 2. Literature review and hypotheses

Consumer skepticism has been studied extensively and translated into several definitions. Boush et al. (1994) defined skepticism as a disbelief in advertising claims or advertiser motives. This is consistent with a study by Mangleburg and Bristol (1998) which defined skepticism as disbelief. Similar definitions were presented in Obermiller and Spangenberg (1998) which defined skepticism as the tendency to disbelieve advertisers' claims. Various definitions have been proposed in literature. Mohr et al. (1998) described skepticism as doubts about what others conveyed. This definition was reinforced by Koslow (2000), who defined skepticism as a tendency to doubt and question advertising claims, and Lunardo (2012), who described it as a process of doubt and lack of credibility. In this study, skepticism refers to uncertainty.

Skepticism was assessed based on the persuasive knowledge model (PKM) proposed in Friestad and Wright (1994). According to the PKM, when an individual faces a persuasion episode, their persuasion coping knowledge is activated. Coping is a condition in which individuals activate and execute strategies designed to withstand persuasive messages when exposed to them. Persuasion coping knowledge enables individuals to recognize, analyze, interpret, evaluate, and remember persuasive efforts, and to choose and implement appropriate coping tactics. Skepticism is a cognitive coping mechanism that arises from persuasive knowledge. In the coping process, individuals assess the degree of insult, fairness, manipulateness, or respectfulness in persuasion efforts, and skepticism arises from this evaluation. This knowledge helps individuals to identify how, when, and why marketers attempt to influence them.

Furthermore, the theory of planned behavior (TPB) is used as the basis in this study to explain whether an individual's attitude will influence the intention to perform or a behavior or not. In the context of

Islamic banking, previous studies have confirmed how attitudes influence purchase intentions and intentions to use Islamic banking products/services (Alzadjal et al., 2021; Atal et al., 2022; Boubker et al., 2021; Hoque et al., 2022; Maryam et al., 2022; Newaz et al., 2016). This study uses TPB to explain the relationship between people's attitudes and their intentions to perform a behavior using three constructs as antecedents of intention: attitude toward behavior, subjective norms, and perceived behavioral control (Ajzen, 1991).

In this study, compliance is conceptualized as the first variable that influences consumer skepticism and the intention to use Islamic banks. Compliance is a crucial stimulus influencing individuals' use of Islamic banks. This concept refers to Othman and Owen (2001) who defined compliance as the ability to adhere to Islamic law and operate according to Islamic economic principles. The next variable is Islamic Financial Literacy. This variable is important to conceptualize when building the research model because previous studies have shown that Islamic Financial Literacy is a crucial factor in increasing consumers' willingness to utilize Islamic banking services (Ahmad & Haron, 2002). This lack of information may render Islamic banks not universally accepted and reduce the public's interest in utilizing Islamic banking services. Furthermore, literature indicates that religiosity is a crucial criterion in the selection of Islamic banks (Abror et al., 2022; Al-Ajmi et al., 2009; Alzadjal et al., 2021). Religiosity reflects consumers' commitment to follow their religion and practice religious rituals according to religious commandments; thus, an individual's understanding of religion and beliefs shapes their behavioral decisions (Alzadjal et al., 2021). Shariah compliance, Islamic Financial Literacy, and religiosity influence consumer skepticism toward Islamic banks and affect consumers' intention to use Islamic banking products/services.

### **2.1. Compliance, religiosity, Islamic Financial Literacy, and intention to use**

Compliance describes the alignment of an organization with established rules, regulations, policies, procedures, and conventions, as well as adherence to the principles of Islamic Shariah and Fiqh (Saqib et al., 2016). Shariah compliance is the most significant factor in choosing Islamic banks. Khan et al. (2020) found that Shariah compliance significantly influences the choice of housing financing. Kamiyama and Kashiwagi (2019) demonstrated that the higher the level of compliance with Islamic law, the greater the customers' intention to continue transacting with Islamic banks. Previous studies on Islamic banking patronage have identified Shariah compliance as an important factor that influences customer attitudes toward sustainable transactions with Islamic banks. Dusuki and Abdullah (2007) stated that the level of compliance with Shariah principles is an important factor for customers of Malaysian Islamic banks. Hence, the first hypothesis of this study is as follows:

H1. Compliance has a positive impact on the intention to use Islamic banks.

Religiosity reflects consumers' commitment to follow their religion and engage in religious practices according to religious commands. Thus, individuals' religious understanding and beliefs shape their behavioral decisions (Alzadjal et al., 2021). which is consistent with the finding Kamiyama and Kashiwagi (2019) that disclosed a significant and positive relationship between customers' religious motives and their intention to continue using Islamic banks. Other studies have indicated that religiosity is an important criterion for selecting Islamic banks (Abror et al., 2022; Al-Ajmi et al., 2009). Newaz et al. (2016) found that the higher an individual's religiosity, the greater the likelihood of purchasing Islamic financial products. Souiden and Rani (2015) showed that religiosity positively and significantly influences consumers' attitudes toward and intentions to use Islamic banking services. Hence, we formulated the following as this study's second hypothesis:

H2. Religiosity has a positive impact on the intention to use Islamic banks.

### **2.2. Compliance, religiosity, Islamic Financial Literacy, and consumer skepticism**

For a bank operating on Sharia principles, compliance is the primary foundation, because it provides legitimacy for the products and services offered in Islamic banking (AbdulKareem et al., 2022). Butt et al. (2011) found that one factor inhibiting non-customers from choosing these banks was their perception

that they had not fully implemented Islamic principles. Sharia compliance ensures the reliability of Islamic banks and enhances stakeholder confidence (Ullah, 2014). The perception that Islamic banks are similar to conventional banks (Ashraf & Lahsasna, 2017) generates skepticism about Islamic banking practices, especially in terms of Sharia compliance, which affects the intention to use Islamic banks' products/services. Hence, the third hypothesis is as follows:

H3. Compliance has a negative influence on consumer skepticism.

Islamic Financial Literacy (IFL) influences individuals' attitudes and intentions to use the products and services of Islamic banks (Albaity & Rahman, 2019; Alharbi et al., 2021; Dinc et al., 2021; Hoque et al., 2022; Sumiati et al., 2021). Warsame and Ileri (2018) demonstrated a direct and significant relationship between Sharia Financial Literacy and the adoption of Islamic banking products/services in the United Arab Emirates. Tara et al. (2014) found that Sharia Financial Literacy significantly and positively influenced the Pakistani population's adoption of Islamic banking products and services. Similar relationships between literacy and skepticism have been found in other fields. Austin et al. (2016) demonstrated that individuals' level of media literacy influenced their skepticism toward messages conveyed in alcohol advertisements. Consistent with this, Trémolière and Djeriouat (2021), examining the roles of analytic cognitive style, climate science literacy, illusion of knowledge, and political orientation in climate change skepticism identified literacy as a strong and independent factor in predicting skepticism toward climate change. Hence, the fourth hypothesis was formulated as follows:

H4. Islamic Financial Literacy has a negative influence on consumer skepticism.

Minton (2018) found that religious individuals had higher trust in companies and lower skepticism toward advertisements. This is consistent with the finding of Rutjens et al. (2018) that individuals with conservative and religious ideologies were more skeptical of scientific knowledge that contradicts their beliefs. Minton (2015) showed that religious individuals have higher trust in the market and interpersonal relationships. This is particularly evident in their trust of advertisements and brands. Hence, the fifth hypothesis reads:

H5. Religiosity has a negative influence on consumer skepticism.

### **2.3. Skepticism and intention to use**

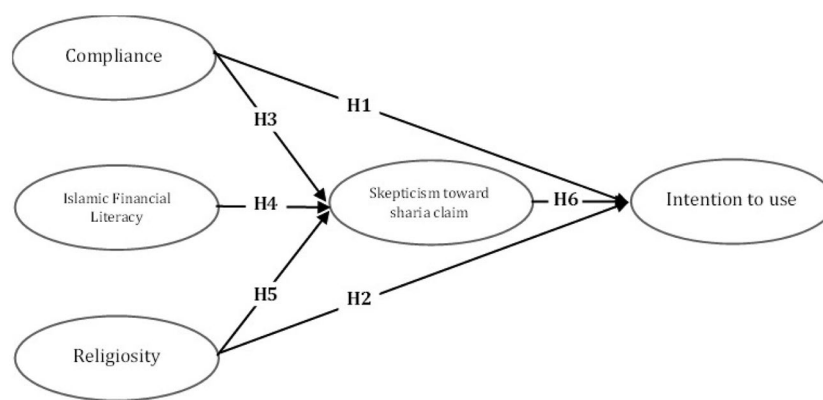
Attitudes toward behavior have been extensively studied (Albaity & Rahman, 2019; Hoque et al., 2018, 2022; Kaakeh et al., 2018; Newaz et al., 2016). Newaz et al. (2016) found that attitudes have a significant and positive relationship with purchase intention for saving and financial products, Sharia capital market products, Sharia insurance products, and general Sharia financial institution products. Kaakeh et al. (2018) found that attitudes influence engagement intention in Islamic transactions; the higher the level of skepticism, the lower the purchase intention. Deb et al. (2020) and Amawate and Deb (2019) demonstrated a negative relationship between consumer skepticism and patronage intentions. Similar relationships have been reported previously. Green advertising skepticism on social media has been found to negatively impact consumers' green purchase intentions (Luo et al., 2020). Consistent with Nguyen et al. (2019) study that examined the relationship between greenwash, green skepticism, and green purchase intention, green skepticism was found to have a negative impact on green purchase intentions. Hence, the study's sixth hypothesis is:

HE. Consumer skepticism toward Sharia claims has a negative influence on intention to use.

### **2.4. Conceptual model**

In this study, a framework was constructed based on the variables and their interrelationships. The research model conceptualized in this study focuses on compliance, Islamic Financial Literacy, and religiosity as antecedents of skepticism toward Shariah claims and intention to use, as presented in Figure 1.





**Figure 1.** Research model.

### 3. Research method

#### 3.1. Data collection method and measurement

This quantitative study employed a survey methodology for data collection. The survey strategy used in this study was to gather both quantitative and qualitative data on various types of research questions. A questionnaire (survey) was used as the data collection method. The research instrument was a questionnaire developed based on the indicators of the research variables established by previous researchers. The questionnaire was divided into two parts. First, we captured respondents' identities and demographics. Second, a section was designed to capture all research variables.

The scale adopted in this study was developed through a review and comparison process, followed by selecting the most representative scales for each variable in the research. To avoid translation bias, the measurement scale questions were back-translated into Indonesian. The process was performed by professional translators to reduce bias in translation and interpretation (Erkut, 2010) and was measured using a Likert scale ranging from strongly disagree (1) to strongly agree (5). Cronbach's alpha coefficient for all constructs was above 0.8, which is higher than the minimum threshold of 0.7 set by Hair et al. (2019).

The compliance measurement was adopted from Kaakeh et al. (2018) who defined compliance as customers' perception that Islamic banking transactions are free from prohibited actions and procedures, such as *riba* (interest) and *gharar* (uncertainty), and aligned with the teachings of the Quran and Sunnah. Religiosity was operationalized as a multidimensional construct, following Worthington et al. (2003) study. The Religious Commitment Inventory-10 (RCI-10; Worthington et al., 2003) depicts an individual's level of religious commitment. This measurement is used to assess the extent to which individuals embrace religious values, beliefs, and practices and apply them in their daily lives. The RCI subscales measure religious commitment based on 10 items: six items for intrapersonal commitment and four items for interpersonal commitment.

IFL is defined as the extent of an individual's knowledge and skills required to understand the importance of Sharia-compliant financial services that influence their attitude toward the intention to use Islamic financing. In this study, the IFL adopted the measurement used in Hoque et al. (2022). Skepticism was measured using items from Mohr et al. (1998) study that described skepticism as doubts about what others have communicated. Furthermore, intention to use adopted the measurement used by Kaakeh et al. (2018) and was defined as the strength of one's willingness and the extent to which one plans to engage in that behavior (Ajzen, 1991). The intention to use Islamic banking is interpreted as the extent to which individuals are willing to accept, try, and plan to use Islamic banks' products/services.

#### 3.2. Sampling and respondent selection

The population in this study comprised Muslims in Indonesia who did not have an account in an Islamic bank. Purposive sampling was used, which is a non-random sampling technique in which the researcher selects samples based on specific characteristics that align with the research objectives to address the

research questions (Sekaran & Bougie, 2017). The inclusion criteria were a minimum age of 17 years, no existing account in any Islamic bank, and practicing Islam. Hair et al. (2017) presented the minimum sample size requirements needed to detect minimum  $R^2$  values of 0.10, 0.25, 0.50, and 0.75 on endogenous constructs in a structural model for significance levels of 1%, 5%, and 10%, respectively. Assuming a statistical power level of 80% and the maximum number of paths pointing to a construct in the PLS path model with a significance level of 5%, the minimum sample size in this study was 84. This is consistent with Sarstedt et al. (2022) who recommended running power analyses to determine the required sample size prior to the analysis or, alternatively, applying the inverse square root method. Therefore, the sample size of this study met the minimum required size.

In this study, respondents completed an online questionnaire using the MS Form. Responses were obtained by distributing invitations and a uniform resource locator (URL) to the online questionnaire through social media and online messaging channels (Instagram, Facebook, and WhatsApp). To ensure that the respondents were Muslims who had not personally used Islamic banking services and products, screening questions were provided at the beginning of the questionnaire, asking whether the respondents had a Sharia-compliant bank account. All participants who were involved in the study gave their written informed consents. Ethical clearance was obtained from the ethics committee at the Doctoral Program of Economic Science, Faculty of Economy and Business, Universitas Sebelas Maret, Surakarta.

### 3.3. Data analysis

The data analysis used partial least squares (PLS) with SmartPLS 3.0 because the objective of this research was theory development, which is one of the reasons for using PLS according to Hair et al. (2019). As a preliminary analysis, outlier testing was conducted to identify data points that differed from the rest of the data. Testing was performed using Mahalanobis Distance ( $D^2$ ).

## 4. Results

A Common Method Bias (CMB) examination was conducted to prevent errors or inaccuracies in the data measurements or testing. Full collinearity tests were performed to identify method bias. The full collinearity test procedure using PLS-SEM was conducted following the method suggested in Kock and Lynn (2012) which included random dummy variables consisting of random values ranging from 0 to 1. These random values were used as single indicators of the latent variables. Subsequently, the PLS-SEM algorithm with SmartPLS was checked, and the variance inflation factor (VIF) values were examined.

In total, 569 responses were obtained. However, after screening for incomplete and invalid responses (e.g. non-Muslim respondents, respondents with Sharia-compliant bank accounts, and respondents of certain age groups), 210 valid responses were retained and analyzed. Table 1 presents the respondent profiles. According to the findings, three-fifths of a total of 210 participants were females (60%) compared to males (40%). Most respondents were young, with 41% between the ages of 17 and 25, 26% between the ages of 26 and 35, 21% between the ages of 36 and 45, and only 12% aged 46 years or above. Thirty percent of the respondents were students, while 70 percent were respondents who worked in both the government and private sectors. The monthly income of approximately 74% of the participants was less than IDR 5.000.000, followed by 26% whose income exceeded IDR 5.000.000. Of the respondents, 40.4% held an undergraduate degree, approximately 38% had a postgraduate degree, and nearly 12.7% held a higher secondary degree. A total of 37% of respondents had a higher secondary degree, approximately 24% held an undergraduate degree, and 24% had a postgraduate degree.

Table 2 presents the means and standard deviations of the five constructs examined in this study. For the compliance dimension, the average value was 2.954 with a standard deviation of 1.048. The respondents showed a relatively high average in the religiosity dimension, with a score of 3.902 and standard deviation of 0.760. Furthermore, the average IFL was 3.636 with a standard deviation of 0.774. The average score for intention to use was 3.467, with a standard deviation of 0.808, indicating that the respondents were quite enthusiastic and had a sufficiently high intention to use Islamic banking products/services. For the skepticism dimension, the average is 2.788, with a standard deviation of 0.896, indicating that respondents, in general, are not highly skeptical of Islamic banking.



**Table 1.** Respondents' profiles.

Characteristics	Group	Quantity	%
Gender	Male	84	40
	Female	126	60
	Total	210	100
Age (years)	17–25	86	41
	26–35	55	26
	36–45	44	21
	46–55	21	10
	>56	4	2
	Total	210	100
Occupation	State Civil Apparatus	26	12
	Housewife	9	4
	Others	36	17
	BUMN Employee	8	4
	Private Sector Employee	50	24
	Student	62	30
	Professional	4	2
	Entrepreneur	15	7
	Total	210	100
Monthly income (IDR)	<2.500.000	96	46
	2.500.000–5.000.000	60	29
	>5.000.000–7.500.000	27	13
	>7.500.000–10.000.000	7	3
	>10.000.000–12.500.000	6	3
	>12.500.000–15.000.000	6	3
	>15.000.000	8	4
	Total	210	100
Education level	Junior High School	2	1
	Senior High School	77	37
	Diploma II/Diploma III	23	11
	Bachelor's degree/Diploma IV	51	24
	Master's Degree	51	24
	Doctoral Degree	6	3
	Total	210	100

**Table 2.** Result of the descriptive analysis.

Construct	No of Items	Mean	SD
Compliance	3	2.954	1.048
Intention to use	3	3.467	0.808
Islamic Financial Literacy	8	3.636	0.774
Religiosity	10	3.902	0.760
Skepticism	4	2.788	0.869

#### 4.1. Measurement model

A measurement model testing for reliability (internal consistency), convergent validity, and discriminant validity was developed as an initial step (Hair et al., 2017). Table 3 shows that Cronbach's alpha for all constructs met the required threshold, exceeding the minimum cutoff of 0.66 (Hair et al., 2019). This indicates acceptable internal consistency. Convergent validity was examined by testing the extracted outer loadings and average variance (Hair et al., 2017). Four indicators had outer loadings below 0.7 and were therefore excluded from further analysis (yaitu IFL1, IFL7, REG1, and REG6). Individual reflective measures were considered good if they correlated  $>0.7$  with the measured construct and had an AVE value above 0.5. The qualifying loading factor values used for further analyses are listed in Table 3. The composite reliability values also met the criteria for further analysis, as they were  $> 0.7$ . Using the Fornell-Larcker criterion, we found that the square root of the AVE for each construct was higher than the correlation between the constructs in the model (Table 4). Valid cross-loading occurs when the value of the latent variable is higher than that of the other latent variables, whereas the Fornell-Larcker criterion indicates validity when the square root of the AVE for each variable is greater than its correlation with other variables (Hair et al., 2019). Additionally, the heterotrait–monotrait ratio (HTMT) was used (Hair et al., 2019). Table 5 shows that all HTMT values were below 0.9.

**Table 3.** Results of the measurement model.

Variable	Indicator	Loading Factor	Cronbach's $\alpha$	CR	AVE
<b>Compliance</b>					
COMP1	I believe the Islamic finance concept is a scam because it uses Sharia to make more money.	0.801	0.826	0.895	0.740
COMP2	Islamic banks are copying conventional banks and do not have genuine products.	0.862			
COMP3	I believe there is no difference between Islamic banks and conventional banks.	0.914			
<b>Islamic Financial Literacy</b>					
IFL2	Islamic banks provide lease banking (Ijarah)	0.768	0.881	0.909	0.582
IFL3	Based on the profit-loss sharing principle (Musharakah), Islamic banks provide money	0.866			
IFL4	Based on the profit-loss sharing principle (Mudarabah), Islamic banks might invest	0.891			
IFL5	Qardul Hassanah or benevolent loans might be provided by Islamic banks.	0.802			
IFL6	Trade banking methods (Murabahah) are provided by Islamic banks.	0.832			
IFL8	Industrial banking service (Istisna) is offered by Islamic banks.	0.845			
<b>Intention to use</b>					
INT1	My general intention to choose Islamic banking is very high.	0.884	0.893	0.934	0.825
INT2	I will think about choosing Islamic banking services.	0.929			
INT3	I will choose Islamic banking services in the future.	0.910			
<b>Religiosity</b>					
<b>Interpersonal Religiosity</b>					
REG2	I make financial contributions to my religious organization.	0.792	0.769	0.853	0.596
REG9	I enjoy working in the activities of my religious organization.	0.889			
REG10	I am well informed about my local religious group and have some influence on its decisions.	0.815			
<b>Intrapersonal Religiosity</b>					
REG3	I spend time trying to grow my understanding of my faith.	0.746	0.859	0.895	0.589
REG4	Religion is especially important to me because it answers many questions about the meaning of life.	0.848			
REG5	My religious beliefs lie behind my whole approach to life.	0.799			
REG7	It is important to me to spend time in private religious thought and reflection.	0.775			
REG8	Religious beliefs influence all my dealings in life.	0.836			
<b>Skepticism</b>					
SKEP1	Sharia claims in Islamic banks are true.	0.755	0.854	0.901	0.696
SKEP2	Sharia claims are exaggerated.	0.866			
SKEP3	Sharia claims are intended to mislead.	0.842			
SKEP4	I do not believe in Sharia claims.	0.869			

**Table 4.** Results of discriminant validity analysis.

	Compliance	IFL	Intention	Inter-Religiosity	Intra-Religiosity	Skepticism
Compliance	<b>0.860</b>					
IFL	−0.004	<b>0.835</b>				
Intention	0.255	0.412	<b>0.908</b>			
Inter-Religiosity	−0.179	0.405	0.401	<b>0.833</b>		
Intra-Religiosity	−0.112	0.418	0.333	0.611	<b>0.802</b>	
Skepticism	−0.559	−0.226	−0.421	−0.112	−0.120	<b>0.834</b>

**Table 5.** Heterotrait–Monotrait ratio (HTMT).

	Compliance_	IFL	Intention_	Inter-Religiosity	Intra-Religiosity
Compliance					
IFL	0.057				
Intention	0.287	0.449			
Inter-Religiosity	0.235	0.475	0.480		
Intra-Religiosity	0.135	0.467	0.373	0.725	
Skepticism	0.643	0.248	0.487	0.169	0.149

#### 4.2. Evaluation of inner model/structural model

To measure the extent to which variation in the latent dependent variable was explained by the independent variable, the coefficient of determination ( $R^2$ ) was tested. The  $R^2$  value is expected to be between 0 and 1. Reference values of  $R^2$ , such as 0.75, 0.50, and 0.25, indicate strong, moderate, and weak models,

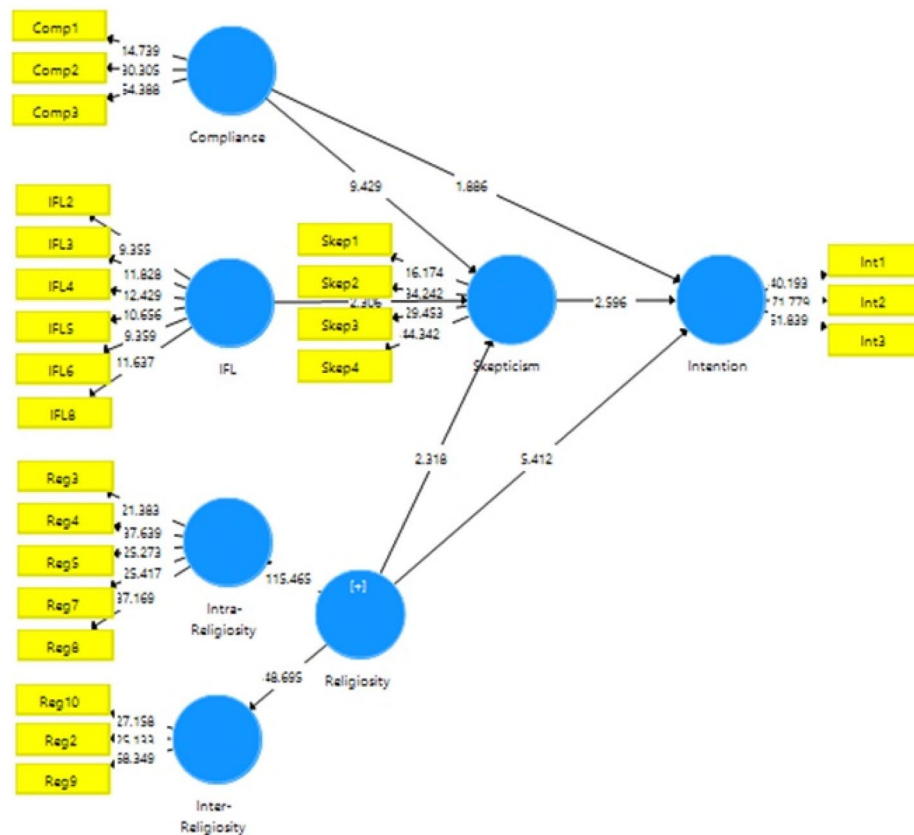


Figure 2. Structural model.

respectively (Hair et al., 2017). The  $R^2$  value for the influences of compliance, religiosity, and IFL on skepticism was 0.381, with an adjusted  $R^2$  value of 0.372. Therefore, the simultaneous effect of the exogenous constructs of compliance, religiosity, and IFL on skepticism was 38%, indicating that the exogenous constructs had a moderate influence on skepticism. Skepticism explained 31.5% of the variation in the intention to use Islamic banking products/services.

A nonparametric bootstrapping technique was applied with 5000 resampled samples to test the model (Figure 2). Based on the examination of the structural model, all hypotheses were supported (Table 6). In addition, the relationship between compliance and the intention to use was significant at the 10 percent significance level (H1,  $\beta=0.157$ ,  $p$  value = 0.056) and between religiosity and intention to use (H2,  $\beta=0.388$ ,  $p$  value = 0.000) were supported. According to Table 6, the direct relationships between compliance and skepticism (H3,  $\beta = -0.583$ ,  $p$  value = 0.000), religiosity and skepticism (H4,  $\beta = -0.147$ ,  $p=0.018$ ), and IFL and skepticism (H6,  $\beta = -0.161$ ,  $p$  value = 0.022) were also supported. Finally, the direct relationship between the skepticism and intention to use (H6,  $\beta = -0.283$ ,  $p$  value = 0.009) was supported.

Table 6 indicates the presence of the skepticism mediation. The influence of compliance on intention to use was found to be significantly mediated by skepticism (H3,  $\beta = -0.583$ ,  $t$  value = 9.511; H5,  $\beta = -0.157$ ,  $t$  value = 2.368, and H6,  $\beta = -0.238$ ,  $t$  value = 2.287). In addition to examining the significance of the mediation paths, Hair et al. (2019) suggest conducting significance tests on indirect effect paths. The information presented in Table 7 supports the conclusion that skepticism had an indirect effect. This indirect path indicates a partial mediating role of skepticism in the influence of compliance on intention to use (at a significance level of 0.05). Similarly, regarding the influence of religiosity on intention to use, there was also a partial mediating role of skepticism (at a significance level of 0.10). Partial mediation is defined as a situation in which the mediator variable partially mediates the relationship between dependent and independent variables (Maxwell et al., 2011).

**Table 6.** Results of hypothesis testing.

Hypothesis	Paths	$\beta$	t-values	p-values	Hypothesis Supported
H1	Compliance $\rightarrow$ Intention to use	0.157	1.909	0.056*	Yes
H2	Religiosity $\rightarrow$ Intention to use	0.388	5.435	0.000***	Yes
H3	Compliance $\rightarrow$ Skepticism	-0.583	9.511	0.000***	Yes
H4	IFL $\rightarrow$ Skepticism	-0.161	2.294	0.022**	Yes
H5	Religiosity $\rightarrow$ Skepticism	-0.147	2.368	0.018**	Yes
H6	Skepticism $\rightarrow$ Intention to use	-0.283	2.617	0.009***	Yes

Notes: \*Significant at  $p < 0.10$ ; \*\*Significant at  $p < 0.05$ ; \*\*\*Significant at  $p < 0.001$ .

**Table 7.** Indirect effects.

Paths	Indirect effect	t-values	p-values
Compliance $\rightarrow$ Skepticism $\rightarrow$ Intention	0.165	2.523	0.012**
IFL $\rightarrow$ Skepticism $\rightarrow$ Intention	0.046	1.480	0.139
Religiosity $\rightarrow$ Skepticism $\rightarrow$ Intention	0.042	1.813	0.070*

Notes: \*Significant at  $p < 0.10$ ; \*\*Significant at  $p < 0.05$

### 4.3. Discussion

Sharia compliance was not the primary factor in choosing a bank (Erol & El-Bdour, 1989; Ullah & Lee, 2012) for banks whose operations were based on Sharia principles (Maali et al., 2006). Sharia compliance was considered to be the primary foundation because it provides legitimacy for the products and services available in Islamic banking (AbdulKareem et al., 2022). The difference between Islamic and conventional banks is crucial in attracting customers (Ullah & Lee, 2012). Congruent with previous findings, this study indicates an influence between compliance and intention to use (H1). This study shows the positive influence of compliance on the intention to use, which is consistent with the findings of Khan et al. (2020), who researched the factors influencing consumer choices regarding Islamic home financing in Pakistan. Customers choose home financing from Islamic banks if the offered products are aligned with Sharia principles. This study reveals that Sharia compliance is a key factor influencing consumers' selection of Islamic home financing. Kamiyama and Kashiwagi (2019) showed that the higher the level of compliance with Islamic law, the greater the customers' intention to continue transacting with Islamic banks. Sharia compliance was emphasized by Ullah and Lee (2012), who stated that Islamic banks must prioritize it as a crucial factor in attracting the interests of Muslim consumers.

Regarding the influence of religiosity on the intention to use (H2), this study supports Kamiyama and Kashiwagi (2019) who revealed a significant positive relationship between customers' intentions to continue using Islamic banks and their religious motives. This is consistent with Han (2019), who proved that religious obligations positively influence the intention to adopt Islamic banking. This study suggests that practitioners of Islamic banking should build their brands and adhere to Islamic banking principles based on Islamic law (Sharia) to make the public aware and gradually adopt Islamic banking in the future. Shaharudin et al. (2010) showed that individuals' religious beliefs shape their moral systems and values; therefore, highly religious individuals tend to show a greater inclination to purchase brands oriented toward ethical values. Sugiarto and de Barnier (2019) also found in their qualitative research that some respondents from religious backgrounds stated that they tended to avoid products or brands that used marketing strategies that were deemed contrary to their religious beliefs. The current study also demonstrates that compliance negatively influences consumer skepticism (H3). This is crucial, especially in the context of Islamic banks in Indonesia, where the majority of the population is Muslim. The perception that Islamic banks are similar to conventional banks can lead to skepticism about Islamic banking practices, particularly in terms of compliance with Sharia (Ashraf & Lahsasna, 2017).

In this study, Islamic Financial Literacy was found to negatively impact skepticism (H4). Consumers who perceive themselves as having good literacy regarding Islamic banking concepts tend to form non-skeptical attitudes toward Islamic banks. Understanding Islamic banking shapes individuals' positive attitudes toward Shariah-compliant banks. The better someone understands Islamic banking, the more it reduces their skepticism toward Islamic banks. The results of this study support those of previous studies. The impact of literacy on skepticism was previously reported Austin et al. (2016). In their research on

alcohol advertisements, it was proven that individuals' media literacy affects their skepticism toward the messages conveyed in advertisements. This is consistent with a study by Trémolière and Djeriouat (2021) that identified literacy as a strong and independent factor predicting skepticism toward climate change. Islamic banking literacy obtained from religious teachings can be integrated into an individual's belief system, thus influencing the attitude formation process. The present study reinforces previous findings that Islamic Financial Literacy (IFL) influences individuals' attitudes and intentions to use products and services in Islamic banks (Warsame & Ireri, 2018).

Table 5 indicates that religiosity negatively influences customer skepticism (H5). It appears that the higher an individual's religiosity, the more inclined they are to identify how Islamic banks operate, which influences their attitudes, as reflected in skepticism toward Islamic banks. The more religious people are, the more capable they are of forming a positive attitude toward Islamic banks by demonstrating their lack of skepticism toward them, thus positively affecting their intentions. Consistent with de Run et al. (2010) religiosity has a significant influence on attitudes toward controversial advertisements. Religiosity has also been shown to be one of the reasons individuals become highly skeptical of advertisements (Sugiarto & de Barnier, 2019). More religious individuals may become more skeptical of banks' Shariah claims if they perceive that Islamic banks have not fully implemented Shariah principles. This is significant when considering Islamic banks in Indonesia, where the majority of the population is Muslim.

Finally, this study proves that consumer skepticism negatively influences customer intention (H6). Skeptical individuals avoid Islamic banks. These results support those of previous studies showing how skepticism influences customer intentions. The higher the skepticism, the lower is the individual's patronage intention (Amawate & Deb, 2019; Deb et al., 2020). Luo et al. (2020) found that skepticism toward green advertising on social media negatively influenced consumers' green purchase intentions. Similarly, Nguyen et al. (2019) examined the relationship between greenwash, green skepticism, and green purchase intention and found that green skepticism had a negative influence on green purchase intention. The results confirm that consumer skepticism is a reliable mediator. This finding is consistent with Elving (2013) and Nguyen et al. (2019) who identified the importance of skepticism as a mediating factor in consumer research. This indicates that the influence of compliance and religiosity on the intention to use can be mediated by consumer skepticism. It also suggests that consumer skepticism can be used as a benchmark to understand the intention to use Islamic banking products/services. Individuals' tendency to consider Islamic banking products/services is likely to be higher when their level of skepticism toward the bank is lower.

Skepticism is based on the persuasive knowledge model proposed in Friestad and Wright (1994). According to this model, when individuals encounter a persuasive episode, their persuasion coping knowledge is activated. Persuasion coping knowledge allows individuals to recognize, analyze, interpret, evaluate, and remember persuasive efforts, and choose and implement appropriate coping tactics. Furthermore, specific research on customer intentions in Islamic banks, involving the theory as a theoretical framework, has been utilized in previous studies (Albaity & Rahman, 2019; Alzadjal et al., 2021; Hoque et al., 2022; Kaakeh et al., 2018). The results of this study support previous research and confirm that attitudes, as manifested by skepticism toward Islamic banks, are influential factors that affect intention. People with positive attitudes tend to have more relevant intentions. This implies that an individual's positive attitude toward Islamic banking likely corresponds to positive intentions.

## 5. Conclusion, recommendations, and limitations

### 5.1. Conclusion

This study conceptualizes compliance, Islamic Financial Literacy (IFL), and religiosity as independent variables influencing consumer skepticism toward Shariah claims and the intention to use. It also examines the impact of consumer skepticism on intention to use. Using a cross-sectional study design, the research sample consisted of 210 respondents aged at least 17 years, practicing Islam, and not yet having an account with Islamic banks. The research findings indicate that compliance, Islamic Financial Literacy, and religiosity significantly influence consumer skepticism. It transpired that compliance and religiosity have a significant influence on intention to use and that consumer skepticism influences the intention to use Islamic banks.

## **5.2. Managerial or policy implications**

This study identifies the important factors affecting Islamic banking services for Indonesian consumers (compliance, religiosity, and IFL). Therefore, Islamic banks in Indonesia must incorporate these aspects into their management practices to support customers' intentions to use Islamic banking services and products. Understanding the factors influencing skeptical attitudes and behaviors toward Islamic banking services will help managers develop and maintain long-term relationships with customers by developing appropriate strategies. To reduce consumer skepticism, practitioners in Islamic banking cannot rely solely on religious factors to attract consumer interest, although many previous studies have proven that religiosity directly influences intention to use. Islamic banks need to enhance public literacy to better understand what they truly offer, which can reduce consumer skepticism toward Islamic banks. The more knowledge someone has and the higher their level of literacy about Islamic banks, the lower their tendency toward skepticism. Consumers with more product knowledge have a better understanding and appreciation of new products (Wang et al., 2008), which, in turn, results in higher purchase intentions. The finding that literacy about Islamic banks significantly influences the formation of skeptical consumer attitudes suggests that literacy is an important mechanism for changing public attitudes toward Islamic banks.

Regarding Sharia compliance, Islamic banks are not allowed to engage in *riba* and *gharar* (uncertainty) and are subject to restrictions on financing certain activities. The difference between Islamic and conventional banks is a crucial factor in attracting customers (Ullah & Lee, 2012); thus, Islamic banks must operate their businesses following Islamic teaching. Butt et al. (2011) found that non-customers were skeptical about choosing Islamic banks because of the perception that Islamic banks do not fully adhere to Islamic principles. This skepticism needs to be addressed by educating the public about the differences between Sharia-compliant and conventional banks and demonstrating that Islamic banks indeed operate following Sharia. Compliance with Sharia ensures reliability and enhances stakeholder trust (Ullah, 2014).

This study contributes to the existing literature on behavioral intentions to use Islamic banking services by demonstrating that skeptical attitudes toward Islamic banking influence customer intentions and act as a mediating factor among the influences of compliance, religiosity, and IFL on the intention to use Islamic banking services. Islamic banking practitioners must enhance their efforts to educate the public about the benefits of Islamic banking. This study identifies the important factors in Islamic banking services for consumers in Indonesia. Therefore, existing Islamic banks in Indonesia must incorporate these aspects into their management practices to support customers' intention to use Islamic banking services and products. Understanding these factors will assist managers in developing and maintaining long-term relationships with customers by implementing appropriate strategies.

## **5.3. Theoretical contributions**

This study provides an alternative model to previous research by incorporating the variable of skepticism, which influences the intention to use Islamic banks in Indonesia. This study contributes to the existing literature on the intention to use Islamic banking services by demonstrating for the first time that skeptical attitudes toward Islamic banking significantly influence customer intention and act as a mediating factor between the influence of compliance and religiosity on the intention to use Islamic banking services.

## **5.4. Limitations and future directions**

This study has several limitations. It uses quantitative data, which may overlook important information and limit the respondents' perspectives on the research variables. These findings could be further expanded by conducting similar studies in different settings. In addition, further research is needed to track changes in behavioral intention over time, as this was a cross-sectional study. The limited number of studies that have identified skepticism in the context of Islamic banking presents an opportunity for future research to support in-depth findings using a mixed methods approach. This study did not differentiate between traditional respondents (who believed that interest is prohibited in Islam) and contemporary respondents



(who argued that interest is not prohibited). Future research should identify skepticism by separating traditional and contemporary consumers, allowing for a more contextual generalization of the results. The model developed in this study must be validated through comparative studies involving consumers of both Islamic and conventional banks. Future research should consider enhancing the generalizability of the findings by collecting data from larger sample sizes across various locations.

## Acknowledgments

We acknowledge the support received from the Indonesia Endowment Fund for the Education Agency (LPDP), the Higher Education Financing Center (BPPT), Faculty of Economy and Business Universitas Sebelas Maret, and Faculty of Business and Economics Universitas Islam Indonesia.

## Authors' contributions statement

Aidha Trisanty: Retrieved the literature, conceived and designed the analysis, collected data, and drafted the manuscript. Budhi Haryanto: Reviewed and final approved the paper. Catur Sugiarto: Conducted data analysis, verified the analytical methods, and performed the analyses. Lilik Wahyudi: Verified the analytical methods and performed the analysis. All authors have read and agreed to the published version of the manuscript.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

## Funding

The authors received funding from the Indonesia Endowment Fund for the Education Agency (LPDP) and the Higher Education Financing Center (BPPT).

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## Data availability statement

Data supporting the findings of this study are available upon request from the corresponding author.

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