

# PROCEEDING

# IC 2018 MS

**The 4<sup>th</sup> International Conference on Management Sciences  
Universitas Muhammadiyah Yogyakarta, Indonesia**

**“Disruptive Innovation in Modern Business Era”**

held in UMY, Indonesia, on March 28, 2018

**Department of Management**

FACULTY OF ECONOMICS AND BUSINESS  
**Universitas Muhammadiyah Yogyakarta**

in collaboration with:  
**Universiti Sains Islam, Malaysia**  
**Tamkang University, Taiwan**  
**Khon Kaen University, Thailand**



**The 4<sup>rd</sup> International Conference on Management Sciences 2018  
(ICoMS 2018)**

**March 28 2018**

**Universitas Muhammadiyah Yogyakarta, Indonesia**

**Chair Person**

Dr. Indah Fatmawati, S.E., M.Si

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4. Dr. Arni Surwanti, M.Si. (Universitas Muhammadiyah Yogyakarta)
5. Ika Nurul Qamari, S.E., M.Si. (Universitas Muhammadiyah Yogyakarta)

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- ROOM A** : Dr. Indah Fatmawati S.E., M.Si.  
**ROOM B** : Retno Widowati PA, M.Si., Ph.D  
**ROOM C** : Ika Nurul Qamari, S.E., M.Si.  
**ROOM D** : Prof. Dr. Heru Kurnianto Tjahjono, M.M.  
**ROOM E** : Dr. Arni Surwanti, M.Si.

**Preface ICoMS 2018**  
**The 4<sup>rd</sup> International Conference on Management Sciences 2018**  
**(ICoMS 2018)**  
**March 28 2018**  
**Universitas Muhammadiyah Yogyakarta, Indonesia**

Dear Presenters and Delegates,

Department of Management, Economics Faculty, University of Muhammadiyah Yogyakarta, in collaboration with the Tamkang University Taiwan, Khon Kaen University Thailand, USIM Malaysia, organized an International Conference which will be held on March 28 2018.

We are proud to know that there is a thick manuscript submissions came to our table for this conference. In detail, there are 42 international academic manuscripts which we received from Indonesia, Malaysia, Thailand. And in this conference we choose **Disruptive Innovation in Modern Business Era** as the main theme.

Our international conference is a manifestation of the Government of Indonesia through the Directorate General of Higher Education, which has encouraged the internationalization of research and teaching in order to foster high-caliber academic institutions globally and increase competitiveness in International Higher Education.

We are very confident that our presenters and delegates will get a lot of ideas together and experience of this conference. In addition, our participants will enjoy additional insight from our plenary session keynote speakers, namely, Prof.Dr.Shu-Hsien Liao from Tamkang University Taiwan, Dr. Kawpong Polyorat from Khon Kaen University Thailand, Prof. Dr. Syadiyah Abdul Shukor from USIM Malaysia, and Punang Amaripuja, S.E., S.T., M.IT. from Universitas Muhammadiyah Yogyakarta.

Through this conference, we are committed to promote and improve our mission and academic culture synthesize global progress with local knowledge. Therefore, it is my great honour to welcome you to ICoMS 2018 in great cultural city of Yogyakarta, Indonesia. I look forward to seeing you soon in the conference.

Best wishes,

Dr. Indah Fatmawati

Chair of ICoMS 2018

<http://icoms.umy.ac.id/call-for-papers>

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# Customer's Skepticism in Islamic Banking

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## ABSTRACT

This study aims to examine the impact of customers' emotion and cognition on their skepticism in Islamic Banking. In addition, this study also examines the mediation effect of brand experience on the relationship between emotion and cognition on customer skepticism. In banking environment, Islamic Banks are experiencing very slow progress. Based on previous research, it happens because of less effective marketing communications. Therefore, these factors affect the customer's internal factors that can be seen from their emotion, cognition, brand experience, and customer skepticism.

This study uses self-administered survey. Data collected using online surveys. The respondents in this research are 597 Islamic Banking customers (various Islamic Banks) spread all over Indonesia. The data is processed using Structural Equation Modeling-Partial Least Square (SEM-PLS) to test the direct relationship and mediation relationship between variables. The results show that customers' emotion and cognition in Islamic Banking become predictors on brand experience. Furthermore, emotion, cognition, and brand experience also affect customer skepticism. In addition, brand experience mediates the relationship between emotion and cognition on customer skepticism. This research contributes both practical and theoretical.

**Keywords:** emotion, cognition, brand experience, customer skepticism

## 1. Introduction

Globally, Islamic banking has grown rapidly over the past three decades. Until now, Islamic banking is still a hot topic of conversation among the financial industry in various countries including Indonesia. This is because Islamic banking proved able to survive in two periods of crisis that happened in 1997 and year 2008. At crisis of year 1997, Islamic banks were able to survive in the middle of a difficult period with a capital ratio above 4%. Although Islamic banking has an operating loss up to Rp 106.983 billion at the end of 1998, but Islamic banks are still able to operate without following the recapitalization program ([www.bankmuamalat.co.id](http://www.bankmuamalat.co.id)). In addition, the 2008 crisis has proven the fragility of the conventional banking system. This crisis

shows that the global economy is not enough just to rely on the big countries like America and Europe to run the global financial policy system ([www.bi.go.id](http://www.bi.go.id)).

The success of Islamic bank is based on several factors. First, Islamic banking is closer to the real sector because the products offered always use the underlying transaction in the real sector so that the impact is more real in building economic growth. Second, in Islamic banking there are no speculative products (*gharar*) that have strong endurance to the global financial crisis. Third, profit-loss sharing that differentiates Islamic banking brings the benefits of justice for all parties such as the owner of the fund, the entrepreneur as the debtor, and the bank as the fund manager.

Compared to conventional banks, the age of Islamic banks in Indonesia is relatively young. Until January 2017, the Islamic banking industry already has a network with 13 Islamic Commercial Banks (BUS), 21 Islamic Business Units (UUS), and 164 BPRS spread in Indonesia and making Indonesia a country with the largest Islamic bank in the world. The report from Bank Indonesia shows that the movement of Non-Performing Financing (NPF), the ratio used to measure Islamic bank management capacity in managing problematic financing and can be fulfilled with productive assets owned by Islamic bank, is stable below 5%.

In addition to looking at NPF indicators and Islamic bank quantities, the rapid development of Islamic banking industry occurs due to the large potential of its market segment. Indonesia has a Muslim population that reaches 85% of the total population of Indonesia which is about 200 million people. This development is also supported by the government through the National Committee for Islamic Finance (KNKS), which is chaired by the President of the Republic of Indonesia. The government also makes the Roadmap of Indonesian Islamic Banking (RPSI) 2015-2019. RPSI 2015-2019 is the development plan of Islamic banking sector of Indonesia in 2015-2019 which refers to MPSJKI and RP2I and aligned with Masterplan of Indonesian Islamic Finance Architecture (AKSI) from National Development Planning Agency. RPSI is expected to be a reference for Islamic banking stakeholders in the development of Islamic banking industry so that Islamic banking can increase its role and contribution in supporting national economy, stability of financial system, and increasing equity of public welfare.

In the global economic condition which is still in recovery phase, the condition of Islamic banking shows a positive development. All indicators of Islamic banking performance are improving, including asset growth, third party funds and financing. However, the

potential of Islamic banking is contrary to the market share. In fact, the market share of Islamic banks is still low compared to the conventional banking industry, never exceeding 5% until 2016. Market share of Islamic banking can pass 5% when there is the conversion of BPD Aceh to Bank Aceh Syariah in September 2016. It makes Islamic banking market share in 2016 rise to 5.33% compared to the previous year of 4.67% (OJK, 2017).

The low market share of Islamic banking should be analyzed through in-depth research. Many factors influence the low marketability of Islamic banking. Calfee and Ringwold (1994) reviewed six decades of skepticism about advertising in general. The results show that 70% of customers believe in advertising despite unreliable ads. People buying products they do not need. There are still 30% of customers who do not believe in advertisements submitted by marketers. Trust plays an important role in customer behavior and trust in the brand affects the desire to buy a product (Javenpaa et al., 2000). Customers will lose confidence when the brand is misleading, unreliable, and fraudulent in its claims (Kalafatis and Pollard, 1999). This sense of distrust is also shared by customers of Islamic banking. This feeling of disbelief arises because of the skepticism of Islamic claims made by Islamic banking.

The purpose of this study is to determine the level of skepticism of Islamic bank customers in Indonesia regarding to Islamic claims conducted by Islamic banking. This is important to examine because it is practically possible to know that Islamic banking has tremendous potential to develop in Indonesia, but so far only can reach the market share of 5.33%. This percentage is very far when compared to conventional banks. Academically, there has been no research on the topic of bank customer skepticism. This study fills the gap. Researchers also test the role of brand experience as a mediating variable of the cognitive and emotional relationship to customer skepticism. The brand

experience is used as a mediating variable refers to research conducted by Brakus, Schmitt, & Zarantonello (2009), Verhoef et al (2009), Vogel, Evanschitzky, & Ramaseshan (2008).

The gap from previous research is the basis of this research. In addition, there is a need for research that can be used as a source of policy in advancing the financial industry and islamic banking in Indonesia. Researchers use the theory of reason action (TRA) from Ajzen and Fishbein (1980) to explain the relationship attitude and customer behavior of islamic banking in Indonesia. The purpose of this study is to examine the mediation effect from the brand experience on the relationship between customer's emotion and cognition on the customer's skepticism. This study will answer the following two questions: 1) Are islamic bank customers skeptical on islamic claims made by islamic banks? and 2) What role does emotion, cognition, and brand experience play in the process of skepticism?

## **2. Development Of Hypotheses**

### **2.1 Islamic Banking**

Islamic Banking according to UU no. 21 of 2008 concerning islamic Banking is anything concerning islamic Bank, islamic Business Unit, and islamic Rural Bank, covering institute, business activity, and manner and process in conducting its business activity. Islamic bank is a financial institution which in its activity use islamic legal basis. The principle is derived from *Al-Qur'an*, *Hadits*, *Ijma'* and *Qiyas*. The main feature of islamic banking is removing usury and promoting profit-and-loss sharing (PLS). According to Chapra (2006), in the Islamic world there is no different point of view about the elimination of usury based on Al-Quran or Al-hadits. Nevertheless, the principle of PLS is derived from the principle of *al-ghunm bil-gurm*. Indonesia is the country with the largest number of islamic banks. However, the number of customers of islamic banks is still very small compared to conventional bank customers. It is necessary to conduct research

to find out individual preference in islamic banking.

### **2.2 Customers' Skepticism**

The skepticism has several meanings. Ford et al., (1990) states that skepticism is not only in the truth of the advertising claims literature, but also the advertiser's motives or the advertising feasibility for specific audiences such as children, or specific products such as cigarettes and alcohol. Skepticism is also defined as a distrust of the stated claims (Darley and Smith, 1993; Pomeroy and Johnson, 2009). Skeptical customers will not accept advertising claims (Pomeroy and Johnson, 2009). Obermiller and Spangenberg (1998) disagree if advertising skepticism needs to be reflected on a more general trend and not to trust all lines of communication. They conceptualize the customer's skepticism as market confidence. Nevertheless, it can be seen that customer skepticism occurs because of a sense of distrust that causes suspicion on the object being observed. Researchers test the antecedent of customer skepticism based on the consumption experience of Obermiller and Spangenberg (1998) ie attitudes and behaviors proxied through emotions and cognitions adopted from Lunardo (2012).

### **2.3 Customers' Emotion**

Emotion is an important factor in today's marketing world. Advertising and marketing today have different characteristics that are shown through the content used. The goal is to put individuals into specific emotional states (Lindstrom, 2005). The reason for using emotion in marketing is explained by Lindstrom (2005) which mentions that emotions can help marketers to better understand customer behavior and why customers want to be loyal to a particular brand. According to Maclean (1990), emotions are organized in the brains of paleomammalia or limbic systems related to memory and individual experiences. Emotions are stimulated by the five senses that activate the

amygdala and send signals that determine how our body should react to stimulus.

The Mehrabian and Russell (1974) models show three basic human emotional states known as PAD (pleasure, arousal, dominance). Pleasure is a positive emotion that states that feelings can be distinguished from preferences, positive impulses, and approach or avoid an environmental stimulus. Arousal is a form of emotion that is an activity orientation that measures how awake humans are and how ready to act. Dominance is a form of emotion that reflects how widely the individuals' feels controlled or controlled by their environment.

Based on explanation above, emotion encourage the creation of customers skepticism relating to customer reasoning as a result of a review on an object indicated by a low level of trust in objects that have been observed or used. Therefore, the hypothesis is formulated as follows:

**H1:** Customer's emotion has a negative effect on customer's skepticism

## 2.4 Customers' Cognition

Customer's cognitive learning is defined as a process of feeling stimulus, connecting stimulus with needs, evaluating alternative brands, and interpreting whether the product is in line with expectations (Assael, 2004). Based on Triune Brain Theory proposed by Maclean (1990), the process of human cognition processed in the brain neomammalia which became the center of the processing of all information. Individual cognition is closely related to memory. Memory is a very useful process, because we can not remember information and events completely and accurately. In this case, cognitive psychology distinguishes human memory into two. First, short-term memory indicates that information storage is limited and temporary. Second, long-term memory that shows permanent storage of information in memory and unlimited information storage (Kotler and

Keller, 2016).

Logically, the more positive the perceived cognition of Islamic bank customers, the lower the skeptical level. In addition, the more information customers get, the lower the skeptical level. Therefore, in this study the researchers propose the following hypothesis:

**H2:** Customer's cognition has a negative effect on customer's skepticism

## 2.5 Brand Experience

Brand experience is the sensation, feeling, cognition and behavioral response induced by individual stimulus on matters relating to brand design, identity, packaging, communication, and the environment (Brakus et al., 2009). According to Brakus et al. (2009), customer experience of brands can occur directly or indirectly when customers seek, shop, and consume a brand. They analyze a variety of brand stimulus such as shapes, designs, slogans, brand characters, and so forth (Sahin et al., 2011). Past experience in acquiring and consuming brands will also build customer expectations about a brand (Assael, 2004).

When customers interact with brands directly or indirectly (since searching for information about brands until finally consuming and post-consumption), customers will have experience about the brand that shapes both positive and negative experiences. The results of previous research on marketing and customers show that when customers search for products, shop, consume products and services, then customers will feel the experience of a brand (Brakus et al., 2009; Sahin et al., 2011). Assael (2004) proposed a model of information process that describes information received by customers. Information received by customers will be considered, organized, and interpreted so that information is retained in the customer memory, both short-term memory and memory that has been filtered into long-term memory. This memory is derived from the perception,

brand evaluation, and past experience in buying and consuming brands.

Based on neuromarketing research, stimulus received by the individual will be processed by the brain as sensations, cognitive will be processed within the brain neomamalia, and individual emotions will be processed in the limbic system that will generate perceptions about an object or stimulus. Logically, the more positive the sensory stimulus the marketer gives to the customer, the customer's perception of a brand will be positive, both in terms of cognition and emotion. Therefore, the hypothesis is formulated as follows:

**H3a:** Customer's emotion has a positive effect on brand experience

**H3b:** Customer's cognition has a positive effect on brand experience

Information received by customers who have been processed through cognition and emotion will be embedded in customer memory that has been filtered based on past experience in buying and consuming brands. If the customer's brand experience on islamic banking product is positive then skepticism will be low. Conversely, if the customer's brand experience on a islamic banking product is negative then the customer's skepticism will be high. Therefore, the hypothesis proposed for this phenomenon is:

**H4:** Brand experience has negative effect on customer's skepticism

## **2.6 The Relationships of Emotion, Cognition, Brand Experience, and Customer Skepticism**

Emotion associated with customers' feeling on an object (in this study is Islamic Banks) that shown through feelings such as like, dislike, love, hate, fear, anger, joy, sadness, and so on (Mehrabian dan Russel (1974). Kognisi individu mendorong mereka untuk melakukan analisis terhadap objek yang diamati dan membandingkannya dengan

ekspektasi (Assael, 2004). Cognition related to customer knowledge based on experience in an object (Islamic banking). Emotion and cognition encourage the creation of a brand experience. Brand experience related to customer response to a brand after using its product and customers skepticism related to customer reasoning as a result of a review on an object indicated by a low level of trust in objects that have been observed or used. Furthermore, brand experience becomes a mediator between internal factors (emotion and cognition) and customer skepticism. Emotional and positive individual cognition will encourage the creation of a good brand experience thereby decreasing negative feelings on islamic banking products. Based on previous research and the theory of reason action (TRA) from Ajzen and Fishbein which explains the relationship of attitudes and behavior of customers of islamic banking in Indonesia, the hypothesis is formulated as follows:

**H5a:** Brand experience mediates the relationship between customer's emotion and skepticism

**H5b:** Brand experience mediates the relationship between customer's cognition and skepticism

## **3. Methodology**

### **3.1 Research design**

This research uses survey. Surveys is chosen because the purpose of this study was to measure individual perceptions of islamic banking products they use. The variables in this study are emotion, cognition, brand experience, and customer's skepticism. After obtaining the data, the next step is to process the data using statistical tests and interpret the results (Cooper & Schindler, 2011). The research model in this study was tested using Structural Equation Modeling-Partial Least Squares (SEM-PLS).

### **3.2 Population and Sample**

The population is defined by Neuman (2006) as the whole group to be researched in a study. The population in this study is all Islamic banking customers spread across Indonesia. Through data obtained from Islamic bank customers spread across Indonesia, this research is able to explain clearly about the level of skepticism in general. This research uses purposive sampling method, this technique is chosen to obtain the respondents in accordance with the criteria set by the researchers. Criteria of respondents used as samples in this study are syariah bank customers who have ever received marketing stimulus from Islamic banks in Indonesia and have brand experience in Islamic banks.

### **3.3 Method of Collecting Data**

The method of data collection is done by online survey using Google form directly answered by Islamic bank customers. The questionnaire contains statements to measure the perceptions of Islamic banking customers on a certain scale related to brand experience and customer's skepticism. The efforts of the researcher to make the instrument complete and objective by the respondent is to make the statement easily understood, using the same scale, giving the marks to be filled, and the spreading of the questionnaire is done by the enumerator coming from different areas so that the dissemination of data can be done well.

### **3.4 Variable Measurement**

#### **3.4.1 Customers' Emotion**

Emotion is an affective of one's perception on a series of product attributes or service performance. Emotions are measured using three dimensions (pleasure, arousal, and dominance) proposed by Mehrabian and Russell (1974). Instruments is measured using a five-point Likert scale (strongly disagree - strongly agree).

#### **3.4.2 Customers' Cognition**

Cognition compares incoming information with existing knowledge structures so that it will produce a series of key thoughts about the information. Cognition has three dimensions, consists of belief strength, belief confidence, and product curiosity (Smith and Swinyard, 1988). The dimension is combined with the cognitive structure/response dimension of Toy (1982) with brand attribute statements. Instruments is measured using five-point Likert scale (strongly disagree - strongly agree).

#### **3.4.3 Brand Experience**

The brand experience is measured using the four dimensions. The dimensions consists of sensory, affective, behavioral, and intellectual (Brakus et al., 2009). The sensorial dimension is an experiential dimension that shows the visual, audio, taste, touch, and smell that are stimulated by the brand. Affective dimension is the dimension of experience in which there is an emotional bond. The intellectual dimension is an experience dimension that shows the brand's ability to bind convergent and divergent customer thinking. The behavioral dimension is an experience dimension that shows the brand's ability to influence customer behavior. Instruments is measured using a five-point Likert scale (strongly disagree - strongly agree).

#### **3.4.2 Customers' Skepticism**

Customer skepticism is a general tendency towards the distrust of Islamic claims perceived by existing Islamic bank customers in Indonesia. The customer's skepticism of Islamic claims is measured using instruments from Obermiller and Spangenberg (1998) with seven question items and a five-point Likert scale (strongly disagree - strongly agree).

## **4. Results And Discussion**

### **4.1 Respondents and Descriptive Statistical Analysis**

Respondents in this study are 597 customers from various islamic banks in Indonesia. Respondents filled out questionnaires online through links sent by researchers. The respondent data used is the data of respondents registered as customers in one of the islamic bank in Indonesia. Demographic characteristics of respondents shown in the following table.

Table 1 demographic characteristics of respondents

Variable	Description	Frequency	%	
Gender	Male	238	39,9	
	Female	359	60,1	
Age	≤ 20 years	37	6,2	
	21 – 30 years	442	74	
	31 – 40 years	82	13,7	
	41 – 50 years	19	3,2	
	≥ 51 years	17	2,8	
Education Degree	High School	128	21,4	
	Diploma	2	0,3	
	Undergraduate	430	72	
	Post Graduate	30	5	
Job	Others	7	1,2	
	Students	451	75,5	
	Civil Servant	29	4,9	
	Prival	71	11,9	
	Employees	33	5,5	
	Entrepreneur	13	2,2	
Salary	≤ Rp.1.400.000	428	71,7	
	Rp.1.400.001 – Rp.2.700.000	87	14,6	
	Rp.2.700.001 – Rp.4.000.000	39	6,5	
	≥ Rp.4.000.001	43	7,2	
	Customer of Islamic Bank	BSM	216	36,2
	BNI Syariah	58	9,7	
BRI Syariah	137	22,9		
Muamalat	135	22,6		
BTN Syariah	9	1,5		
BCA Syariah	8	1,3		
Bukopin	8	1,3		
Syariah	4	0,7		
Mega Syariah	2	0,3		

BTPN Syariah	9	1,5	
CIMBN	3	0,5	
Syariah	4	0,7	
Permata	4	0,7	
Syariah			
BPRS Syariah			
BPD Syariah			
Tenor Be	≤ 3 months	70	11,7
a	3 – 6 months	116	19,4
Customer	6 months – 1 year	110	18,4
	1 year – 2 years	116	19,4
	≥ 2 years	185	31

Table 1 above shows the demographics of customers who are samples in this study. Furthermore, data on descriptive statistics are shown in Table 2. Descriptive statistics describe the data among variables that will help researchers and readers to know the spread of respondents' answers in the instrument, average data, and deviation standard. Here is the conclusions of descriptive statistics.

Table 2 descriptive statistics

Variabel	Theoretical Score		Actual Score		Mean	DS
	Min	Max	Min	Max		
EM	1.00	5.00	1.50	5.00	3.26	0.56
CG	1.00	5.00	1.38	5.00	3.73	0.65
BE	1.00	5.00	1.50	5.00	3.49	0.60
SC	1.00	5.00	1.00	4.57	2.40	0.62
Valid N (Listwise)						

Table 2 shows some information that most respondents answered with the maximum value. The highest average is cognition, the lowest average is skepticism. In addition, the highest deviation standard is cognition and the lowest deviation standard is emotion.

## 4.2 Validity and Reliability Testing

Before performing hypothesis testing, the steps that must be done is to test the validity and reliability. First, the validity



testing is performed to determine the ability of the instrument to measure what should be measured. Instrument validity is known through testing of convergent validity and discriminant validity of each indicator. Convergent validity is determined using three criteria ie outer loading must be greater than 0.7 (> 0.7), communality must be greater than 0.5 (> 0.5), and the Average Variance Extracted (AVE) value must be greater than 0.5 (> 0.5). Furthermore, discriminant validity is determined using the square root of AVE with a cross loading value greater than 0.7 (> 0.7). Table 3 below is the testing results of convergent validity and table 4 is the result of discriminant validity.

Table 3 convergent validity testing

	EM	CG	BE	SC	SE	P value
<b>Emotion, AVE = 0.824</b>						
EM1	<b>(0.917)</b>	-0.010	0.011	0.026	0.037	<0.001
EM2	<b>(0.918)</b>	0.049	-0.012	0.030	0.037	<0.001
EM3	<b>(0.888)</b>	-0.040	0.000	-0.058	0.037	<0.001
<b>Cognition, AVE = 0.623</b>						
CG1	0.012	<b>(0.725)</b>	-0.050	-0.004	0.038	<0.001
CG2	0.022	<b>(0.818)</b>	-0.051	0.044	0.037	<0.001
CG3	0.053	<b>(0.820)</b>	-0.095	-0.016	0.037	<0.001
CG4	0.006	<b>(0.795)</b>	0.025	0.123	0.037	<0.001
CG5	-0.138	<b>(0.833)</b>	-0.022	0.100	0.037	<0.001
CG6	-0.030	<b>(0.819)</b>	0.031	-0.099	0.037	<0.001
CG7	0.004	<b>(0.784)</b>	0.010	-0.094	0.038	<0.001
CG8	0.085	<b>(0.709)</b>	0.170	-0.066	0.038	<0.001
<b>Brand Experience, AVE = 0.598</b>						
BE1	-0.041	0.106	<b>(0.767)</b>	-0.046	0.038	<0.001
BE2	-0.011	0.042	<b>(0.814)</b>	-0.034	0.037	<0.001
BE3	0.072	-0.069	<b>(0.811)</b>	0.065	0.037	<0.001
BE4	0.006	-0.053	<b>(0.773)</b>	0.097	0.038	<0.001
BE5	-0.185	0.022	<b>(0.729)</b>	-0.020	0.038	<0.001
BE6	0.151	-0.046	<b>(0.741)</b>	-0.068	0.038	<0.001
<b>Skepticism, AVE = 0.674</b>						
SC1	0.080	-0.032	-0.117	<b>(0.783)</b>	0.038	<0.001
SC2	0.015	-0.016	-0.033	<b>(0.826)</b>	0.037	<0.001
SC3	-0.002	-0.063	0.091	<b>(0.843)</b>	0.037	<0.001
SC4	-0.028	0.031	0.004	<b>(0.821)</b>	0.037	<0.001
SC5	-0.034	0.050	0.107	<b>(0.828)</b>	0.037	<0.001
SC6	-0.058	0.099	-0.009	<b>(0.830)</b>	0.037	<0.001
SC7	0.031	-0.071	-0.051	<b>(0.817)</b>	0.037	<0.001

Table 4 discriminant validity testing

<b>Latent Variable Correlations</b>				
	EM	CG	BE	SC
EM	<b>(0.789)</b>	-0.684	0.692	0.740
CG	-0.684	<b>(0.821)</b>	-0.558	-0.681
BE	0.692	-0.558	<b>(0.908)</b>	0.628
SC	0.740	-0.681	0.628	<b>(0.773)</b>
<b>P Values for Correlations</b>				
	EM	CG	BE	SC
EM	<b>1.000</b>	<0.001	<0.001	<0.001
CG	<0.001	<b>1.000</b>	<0.001	<0.001
BE	<0.001	<0.001	<b>1.000</b>	<0.001
SC	<0.001	<0.001	<0.001	<b>1.000</b>

Table 3 shows that the convergence validity is met. It can be seen from latent variables that have loading above 0.7 (> 0.7) and AVE values above 0.5 (> 0.5). In addition, the convergent validity for reflective constructs is supported with significant p values (<0.001). Indicators with loads below 0.7 (> 0.7) are not included in the analysis to maintain the validity of the data. Indicators that do not meet the assumption of convergent validity are EM4, EM5, EM6, BE7, and BE8. Table 4 shows that the assumption of discriminant validity is met. It can be seen from loading to another construct (cross loading) is lower value than to the construct. One of them is the discriminant validity of the EM construct has been fulfilled because AVE root about 0.789 is greater than -0.684, 0.692, and 0.740.

Second, reliability testing is done to see the reliability accuracy of the measuring instrument to know the consistency of the measurement's result (Hartono, 2008). Reliability testing is done by looking at the value of Cronbach's alpha and composite reliability. The value of Cronbach's alpha must be greater than 0.7 (> 0.7) and the composite reliability must be greater than 0.7 (> 0.7). Reliability testing results can be seen in table 5

below.

Table 5 reliability testing

	EM	CG	BE	SC
<b>Chronbach's alpha</b>	0.893	0.913	0.865	0.919
<b>Composite reliability</b>	0.933	0.929	0.899	0.935

Table 5 shows that the research instrument meets the assumption of reliability. It is known from the value of Cronbach's Alpha and Composite Reliability greater than 0.7 (> 0.7). For example for emotion, the value of Cronbach's Alpha is 0.893 and the value of Composite Reliability is 0.933.

### 4.3 Structural Model (Hypothesis Testing)

The structural model in SEM-PLS is seen from  $R^2$  for the dependent construct. Through  $R^2$ , it can be known variation change of independent variable to dependent variable. Next, the researchers evaluate the coefficient value of the path or t-values to see significance in hypothesis testing.

#### 4.3.1 Hypothesis Testing of Direct Effect

Before testing the mediation relationship, the first thing to know is the direct relationship between the independent variable to the dependent variable. There are two direct relationships, emotion to customer's skepticism and cognition to customer's skepticism. Table 6 below is a summary of the direct relationship between independent and dependent variables.

Table 6 hypothesis testing of direct effect

Path	Path Coefficient	P Values	R-Squared	Result
EM-SC	-0.57	<0.01	0.32	Supported Significantly
CG-SC	-0.69	<0.01	0.48	Supported Significantly

Table 6 shows that emotion and cognition have a direct relationship to

customer skepticism. Emotion has a significantly negative direct relationship to the customer skepticism with coefficient value = -0.57 ( $p < 0.01$ ) and  $R^2 = 0.32$ . This indicates that H1 is significantly supported. In addition, variations in customer's skepticism that can be explained by emotion is 32%, while the remaining 68% is explained by other variables. Furthermore, cognition also has a significantly negative relationship to customer skepticism with coefficient value = -0.69 ( $p < 0.01$ ) and  $R^2 = 0.48$ . This indicates that H2 is also supported. Variations in customer's skepticism that can be explained by cognition is 48%, while the remaining 52% is explained by other variables.

#### 4.3.2 Hypothesis Testing of Mediation Effect

The next stage is to do mediation testing. There are two mediation relationships. First, the mediation effect of brand experience on the relationship between emotion and customer's skepticism. Second, the mediation effect of brand experience on the relationship between cognition and customer's skepticism. After conducting direct test, the indirect effect testing between independent, mediation, and dependent variables is done. Figure 1 below is the result of simultaneous testing between variables using SEM-PLS.

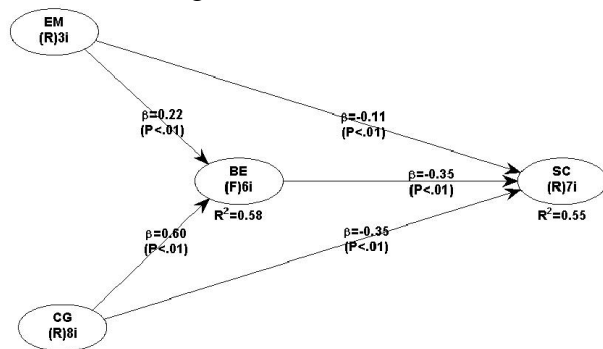


Figure 1 Indirect Effect of Research Model

Figure 1 shows the results of simultaneous testing between variables. Model testing shows the relationship between emotion and cognition on brand experience, brand experience on customer skepticism, and

mediation relationships. Table 4.7 shows the output of path coefficients and the p-values of the relationship between emotion to brand experience, cognition to brand experience, and brand experience to customer's skepticism,

testing.

Table 8 mediation testing

Path	Path Coefficient	Total effect	VAF	Mediation Form	Result	
EM - BE	0.22***	-0.35***	-0.187	0.412	Partial Mediation	Supported Sig.
CG - BE	0.60***	-0.35***	-0.56	0.375	Partial Mediation	Supported Sig.
BE - SC	-0.35	<0.01	0.55	Supported Significantly	Supported Significantly	***p<0.01

Table 7 the relationship of emotion, cognition brand experience, and skepticism

Table 7 shows the relationship between each variable. Emotion and brand experience have a positive and significant relationship with coefficients 0.22 ( $p < 0.01$ ) and  $R^2 = 0.58$ . This shows that the variation of brand experience that can be explained by emotion is 58%, the remaining 42% is explained by other variables. That is, H3a is supported significantly. Cognition and brand experience have a positive and significant relationship with coefficients 0.60 ( $p < 0.01$ ) and  $R^2 = 0.58$ . This suggests that the variation of brand experience that can be explained by cognition variables is 58%, the remaining 42% explained by other variables. That is, H3b is also supported significantly. In addition, the brand experience and customer skepticism also have a significantly negative relationship with the coefficient of -0.35 ( $p < 0.01$ ) and  $R^2 = 0.55$ . This shows that the variation of customer skepticism that can be explained by the brand experience experience is 55%, the remaining 45% is explained by other variables. That is, H4 is supported significantly.

The next result shows the results of mediation testing. There are two mediation relationships displayed. The following table 8 is a summary of the results of mediation

Table 8 shows the results of mediation testing. First, the result of the emotional coefficient on customer skepticism has decreased to -0.11 and significant with ( $P < 0.01$ ). It means that the structural model is mediated partially by the mediating variable. The emotional path coefficient on brand experience is 0.22 and significant at ( $p < 0.01$ ) and the coefficient of brand experience path to customer skepticism is -0.35 and significant at ( $p < 0.01$ ) and has VAF value of 0.412. These results support H5a significantly and the form of mediation is partial mediation. Second, the result of coefficient of cognition on customer skepticism has decreased to -0.35 and significant with ( $P < 0.01$ ). It means that the structural model is mediated partially by the mediating variable. The coefficient of cognition pathway to brand experience is 0.60 and significant at ( $p < 0.01$ ) and the coefficient of brand experience path to customer skepticism is -0.35 and significant at ( $p < 0.01$ ) and has VAF value of 0.375. These results support H5b significantly and the form of mediation is partial mediation.

#### 4.4 Discussion

Darsono et al (2017) mentions that the challenge of Islamic banking is five aspects. First, the paradigm of thinking society as the users, actors, or regulators of the financial

industry tend to be conventional. Secondly, islamic banking industry is still developed partially at the policy or regulatory, institutional and operational levels as well as human resources, and the education system. Third, the lack of cooperation between islamic banks and islamic microfinance institutions. Fourth, synergies that have not been realized at the sectoral level, such as the commercial islamic financial sector (banking and non banking) with the Islamic financial sector (Institutions of zakat, waqf, and infaq-alms). Fifthly, there is no government or ministerial policy that explicitly demonstrates their alignment in developing islamic financial industry although islamic banking has proven to be resilient in the face of crisis.

The results of research conducted by Darsono et al (2017) mention that the challenge of developing islamic banking industry (the paradigm of thinking of the community as a islamic bank users tend to conventional). It is used as a basis by researchers to find the cause of the mindset of society. Researchers suspect there are internal aspects of the individual who influence it, namely customer skepticism. In this study, researchers examined the paradigm of thinking and attitude of islamic banking customers using the perspective of the theory of reason action (TRA) from Ajzen and Fishbein (1980) to see the level of skepticism of islamic banking customers in Indonesia. These perceptions are seen based on the factors that influence customers' skepticism, namely customer cognition, customer emotion, and brand experience as a mediating variable.

The results of statistical tests show that customer emotions have a positive impact on the brand experience. This is in accordance with the hypothesis proposed by the researcher. Customer's emotion also negatively affects customers' skepticism, either directly or mediated by the brand experience. That is, when the customer's emotion is positive to the islamic bank then the customer's skepticism will be low. Positive emotions will reduce the feelings of customer

skepticism, otherwise negative emotions will have a strong impact on the negative attitude of skepticism (*su'udzon*) to the brand. Obermiller and Spangenberg (1998) argue that customers do not always believe in the claims given by firms and situational factors can be moderating extreme skeptical responses.

Other results indicate that cognition positively affects brand experience. That is, respondents perceive stimulus given islamic banking, connect stimulus with needs, evaluate alternative brands and interpret whether the product is in line with expectations (Assael, 2004). This is also in accordance with the research of Fiore and Kim (2007) which states that the cognitive-affect-behavior (CAB) model represents mental activity that influences customer behavior because customer's cognitive activity is stored in memory and becomes a brand experience. Researchers found that customer's cognition negatively affects customers' skepticism directly or mediated by the brand experience. This happens because the level of skepticism will decrease as customers understand the information received, evaluate information according to customers' needs, and conform to their expectations.

The study also found that brand experience negatively affects customers' skepticism. Experience in this research is a positive experience that is reflected from the items of research indicators. This means that the more positive the brand experience of islamic bank customers, the level of skepticism will decrease, and vice versa. This is consistent with Obermiller and Spangenberg's (1998) study which examines the consumption experiences on the level of customer skepticism in advertising and research by Amin, Isa & Fortaine (2013) which examines the beliefs of islamic banks for muslims and non-muslims.

## **5. Conclusions, Limitations, Contributions, And Future Research**

This study aims to examine the impact of customers' emotion and cognition on their skepticism in islamic anking. In addition, this study also examines the mediation effect of brand experience on the relationship between emotion and cognition on customer skepticism. In banking environment, islamic banks are experiencing very slow progress. Based on previous research,it happens because of less effective marketing communications. The marketing communications has an impact on customers' view in islamic banks. Therefore, this factors affect the customer's internal factors that can be seen from their emotion and cognition. Emotion associated with customers' feeling on an object (in this study is islamic banks) that shown through feelings such as like, dislike, love, hate, fear, anger, joy, sadness, and so on. Cognition related to customer knowledge based on experience in an object (Islamic banking). Emotion and cognition encourage the creation of a brand experience (customer response to a brand after using its product) and customers skepticism (relating to customer reasoning as a result of a review on an object indicated by a low level of trust in objects that have been observed or used). Furthermore, brand experience encourages the creation of positive or negative feelings (customer's skepticism) on an object and becomes a mediator between internal factors (emotion and cognition) and customer skepticism.

The results show that customers' emotion and cognition in islamic banking become predictors on brand experience. Furthermore, emotion, cognition, and brand experience also affect customer skepticism. In addition, brand experience mediates the relationship between emotion and cognition on customer skepticism. It can be known that the better emotion and cognition of customers towards islamic banks leads to their brand experience getting better, so their skepticism level will be low. In addition, the better the brand experience leads to lower customer skepticism in islamic banks.

This research has limitation because the

sample used is customer from islamic banking. The results will be more complete when compared to the results when using samples from non-islamic banking customers, so it can be seen perceptions of skepticism from both sides of the customer and non-customers. This weakness can be used as an idea for further research that is by comparing the results of two types of samples (customers and non-customers). This research also focuses on the internal aspects of customers only the emotions, cognition and brand experience. It will be more complete if researchers include external aspects such as advertising information stimulus and marketing event (Rezai, Mohamed & Shamsudin, 2012; Zarantonello and Schmitt, 2013).

This research contributes both practical and theoretical. Practically, this research can be an input for islamic banks to design a more appropriate marketing concept to influence the positive cognition and emotions on customers. Furthermore, islamic banks can understand the shortcomings of the systems they use and better understand customer needs. Theoretically, this research becomes the basis for further research in the field of customer behavior and adds to the literature that the low market share of islamic banking is not only influenced by external factors but also influenced by internal factors. This is because the behavior of islamic banks in carrying out its business processes (including marketing, service, facilities, product and so on) will have an impact on customers' thoughts and feelings such as emotion, cognition, brand experience, and customer skepticism.

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