

## Revisiting Profit-Loss Sharing Financing: A Behavioral Intention Perspective through the Extended Valence Framework

Muhammad Anis<sup>1✉</sup>, Roisatun Kasanah<sup>2</sup>

<sup>1</sup>Universitas Terbuka, Indonesia.

<sup>2</sup>Trunojoyo University, Madura, Indonesia.

✉Corresponding author: muhammad.anis@ecampus.ut.ac.id

### Article history

Received 2025-11-21 | Accepted 2025-12-20 | Published 2025-12-31

### Abstract

The low level of profit-sharing financing (PLS) requires a multidimensional study to explore why this type of financing, a hallmark of Islamic financial institutions, is underutilized. Unlike previous studies that relied on financial analysis, this study aims to analyze the factors influencing the intention to adopt PLS financing by examining the behavioral intentions of Islamic bank customers in Indonesia. Guided by the Extended Valence Framework, this study adopted perceived benefits, perceived risks, and Islamic financial knowledge as independent variables, while trust served as an intervening variable. Using purposive sampling, data were collected from 151 respondents, which were then analyzed using the partial least squares method. The main findings of this study indicate that perceived benefits play a significant role in building public trust in profit-sharing financing, ultimately influencing customers' financing decisions. Meanwhile, perceived risks undermine their trust and reduce their intention to adopt PLS financing. This study interestingly discovered that knowledge of sharia finance affects trust but not the desire to use PLS contracts. These results indicate that PLS adoption intentions are formed through evaluations of benefits, risks, and trust, rather than knowledge of Islamic finance. These findings have practical implications for Islamic banking institutions, especially in creating marketing strategies for PLS financing that highlight the benefits customers can experience and assure them of effective risk management to enhance their intention to adopt it.

**Kata Kunci:** PLS Financing; Extended Valence Framework; Behavioral Intention; Perceived Benefit; Perceived Risk.

This is an open-access article under the CC-BY-SA license.



Copyright @ 2025 Muhammad Anis, Roisatun Kasanah

## **INTRODUCTION**

Islamic banks operate by offering financial products in accordance with Islamic principles. One such product is a profit-sharing financing system, such as *musharakah* (participatory financing) and *mudharabah* (trust-based financing) (Miah & Suzuki, 2020). This concept is a key characteristic of Islamic banks (Nugraheni & Alimin, 2022). In this system, the assets and liabilities of Islamic banks are interconnected, with customers sharing profits and losses with the bank, which in turn shares profits and losses with depositors (Miah & Suzuki, 2020). Thus, both investors and entrepreneurs share profits and losses according to pre-agreed proportions. This arrangement provides a more ethical financial solution by creating a win-win situation for both parties in a financial agreement (Winarsih & Asokawati, 2019) and has a positive and significant impact on financial stability (Addury & Ramadhani, 2024).

However, in practice, non-profit-sharing contracts have increasingly dominated Islamic banking operations over time (Jamshed & Uluyol, 2024). Arguments have emerged that Islamic banks have simply changed the term "interest" to "profit or markup rate" (Kuran, 1996). Khan (2010) also criticized Islamic banking practices, stating that many Islamic banks are functionally no different from conventional banks. This problem is due to the tendency of Islamic banks to prioritize providing debt-like financing instruments over implementing profit-sharing schemes. Many scholars even disagree on whether these banks are truly Islamic (Miah & Suzuki, 2020).

Kaakeh et al. (2019) emphasize the need to study Islamic banking from multiple perspectives. Therefore, this study seeks to examine profit-sharing financing in the Islamic banking industry from a behavioral economics perspective. Over the past 50 years, numerous studies have been conducted on the behavioral side (Kaakeh et al., 2019), including in Islamic banking (Jamshed & Uluyol, 2024; Kaakeh et al., 2019; Lee, 2009; Maryam et al., 2022), but very few have discussed profit-sharing financing. Conversely, numerous studies have addressed profit-sharing financing (Amelia & Hardini, 2017; Arshed & Kalim, 2021; Effendi, 2018; Ibrahim et al., 2022; Muhammad & Nugraheni, 2021), but few have used behavioral analysis and are more focused on financial analysis.

To address this research gap, this study intends to examine the factors influencing customer decisions regarding whether or not to choose profit-loss sharing (PLS) financing in their financing decisions. This study uses the extended valence framework (Kim et al., 2009) as its basis. This theory is an extension of the valence framework theory developed by Peter & Tarpey, Sr. (1975), which explains that an individual's investment decisions are influenced by two main factors: perceived benefits and perceived risks. An individual is more likely to engage in investment if their perceived benefits are greater and their perceived risks are lower. This idea is particularly relevant to profit-sharing financing decisions, as profit-sharing financing is equity-based, not liability-based. Therefore, individuals considering P/L financing are assumed to consider both perceived benefits and risks.

Furthermore, the extended valence framework theory emphasizes the importance of trust in decision-making. The greater a person's trust in a service, the greater their intention to use it. Trust is a key factor in encouraging individuals to adopt such services. This aspect also aligns with profit-sharing-based financing, which emphasizes cooperation, thus requiring a high level of trust. If consumers trust the service, their intention to use it will increase; however, if the service is perceived as untrustworthy, their intention to use it will decrease.

In addition to these three factors, knowledge of Islamic finance (sharia financial knowledge) can also influence the choice of profit-sharing-based financing. According to Ali et al. (2018), knowledge of Islamic banking practices will impact positive attitudes toward Islamic banks. Therefore, knowledge of Islamic banking practices can provide a strong foundation for the decision-making process. The deeper a person's understanding of Islamic financial principles and products, the more rational and informed their decisions will be in selecting the type of financing they will receive.

Based on the description above, this study differs significantly from previous research in two ways. First, this study concentrates on identifying perceptual factors that affect decision-making in profit-sharing financing. Previous studies have primarily utilized financial analysis (Amelia & Hardini, 2017; Ben Jedidia, 2020; Fathurrahman & Devi, 2021; Muhammad & Nugraheni, 2021; Umam et al., 2021). Second, this study integrates the variables of perceived benefits, perceived risks, and trust, as delineated in the extended valence framework, alongside knowledge of Islamic finance (sharia financial knowledge), to examine how such knowledge affects the intention to utilize profit-sharing financing.

Sharia banking operations are based on established principles. One distinctive feature of the application of these principles is the existence of profit-sharing systems, such as *musharakah* (participatory financing) and *mudharabah* (trust-based financing) (Nugraheni & Alimin, (2022; Miah & Suzuki, (2020). In this system, the assets and liabilities of Islamic banks are interconnected, with customers sharing profits and losses with the bank, which in turn shares profits and losses with depositors (Miah & Suzuki, 2020). Through this system, depositors, banks, and entrepreneurs can share profits and losses according to pre-agreed proportions. Under this system, Islamic banks not only offer financial solutions but also foster more ethical financing by establishing mutually beneficial financial agreements (Winarsih & Asokawati, 2019). Furthermore, Islamic banks are also considered to have a positive and significant impact on financial stability (Addury & Ramadhani, 2024).

However, over time, non-profit-sharing contracts have dominated Islamic banking operations (Jamshed & Uluyol, 2024). This trend has sparked controversy among Islamic economic scholars, with arguments even emerging that Islamic banks have simply changed the term "interest" to "profit or markup rate" (Kuran, 1996). Furthermore, Khan (2010) stated that functionally, many Islamic banks are no different from conventional banks. One contributing factor to this controversy is the tendency of Islamic banks to prioritize providing debt-like financing instruments over implementing their characteristic profit-sharing schemes. This issue has led to varying opinions about whether these banks are truly run according to Islamic principles (Miah & Suzuki, 2020).

Kaakeh et al. (2019) argue that we need to study Islamic banking from various dimensions, including a behavioral economics perspective. In this regard, over the past 50 years, numerous studies have been conducted on the behavioral side (Kaakeh et al., 2019), including those on Islamic banking (Jamshed & Uluyol, 2024; Kaakeh et al., 2019; Lee, 2009; Maryam et al., 2022), but very few have discussed profit-sharing financing. Conversely, numerous studies have addressed profit-sharing financing (Amelia & Hardini, 2017; Arshed & Kalim, 2021; Effendi, 2018; Ibrahim et al., 2022; Muhammad & Nugraheni, 2021), but few have used behavioral analysis, preferring financial analysis.

To fill this gap, this study seeks to investigate the factors that affect customers' decisions to use profit-loss sharing financing. This study uses the extended valence framework (Kim et al., 2009) as its basis. This theory is an extension of the valence framework theory developed by Peter & Tarpey, Sr. (1975), which explains that an individual's investment decisions are influenced by two main factors: perceived benefits and perceived risks. The greater the perceived benefits and the lower the perceived risks, the more likely a person is to engage in investment. This is particularly relevant to profit-sharing financing decisions, as profit-sharing financing is equity-based, not liability-based. Therefore, individuals considering profit-sharing financing are assumed to consider both perceived benefits and risks.

Furthermore, the extended valence framework theory emphasizes the importance of trust in decision-making. The higher a person's level of trust in a service, the greater their intention to use it. Trust is a key factor in encouraging individuals to adopt such services. This aspect also aligns with profit-sharing financing, which emphasizes cooperation, necessitating a high level of trust. If consumers trust the service, they will be more likely to use it; if they don't, they will be less likely to use it.

In addition to these three factors, knowledge of Islamic finance (sharia financial knowledge) can also influence the choice of profit-sharing financing. According to Ali et al.

(2018), knowledge of Islamic banking practices will impact positive attitudes toward Islamic banks. Thus, knowledge of Islamic banking practices can serve as a strong foundation in the decision-making process. The deeper a person's understanding of Islamic financial principles and products, the more rational and appropriate decisions they will make in selecting the type of will that will be provided.

Based on the description above, this study differs significantly from previous research in two main respects. First, this study focuses on identifying perceptual factors influencing decision-making regarding profit-sharing financing. Previous studies have primarily utilized financial analysis (Amelia & Hardini, 2017; Ben Jedidia, 2020; Fathurrahman & Devi, 2021; Muhammad & Nugraheni, 2021; Umam et al., 2021). Second, in addition to using the variables of perceived benefits, perceived risk, and trust as outlined in the extended valence framework theory, this study also incorporates knowledge of Islamic finance (sharia financial knowledge) as a variable, thus capturing the role of knowledge about Islamic finance in shaping the intention to use profit-sharing financing.

## **Literature Review**

Within the framework of Islamic economics, various forms of PLS contracts are recognized. These types include different ways of working together, such as partnerships based on capital contributions and business activities (*shirkah al-inan*), cooperation between capital owners and business managers (*mudarabah*), reciprocal partnerships (*shirkah mufawadah*), partnerships in the arts and crafts (*shana'i*), and partnerships based on trust and the good reputation of the people involved (Gholami et al., 2021). Meanwhile, Islamic financial institutions often realize PLS schemes through two main contracts: *mudarabah* and *musharakah* (Miah & Suzuki, 2020). In *mudarabah*, the bank provides capital while the customer manages the business, and the profits are shared according to an agreed-upon ratio. In *musharakah*, both parties contribute capital and proportionally share profits and risks (Gholami et al., 2021). In this financing paradigm, Islamic banks' assets and liabilities are integrated because customers share profits and losses with the bank, which in turn shares these profits and losses with depositors. (Miah & Suzuki, 2020).

However, although the PLS concept is normatively considered ideal, its implementation in practice by Islamic financial institutions still faces various challenges. Several studies indicate that the portion of PLS-based financing is relatively small compared to sale-purchase (*murabahah*) or lease-based financing (*ijarah*) (Gholami et al., 2021; Ibrahim et al., 2022; Nugraheni & Alimin, 2022). This phenomenon is often referred to as the "murabahah syndrome," where Islamic banks prefer contracts with lower risk and more certain cash flows (Miah & Suzuki, 2020). This preference is believed to be due to several key issues with PLS Financing, such as higher liquidity risk (Hamza & Ben Jedidia, 2014), lower profit levels (Umam et al., 2021), the effectiveness of the Sharia Supervisory Board (Yulianto & Solikhah, 2016), a complex process that is not as simple as its theoretical framework (Risfandy et al., 2020), the lack of bank authority to manage and control projects based on a profit-sharing system (Chong & Liu, 2009), and risks, the quality of the financing screening process, and financial statement analysis (Diallo et al., 2015; Nugraheni & Alimin, 2022).

In principle, PLS financing is not only viewed as an alternative financing contract but also as an instrument to strengthen integration between the financial sector and the real sector. Through the profit-sharing mechanism, financial institutions play an active role in stimulating productive economic activity, increasing the participation of micro and small businesses, and creating equitable financial stability. Therefore, understanding the determinants of customer behavior in using PLS financing is important to support the expansion of the role of Islamic financial institutions as drivers of a sustainable and inclusive economy.

### **The Relationship between Perceived Benefit and Trust**

Perceived benefit describes the extent to which individuals believe that using profit-sharing financing products provides economic and non-economic benefits. In the context of Islamic finance, perceived benefit encompasses not only financial gains but also compliance with Sharia values, which are believed to bring blessings and fairness to transactions (Amin et al., 2019; Al-Swidi et al., 2021). When individuals perceive high benefits, they will have greater confidence in the credibility and integrity of Islamic financial institutions. In other words, a high perception of benefit can strengthen the belief that the profit-sharing system can provide fair, safe, and sharia-compliant returns. Conceptually, perceived benefit can be defined as the potential or opportunity for benefits to be achieved when using a service, in this case, profit-sharing financing (Ryu, 2018) (Setyadi et al., 2018). Therefore, a higher perceived benefit fosters a stronger formation of trust. Therefore, the first hypothesis is formulated as follows:

H1: Perceived benefit positively affects trust.

### **The Relationship between Perceived Risk and Trust**

Conversely, perceived risk refers to an individual's perception of the possibility of loss or uncertain outcomes when using a financial product. In the context of PLS financing, perceived risk can arise from uncertain profit-sharing mechanisms, the transparency of partner business reports, and limited information (Yusof et al., 2020; Amin, 2020). Perceived risk is an important factor in the use of profit-sharing-based financing services because it is a consideration. In the context of profit-sharing-based financing in Islamic banking, perceived risk can arise from a lack of understanding of the Sharia system, which is perceived as more complex than conventional systems, as well as the possibility of increased uncertainty due to changes in the ratio or uncertainty of business results (Lee Chea Hiew, 2024). High perceived risk will reduce customer confidence in the reliability of Islamic financial institutions. Thus, the relationship between perceived risk and trust is negative. Therefore, the following hypothesis is proposed:

H2: Perceived risk negatively affects trust.

### **The Relationship between Sharia Financial Knowledge and Trust**

Sharia financial knowledge plays a crucial role in shaping an individual's understanding, perception, and confidence in Islamic financial products. The higher a person's knowledge of Sharia principles, contract mechanisms, and the advantages of profit-sharing systems, the greater their trust in the legitimacy and credibility of Islamic financial institutions (Rahman et al., 2022; Hassan & Lewis, 2021). Adequate knowledge helps individuals objectively assess risks and benefits, thereby strengthening trust in the institutions that oversee these transactions.

Furthermore, Sharia financial knowledge also serves as cognitive capital that facilitates more rational financial decision-making. Individuals with adequate Sharia knowledge tend to have a high level of literacy regarding the sources of Islamic law, the concept of justice in transactions, and the distinction between interest-based and profit-sharing financing, enabling them to more critically identify the alignment of financial institutions' practices with Sharia principles. This cognitive engagement also fosters confidence that the institution is managing transactions ethically and in accordance with Sharia provisions. This perspective suggests that Sharia knowledge is an important antecedent for establishing strong trust in the customer-Islamic financial institution relationship. Therefore, the following hypothesis is formulated:

H3: Sharia financial knowledge positively affects trust.

### **The Relationship between Sharia Financial Knowledge and Intention to Use PLS Financing**

In addition to influencing trust, Sharia financial knowledge also plays a direct role in shaping the intention to use Sharia financial products. Individuals with a strong understanding of the principles of fairness, the prohibition of usury, and profit-sharing

mechanisms tend to have a stronger conviction in choosing PLS products over conventional financing (Amin, 2020; Mansour et al., 2021). This knowledge increases awareness and confidence that PLS financing is not only Sharia-compliant but also provides social and spiritual benefits.

When individuals understand the characteristics of Sharia contracts such as mudharabah and musharakah, including aspects of risk sharing, transparency, and Sharia-compliant governance, they are better able to assess the suitability of these products to their personal preferences and values. A positive understanding of the legal legitimacy and ethical advantages of the PLS system fosters the perception that the product is fairer and more sustainable than conventional interest-based instruments. Thus, Sharia financial literacy is a significant driving factor in shaping positive attitudes, which ultimately influence individuals' intention to use PLS financing. Therefore, the following hypothesis is proposed:

H4: Sharia financial knowledge positively affects the intention to use PLS financing.

### **Relationship between Trust and Intention to Use PLS Financing**

Trust is a key factor in shaping behavioral intentions, particularly in the context of Islamic finance, which relies heavily on integrity and adherence to Sharia principles (Gefen et al., 2003; Al-Swidi et al., 2021). When individuals have high trust in Islamic financial institutions, both in terms of transparency, fairness, and Sharia compliance, they are more likely to be interested in using PLS products. Furthermore, trust also functions as a psychological mechanism that reduces perceived risk in financial decision-making, particularly in profit-sharing systems characterized by income uncertainty. This trust mitigates concerns regarding potential moral hazard and asymmetric information, thereby strengthening the belief that the institution will act fairly and responsibly in managing customer funds. Therefore, trust is a crucial determinant that strengthens positive attitudes toward PLS products and increases the likelihood of individuals making actual decisions about using such financing. Therefore, the following hypothesis is formulated:

H5: Trust positively affects the intention to use PLS financing.

## **METHOD**

This research is explanatory research with a quantitative approach, aiming to clarify the relationships between variables by testing emerging hypotheses (Priadana, S., & Muis, 2009). This method was chosen as the design for this research to identify the leading factors influencing the adoption of PLS financing in Islamic banking services in Indonesia. According to Creswell (2018), the quantitative approach enables researchers to empirically test a theory by identifying the relationships between the constructs. The PLS-SEM analysis technique was used because it is more suitable for exploratory research with complex models consisting of many constructs, variables, and indicators (Ahshanul Mamun, 2023).

## **RESULT AND DISCUSSION**

### **Result**

The population for this study consists of customers who use Islamic financial institutions. This population is suitable for the research because they are potential customers of PLS Financing. The data has been collected only from those who have an account in any Islamic bank's branch or the Islamic window branch of conventional banks in Indonesia and are older than 17. The data collection process has been designed by structured questionnaires, which consider the respondent's viewpoint on the Islamic banking services, especially about profit-loss sharing schemes. The survey consists of 26 questions about five variables, such as perceived benefit with indicators from Lee Chea Hiew (2024), perceived risk from Lee Chea Hiew (2024), trust from Z. Shaw (2022), sharia financial knowledge from Nawi et al. (2018), and intention from Usman et al. (2020). The questionnaire instrument is as follows:

A five-point Likert scale (1–5 ratio) has been used to measure the independent variables, with the scale ranging from 1 (highly disagree) to 5 (highly agree). The questionnaires have been translated into Bahasa for the clear understanding of the respondents. The data was collected from April to mid-June 2025. The surveys have been conducted online by using Google Forms. In total, 151 surveys were collected. It fulfills the rule of Hair et al. (2017) that stated that this number is based on the statement that the minimum sample required for research using SEM PLS analysis techniques is 10 times the number of the largest formative indicators so that the minimum sample in this study is  $10 \times 6 = 60$  respondents. The characteristics of the collected data are presented in the table below.

**Tabel 1. Respondent Characteristics**

No	Kategori	Klasifikasi	Jumlah	Persentase (%)
1	Gender	Male	60	40%
		Female	91	60%
2	Age	< 25 years	13	9%
		25–35 years	114	75%
		> 35 years	24	16%
3	Job Affiliation	Banking	37	24%
		Non-Perbankan	114	76%
Total Responden			151	100%

Based on data collected from 151 respondents, it appears that the majority of participants in this study were women, amounting to 91 people, or approximately 60 percent. Meanwhile, there were 60 male respondents, or 40 percent of the total. This proportion indicates a fairly high level of female participation in the study. This phenomenon is intriguing because, in general, women often play a central role in managing household finances and are decision-makers in family economic activities, including determining the choice of profit-sharing financing products. In terms of age, the majority of respondents, 114 people, or approximately 75 percent, were between 25 and 35 years old. This age group is considered productive and generally has experience interacting with financial institutions, so their opinions are considered quite representative in describing the perceptions of economically active communities regarding the use of profit-sharing schemes in Islamic banking. In terms of occupation, 37 respondents (24%) work in the banking sector, while the remaining 114 respondents (76%) come from outside the banking sector. This composition shows that the majority of participants are members of the general public who do not work directly in the banking industry. This is important because their perceptions more closely reflect the views of potential customers or actual users of Sharia products, rather than solely those of financial professionals.

### Measurements

An outer model analysis is necessary in this study to ensure the appropriateness of the measurements used (validity and reliability). This inner model analysis specifies the relationship between latent variables and indicators through convergent validity, discriminant validity, composite reliability, and Cronbach's alpha measurements (Hussein, 2015). The following are the results of each measurement.

**Tabel 2. Outer model test results**

Construct	Outer loading	C. R	AVE	Cronbach's alpha
Percieved Benefit		0,915	0,644	0,887
PB 1	0,820			
PB 2	0,698			
PB 3	0,846			
PB 4	0,852			
PB 5	0,863			
PB 6	0,718			
Percieved Risk		0,910	0,669	0,877
PR 1	0,798			

PR 2	0,807			
PR 3	0,822			
PR 4	0,815			
PR 5	0,846			
Trust		0,944	0,771	0,926
TR 1	0,844			
TR 2	0,916			
TR 3	0,883			
TR 4	0,880			
TR 5	0,867			
Sharia Financial Knowledge		0,939	0,755	0,919
SFK 1	0,895			
SFK 2	0,906			
SFK 3	0,827			
SFK 4	0,855			
SFK 5	0,859			
Intention		0,944	0,772	0,925
INT 1	0,863			
INT 2	0,890			
INT 3	0,910			
INT 4	0,916			
INT 5	0,809			

The table above shows the results of the outer model analysis test in this study. The outer loading values for all indicators in the questionnaire ranged from 0.689 to 0.916. This figure indicates that the correlation between each measurement item (indicator) and its construct is large and therefore considered sufficient (Chin, as quoted by Imam Ghozali). The composite reliability test results indicated that the value for each variable was above 0.70, namely at 0.90, thus having high reliability. The AVE (Average Variance Extracted) test results indicated that the value was above 0.5. This table indicates that all latent variables in this study are considered satisfactory for explaining each indicator. The Cronbach's Alpha value shows that most of the variables are above 0.7, thus strengthening the results of the composite reliability, and can be declared reliable.

**Tabel 3. Discriminant Validity Value (Fornell-Larcker Criterion)**

	INT	PB	PR	SFK	TR
INT	0,878				
PR	0,596	0,802			
PB	-0,428	-0,366	0,818		
SFK	0,420	0,426	-0,179	0,869	
TR	0,579	0,712	-0,443	0,397	0,878

The table above shows the results of a discriminant validity test, which aims to determine how certain each variable is that it differs from the other variables. The results indicate that the AVE correlation for each variable exceeds the correlation value for the other variables, thus meeting the criteria.

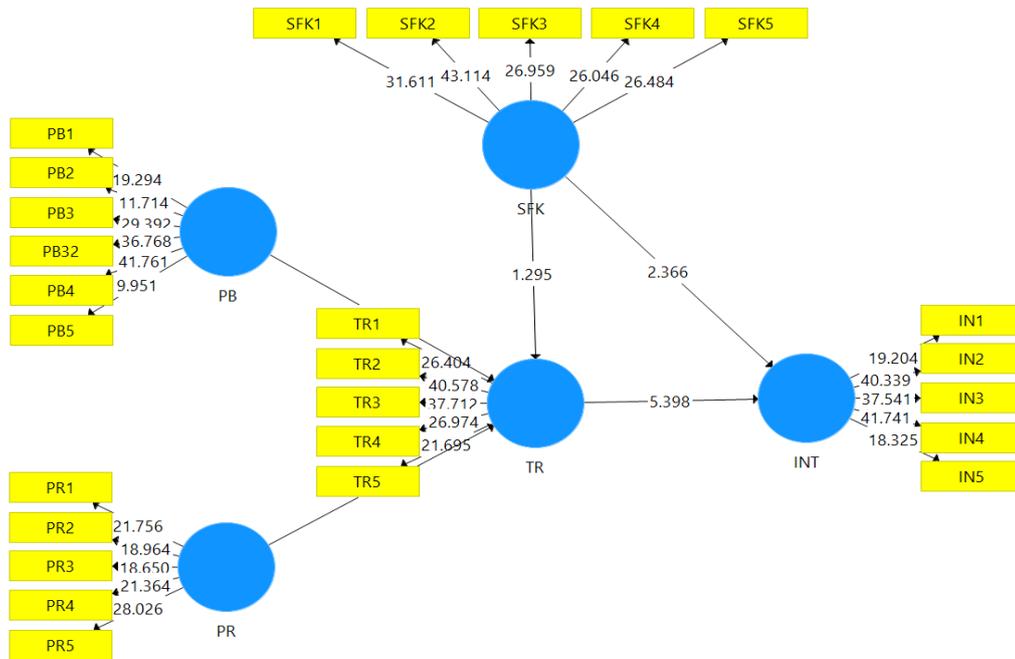


Figure 1. Test the Goodness of the Model (Model fit)

Table 4. R Square value

Variabel Endogen	R Square	R Square Adjusted
TR	0,555	0,546
INT	0,378	0,369

The table above shows the R-square value in the research model. From the results, it can be seen that the R-squared value of the TR (Trust) variable is 0.555, which indicates that the PB (Perceived Benefit), PR (Perceived Risk), and SFK (Sharia Financial Knowledge) variables can explain TR by 55%, and the remaining percentage is explained by other variables outside the research model. Meanwhile, the R-square value for the INT (Intention) variable is 0.378, or it can be said that the SFK (Sharia Financial Knowledge) and TR (Trust) variables in the model can explain INT (Intention) by 37.8%, and the remaining percentage is explained by other variables outside the research model.

Table 5. Relationship Between Variables (direct and indirect effects)

Hipotesis	Relations	Sample Mean (M)	Standard Deviation (STDEV)	Statistic t (O/STDEV)	P Values
H1	PB→TR	0,584	0,077	7,671	0,000
H2	PR→TR	-0,208	0,063	3,307	0,001
H3	SFK→TR	0,236	0,095	2,366	0,018
H4	SFK→INT	0,117	0,084	1,295	0,196
H5	TR → INT	0,482	0,091	5,398	0,000
Indirect Effects					
	PB → TR → INT	0,283	0,069	4,201	0,000
	PR → TR → INT	-0,102	0,041	2,474	0,014
	SFK→TR→INT	0,054	0,039	1,370	0,171

## Discussion

### The Effect of Perceived Benefit on Trust

The results of the study indicate that perceived benefit has a positive and significant effect on trust. This means that the greater the benefits customers perceive from the profit-sharing scheme in Islamic banking, the greater their level of trust in the financial institution. In other words, if people think the profit-sharing system is beneficial, they are more likely to believe that it can give them fair, safe, and sharia-compliant returns.

Conceptually, perceived benefit can be defined as the potential or opportunity for benefits to be achieved when using a service, in this case, profit-sharing financing (Ryu, 2018) (Setyadi et al., 2018). In this study, perceived benefit encompasses economic benefits through interest-free profit-sharing calculations, as well as economic benefits in the form of ease and effectiveness of financing repayment that is mutually beneficial to both parties (Lee Chea Hiew, 2024).

The results of this study align with previous research by Nangin et al. (2020) on fintech adoption, which found that perceived benefits in the form of convenience influence trust in technology-based financial service users. Purwantini & Anisa (2021) also found similar results among MSME entrepreneurs regarding the perception of the usefulness of fintech payments. Ali et al. (2020) also concluded the same thing on a different subject, namely Islamic fintech in Pakistan. From a theoretical perspective, this study aligns with Kim et al. (2009), who developed the extended valence framework theory, explaining that a person's investment decisions are influenced by their perception of the benefits they will receive. The greater the benefits, the more likely they are to invest. The theory is also supported by the findings in this study, where perceived benefits were found to have a greater influence than perceived risk on trust. This suggests that customers tend to consider perceived benefits in forming trust in an institution. These results strengthen empirical evidence that perceived benefits play a central role in building public trust in Islamic banking, which ultimately influences customer financing decisions.

### **The Effect of Perceived Risk on Trust**

The research results show that perceived risk has a negative and significant effect on trust. This finding indicates that the higher the level of risk customers perceive regarding profit-sharing schemes, the lower their level of trust in Islamic banking. In other words, perceived risk is a major inhibiting factor in building trust in the Islamic financial system. Perceived risk can be defined as the user's view or impression of the vulnerability and potential negative outcomes associated with profit-sharing financing (Chong Jia Bao, 2019) (Abramova & Böhme, 2016). Perceived risk is a crucial factor in the use of profit-sharing financing services because it is a consideration. In the context of profit-sharing financing in Islamic banking, perceived risk can arise from a lack of understanding of the Islamic system, which is perceived as more complex than conventional systems, as well as the potential for increased uncertainty due to changes in the ratio or uncertainty in business results (Lee Chea Hiew, 2024).

The results of this study align with previous research by Ali et al. (2020) on Islamic fintech in Pakistan, which found that perceived risk, influenced by financial risk, security risk, operational risk, and legal risk, had a significant negative effect on trust. Purwantini and Anisa (2021) concluded a different finding on the intention to use payment-based fintech in Indonesia, where perceived risk had no significant relationship with trust. This difference in results can be explained by the different risk levels of the research subjects, resulting in different outcomes. Purwantini and Anisa (2021) conducted research on payment-based fintech, which tends to have lower risks than profit-sharing financing, which is accompanied by business uncertainty. Theoretically, the results of this study align with the extended valence framework, which explains that a person's decisions are influenced not only by perceived benefits but also by perceived risk. The lower the perceived risk, the more likely a person is to take profit-loss-sharing financing (Kim et al., 2009).

### **The Effect of Sharia Financial Knowledge on Trust**

The results of the study indicate that Sharia Financial Knowledge (SFK) has a positive and significant effect on trust. This indicates that the higher a person's knowledge of Sharia finance, the greater their level of trust in the Sharia banking system and institutions in implementing profit-sharing contracts. With adequate knowledge, a person will be better able to assess the conformity of banking practices with Sharia principles, thereby increasing trust in the system. This research aligns with the findings of Hansen

(2012) that customers with knowledge tend to trust institutions and financial service systems, including pension funds and credit funds in Denmark.

Crujisen et al. (2021) also found the same thing in insurance and pension fund services in the Netherlands. In this context, knowledge acts as a cognitive foundation for trust, where individuals who understand the legal and operational basis of Sharia banking will have rational confidence in the institution's honesty and compliance with Sharia principles. Consequently, the findings of this study validate that Sharia financial knowledge is an essential factor in fostering trust in Sharia banking. Positive knowledge not only fosters trust but also creates a sustainable basis of confidence in the Islamic financial system as an ethical and stable alternative to the conventional system.

### **The Effect of Sharia Financial Knowledge on Intention**

The results of the study indicate that Sharia financial knowledge has a positive but insignificant effect on the intention to use profit-sharing schemes in Islamic banking. This means that, although the relationship tends to be positive, Sharia financial knowledge has not been statistically proven to increase customer intention to use profit-sharing products. This finding indicates that Sharia financial knowledge is not yet a primary determinant in shaping behavioral intentions towards Sharia banking services, particularly for profit-sharing products such as mudharabah or musyarakah. Although respondents have a basic understanding of Sharia financial concepts, such knowledge is not always accompanied by a strong desire to transact using Sharia products.

The results of this study differ from several previous studies. Ong et al. (2024) conducted research on Ar-Rahnu-based financing in Malaysia and found a positive relationship between service knowledge and intention to use the service. Oladopo et al. (2021) found similar results for fintech services in Saudi Arabia, while Saptasari & Aji (2020), Rozikin & Sholekhah (2020), Nugroho & Apriliana (2021), and Setiawan et al. (2021) reported comparable findings regarding sharia and fintech payments in Indonesia, respectively. The insignificant findings in this study can be explained by previous research conducted by Oladopo et al. (2021), which also found an insignificant relationship for community objects in Malaysia. Furthermore, Khairunnisa and Hendritami (2019) discovered significant negative results for mudharabah-based financing in Mataram.

A possible explanation for these results is that respondents' knowledge is conceptual and not yet applicable, thus preventing them from changing their financial behavior. Knowledge of the basic principles of Islamic finance, Islamic financing contracts, and profit-sharing contracts is not sufficient to motivate individuals to use Islamic services. This phenomenon could also be due to the fact that most respondents do not fully understand the operational mechanisms of Islamic products. Young people's Islamic financial literacy remains limited to normative understanding, failing to reach a truly functional level.

### **The Effect of Trust on Intention**

The research results show that trust has a positive and significant effect on intention. This finding indicates that the higher a customer's level of trust in Islamic banking institutions, the greater their intention to use or continue using Islamic banking products and services. Thus, trust is a key determinant in shaping customer intentions toward profit-sharing-based financial services. In Islamic banking, trust means having faith or confidence in the person or organization that provides profit-sharing financing services, which in this case is the Islamic bank. This trust refers to the Islamic bank's ability to implement financing in accordance with the agreed contract, acting fairly and transparently and avoiding elements of usury and gharar (Z. Shaw, 2022). Yan et al. (2021) also state that two main indicators of trust are confidence in the service provider and confidence in the service. The trust variable is often associated with technology-based services, which are delivered remotely and therefore require a high level of trust. In profit-sharing financing, trust is also considered crucial because customers must have a

satisfactory relationship with the provider based on trust for the service to run smoothly (Kaabachi et al., 2020).

The results of this study align with previous research conducted by Ali et al. (2021) on the adoption of Islamic fintech in Pakistan, Nangin et al. (2020) on fintech adoption in Indonesia, Yan et al. (2021) on mobile-based fintech services in Bangladesh, and Purwantini and Anisa (2021) on technology-based payment services in Indonesia. These results demonstrate that trust is important not only in technology-based services but also in other financial services, particularly in the context of this study, which focuses on profit-sharing Islamic financing. This principle aligns with the theory in the extended valence framework, which emphasizes the importance of trust in decision-making, as trust is a key factor in encouraging individuals to adopt a service.

### **The Indirect Effect of Perceived Benefit, Perceived Risk, and Sharia Financial Knowledge on Intention**

The results of the study indicate that perceived benefit has an indirect and significant effect on intention through trust. This means that the benefits perceived by customers not only play a direct role in increasing trust in the Islamic banking system but also become an important mechanism that encourages the emergence of intentions to use Islamic financial products. In the context of Islamic banking, the greater the perceived benefits, such as transparency, fairness, and conformity with Islamic values, the higher the customer's trust in Islamic banks. This trust ultimately drives the intention to use profit-sharing financing services. The indirect relationship between perceived risk and intention, mediated by trust, has a negative and significant effect. This means that the higher the perceived risk felt by customers towards Islamic financial services, the lower their level of trust in the system, and ultimately the lower their intention to use Islamic products. These results are in accordance with the valence framework theory of Kim et al. (2009), which states that consumer decisions are based on perceived benefits and perceived risks. In the context of this research, it appears that customer respondents tend to be influenced by perceived benefits more than perceived risks in their relationship to forming intentions through trust, although both are significant.

Another indirect relationship, between Sharia financial knowledge and intention through trust, has an insignificant effect. This means that although Sharia financial knowledge tends to increase trust in Islamic banking, this increase is not strong enough to significantly drive individuals' intention to use profit-sharing schemes. These results illustrate that trust does not yet function as an effective mediator in the relationship between Sharia financial knowledge and behavioral intentions. This phenomenon can be explained by the fact that the level of Sharia financial literacy in Indonesia has increased, reaching 39.11% in 2024, but it remains superficial. Many individuals are familiar with basic terms but lack a profound understanding of the operational mechanisms of Islamic banks, the risk and profit systems in mudharabah or musyarakah schemes, or how Sharia principles are applied in banking practices. This condition makes the existing knowledge insufficient to build strong trust (OJK, 2024).

### **CONCLUSION**

The findings indicate practical implications for Islamic banking institutions to enhance the adoption of PLS financing. Islamic banks ought to emphasize the unique benefits of profit and loss sharing (PLS) in contrast to conventional financing, including equitable profit distribution, sustainable business practices, and enhanced customer engagement. Furthermore, it is essential to disseminate success stories of PLS financing that have positively impacted the real sector, illustrating its role in fostering productive and ethical economic activities. Banks must improve transparency and risk mitigation strategies, which encompass clear loss-sharing procedures, comprehensive due diligence, and robust sharia supervision, to foster greater public trust. These efforts may mitigate perceived risk and enhance the perception of benefit, which are critical in promoting customers' intention to adopt PLS financing.

Future research may integrate institutional variables, including regulatory quality, sharia governance effectiveness, and institutional support, to enhance the understanding of how the broader institutional environment influences customers' intentions to adopt PLS financing. Furthermore, analyzing the role of information asymmetry may provide insights into how transparency, disclosure mechanisms, and customer access to financial information affect trust and decision-making in PLS arrangements. Future research could examine the differences in perceptions between customers and bank employees to uncover potential expectation gaps, especially in relation to PLS mechanisms, monitoring processes, and perceived fairness. Comparative analyses can reveal discrepancies between internal and external perspectives, offering actionable insights to enhance product design, communication strategies, and operational practices in Islamic financial institutions.

## **REFERENCES**

- Addury, M. M., & Ramadhani, A. K. P. (2024). the Influence of Financing Model and Credit Risk on Financial Stability (Study of Islamic Rural Banks in Java Island). *Journal of Islamic Monetary Economics and Finance*, 10(3), 427–444. <https://doi.org/10.21098/jimf.v10i3.1788>
- Amelia, E., & Hardini, E. F. (2017). Determinant of Mudharabah Financing: A Study at Indonesian Islamic Rural Banking. *Etikonomi*, 16(1), 43–52. <https://doi.org/10.15408/etk.v16i1.4638>
- Arshed, N., & Kalim, R. (2021). Exploration of the equilibrium level of Musharaka financing in full-fledged Islamic banks. *Journal of Islamic Accounting and Business Research*, 12(3), 340–361. <https://doi.org/10.1108/JIABR-02-2020-0048>
- Chong, B. S., & Liu, M. H. (2009). Islamic banking: Interest-free or interest-based? *Pacific Basin Finance Journal*, 17(1), 125–144. <https://doi.org/10.1016/j.pacfin.2007.12.003>
- Creswell, J.W. and Creswell, J.D. (2018), *Research Designs Qualitative, Quantitative, and Mixed Methods Approaches*. Fast Facts to Loving Your Research Project, SAGE Publications, CA.
- Effendi, J. (2018). The determinant of equity financing in sharia banking and sharia business units. *Economic Journal of Emerging Markets*, 10(1), 111–120. <https://doi.org/10.20885/ejem.vol10.iss1.art12>
- Hamza, H., & Ben Jedidia, K. (2014). Profits and Losses Sharing Paradigm in Islamic Banks: Constraints or Solutions for Liquidity Management? *Journal of Islamic Economics Banking and Finance*, 10(3), 29–45. <https://doi.org/10.12816/0025951>
- Huda, A. N. (2012). The Development of Islamic Financing Scheme for SMEs in a Developing Country: The Indonesian Case. *Procedia - Social and Behavioral Sciences*, 52, 179–186. <https://doi.org/10.1016/j.sbspro.2012.09.454>
- Ibrahim, Z., Effendi, N., Budiono, B., & Kurniawan, R. (2022). Determinants of profit and loss sharing financing in Indonesia. *Journal of Islamic Marketing*, 13(9), 1918–1939. <https://doi.org/10.1108/JIMA-01-2020-0015>
- Imronudin, & Hussain, J. G. (2016). Why do bank finance clients prefer mark-up to profit loss sharing principles? Evidence from islamic rural banks and small to medium enterprises in Indonesia. *International Journal of Economics and Financial Issues*, 6(4), 1407–1412.
- Jamshed, K. M., & Uluyol, B. (2024). What drives to adopt Islamic banking products and services: is it shariah compliance or convenience? *Journal of Islamic Marketing*, 15(11), 2891–2915. <https://doi.org/10.1108/JIMA-08-2023-0243>
- Kaakeh, A., Hassan, M. K., & Van Hemmen Almazor, S. F. (2019). Factors affecting customers' attitude towards Islamic banking in UAE. *International Journal of Emerging Markets*, 14(4), 668–688. <https://doi.org/10.1108/IJOEM-11-2017-0502>
- Khan, F. (2010). How “Islamic” is Islamic Banking? *Journal of Economic Behavior and Organization*, 76(3), 805–820. <https://doi.org/10.1016/j.jebo.2010.09.015>
- Kim, D. J., Ferrin, D. L., & Raghav Rao, H. (2009). Trust and satisfaction, two stepping stones for successful e-commerce relationships: A longitudinal exploration. *Information Systems Research*, 20(2), 237–257. <https://doi.org/10.1287/isre.1080.0188>
- Kuran, T. (1996). The Discontents of Islamic Economic Morality. *LINKAGES BETWEEN ECONOMICS AND RELIGION*, 86(2), 438–442.
- Lee, M. C. (2009). Factors influencing the adoption of internet banking: An integration of TAM and TPB with perceived risk and perceived benefit. *Electronic Commerce Research and Applications*, 8(3), 130–141. <https://doi.org/10.1016/j.elerap.2008.11.006>

- Maryam, S. Z., Ahmad, A., Aslam, N., & Farooq, S. (2022). Reputation and cost benefits for attitude and adoption intention among potential customers using theory of planned behavior: an empirical evidence from Pakistan. *Journal of Islamic Marketing*, 13(10), 2090–2107. <https://doi.org/10.1108/JIMA-03-2021-0059>
- Miah, M. D., & Suzuki, Y. (2020). Murabaha syndrome of Islamic banks: a paradox or product of the system? *Journal of Islamic Accounting and Business Research*, 11(7), 1363–1378. <https://doi.org/10.1108/JIABR-05-2018-0067>
- Muhammad, R., & Nugraheni, P. (2021). The effect of internal factors on the mudharabah financing of Indonesian Islamic banks. *Journal of Sustainable Finance and Investment*, 0(0), 1–17. <https://doi.org/10.1080/20430795.2021.1978917>
- Nugraheni, P., & Alimin, I. N. (2022). Factors influencing PLS financing: the perspective of Indonesian Islamic banks employees. *PSU Research Review*, 6(2), 77–89. <https://doi.org/10.1108/PRR-07-2020-0022>
- Peter, J. P., & Tarpey, Sr., L. X. (1975). A Comparative Analysis of Three Consumer Decision Strategies. *Journal of Consumer Research*, 2(1), 29. <https://doi.org/10.1086/208613>
- Winarsih, W., & Asokawati, W. (2019). Determinan of Implementation Profit Sharing Financing in Islamic Banking. *International Journal of Islamic Business Ethics*, 4(1), 582. <https://doi.org/10.30659/ijibe.4.1.582-594>