

**AN EMPIRICAL STUDY ON FACTORS INFLUENCING
MUSLIM SCHOOL TEACHERS' INTENTION TO
ENGAGE INTO TAKAFUL PROTECTION PLAN**

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TAKAFUL PROTECTION PLAN**

**By
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ABSTRAK

Kerajaan Malaysia secara terus-terusan berusaha untuk mengukuhkan kedudukan negara sebagai Pusat Hub Islam se-dunia. Sistem Insurans Islam, atau lebih dikenali sebagai Takaful akan terus diperkembangkan agar dapat terus menyumbang dalam industri kewangan negara di bawah Rancangan Malaysia ke-9 (9MP) dengan objektif untuk melahirkan operator-operator takaful yang mampu berdaya saing dengan kelebihan produk-produk takaful. Kajian yang telah dijalankan ini adalah bertujuan untuk mengenal pasti faktor-faktor yang mempengaruhi niat para guru Muslim dalam usaha mereka untuk mendapatkan perlindungan takaful. Model Teori Kelakuan Terancang Ajzen (1991) telah digunakan sebagai asas dalam kajian ini. Teori ini mencadangkan bahawa sikap, norma subjektif dan pandangan kawalan kelakuan merupakan faktor penyumbang utama kepada niat seseorang dalam melakukan sesuatu perbuatan; mendapatkan perlindungan takaful dalam konteks kajian ini. Pengaruh faktor luaran seperti pendapatan, pelajaran serta tahap keimanan seseorang individu itu terhadap sikap, norma subjektif dan pandangan kawalan kelakuannya turut dikaji. Sampel seramai 198 guru Muslim dari sekolah sekitar Pulau Pinang telah mengambil bahagian dalam kajian ini. Melalui Analisis Regresi Berganda, sikap, norma subjektif dan pandangan kawalan kelakuan didapati merupakan faktor penyumbang utama kepada niat seseorang dalam mendapatkan perlindungan takaful dan ini sekaligus telah menyokong Model Teori Kelakuan Terancang yang telah digunakan dalam kajian ini. Bagi faktor luaran pula, hanya tahap keimanan individu sahaja yang didapati mempengaruhi sikap dan pandangan kawalan kelakuannya. Adalah diharapkan bahawa kita dapat memahami dengan lebih mendalam mengenai faktor-faktor yang

mempengaruhi niat seseorang pengguna untuk mendapatkan perlindungan takaful melalui kajian yang telah dijalankan ini.

ABSTRACT

The Malaysian Government continuously undertakes strategic initiatives to strengthen the country's position as the global Islamic hub. Under the 9th Malaysia Plan (9MP), the Islamic Insurance system, or known as Takaful, will be developed to form an important part of the financial system by 2010, with the underlying objective of developing strong and highly capitalized takaful operators offering complete range of takaful products and services. The objective of this study is to identify the factors that influence the Muslim school teachers' intention to engage into takaful. Ajzen's Theory of Planned Behavior (1991) was used as the basis of this study. The theory suggested that the attitude, subjective norm and perceived behavioral control of an individual would influence the individual's intention to act on a certain behavior; engaging into a takaful protection plan in the case here. The external variables of income, education as well as the level of religiosity of the customers were also being examined to see on whether these factors have any influence on the customer's attitude, subjective norm and perceived behavioral control. The sample comprised of 198 Muslim school teachers located in Penang area. From the multiple regression analyses used for the study, the findings supports the TPB model whereby attitude, subjective norm and perceived behavioral control were found to have a significant relationship with the customer's intention to engage into a takaful protection plan. As for the external variables, only religiosity was found to have a positive impact on attitude and perceived behavioral control. It is hoped that the findings of this study will let us understand more on the key factors that influences the customers' intention to engage into takaful and thus would provide a guide for implementing efficient marketing strategies by the takaful operators in the industry.

Chapter 1

INTRODUCTION

1.1 Introduction

By 2010, the Islamic banking industry in Malaysia is expected to constitute 20% of the overall banking and insurance market. The Government will continue to undertake strategic initiatives to strengthen the country's position as the global Islamic hub. The international Centre for Education for Education in Islamic Finance has been established to meet the increased demand for expertise in Islamic finance globally. Under the 9th Malaysia Plan (9MP), the Islamic Insurance system, or known as takaful, will be developed to form an important part of the financial system by 2010, with the underlying objective of developing strong and highly capitalized takaful operators offering complete range of takaful products and services. The local takaful operators are encouraged to increase their international presence. Through the formation of the Malaysian Takaful Association, the industry efforts towards enhancing market conduct and strengthening customer protection would be effectively implemented (The Star, April 2006).

According to Nik Ramlah Nik Mahmood, the director of market policy and development at the Securities Commission in an interview with Rob Mannix from the *International Financial Law Review* (2004), Malaysia has been one of the pioneers in Islamic capital markets related research and development, and in market and product innovation. The range of Islamic products and services that are available for both local and international investors, including the offshore products offered in Labuan, is testimony to Malaysia's leading edge in this area. The Islamic market can also draw on Malaysia's existing capital markets infrastructure and framework, and also on the

country's Islamic banking industry and its Islamic insurance industry. With the expected increase in the number of Islamic financial institutions, such as Islamic banks and takaful operators in Malaysia, demand for competitive Islamic products and services is increasing drastically.

With the 1983 Islamic Banking Act and the Takaful Act of 1984, the government introduced licenses and special regulation for Syariah compliant banks and the Islamic insurance industry. As the Malaysian authorities became comfortable with the growth and regulation of the Islamic market, the government introduced further legislation to allow other conventional banks to offer Islamic products through their designated premises. Apparently, this arouses the interest of the existing conventional insurance operators. Recently, Bank Negara Malaysia announced that it has approved four new takaful licenses to four existing conventional insurance operators. The issuance of these new four licenses provides a strong indication that the Islamic insurance industry is becoming competitive, and this is due mainly to the increasing number of takaful customers.

To date, Bank Negara continues to enhance and implement policies and measures to strengthen the takaful industry, with the focus of positioning Malaysia strongly as an International center for takaful and re-takaful, as well as enhancing the flexibility of the takaful industry facing rising challenges of the increasingly competitive environment. A major step taken includes the vigorous participation of the bank in the Joint Working Committee of the Islamic Financial Services Board (IFSB) – the International Association of Insurance Supervisors (IAIS) which has the mandate to support the IFSB in developing international prudential standards for the regulation and supervision of takaful (Bank Negara Malaysia).

1.2 Research Problem

As the Islamic insurance industries grow, competition among insurance companies in offering the takaful protection plan becomes more intense. The blossoming of Islamic banking has much to do with the competitive nature of the products on offer as their Syariah compliant structure. However, the increasing popularity of these products is said to be more closely linked to religious strictures.

Reports from the Takaful Annual Report by Bank Negara portrays that takaful protection scheme is gaining its market share in the insurance industry. The recent approval of another four new takaful licenses to existing conventional insurance operators indicates that competition is getting stronger in the Islamic insurance sector. Hence, takaful operators in Malaysia now have to determine strategic marketing initiatives as well as providing high quality products and services to satisfy their customers. In order for these operators to determine the marketing strategies, they first need to investigate what are the driving factors for customers to engage into an Islamic protection plan, instead of the conventional insurance.

This research purposely focuses on Muslim school teachers in Penang Island in order find out what are the factors that influence their intention to engage into this particular protection plan. The study would not include conventional insurance as part of it as the whole study is focused on takaful itself. Thus, comparisons of behavior on conventional insurance and takaful would not be measured in this particular study.

As mentioned before, one of the factors that increased the popularity of takaful is religious strictures. Currently majority of takaful policy holders are Muslims; thus only Muslim teachers were being selected for the study.

1.3 Research Objectives

The objective of this research is to determine the factors that drive the Muslim school teachers' intention to engage into a takaful protection plan. It is hope that effective marketing strategies can be implemented once the factors have been determined. In order to reach this purpose, the following objectives have been identified:

1. To identify the relationship of the Muslim school teachers' level of income on their attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan
2. To identify the relationship of the Muslim school teachers' level of education on their attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan
3. To identify the relationship of the Muslim school teachers' religiosity on their attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan
4. To identify the relationship of the Muslim customers' attitudes (beliefs and evaluation) on their intention to engage into a takaful protection plan
5. To identify the relationship of the Muslim customers' subjective norm (normative beliefs and motivation to comply) on their intention to engage into a takaful protection plan
6. To identify the relationship of the Muslim customers' perceived behavioral control (control beliefs) on their intention to engage into a takaful protection plan

1.4 Research Questions

The objective of this research is to examine and answer the following questions:

1. Does income influence the Muslim school teachers' attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan?
2. Does education influence the Muslim school teachers' attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan?
3. Does religiosity influence the Muslim school teachers' attitudes, subjective norms and perceived behavioral controls on their intention to engage into a takaful protection plan?
4. What is the effect of attitudes (beliefs and evaluation) on the Muslim school teachers' intention to engage into a takaful protection plan?
5. What is the effect of subjective norm (normative beliefs and motivation to comply) on the Muslim school teachers' intention to engage into a takaful protection plan?
6. What is the effect of perceived behavioral control (control beliefs) on the Muslim school teachers' intention to engage into a takaful protection plan?

1.5 Definition of Key Terms

Insurance is a form of risk management primarily used to hedge against the risk of potential financial loss (Hwang & Gao, 2003).

Takaful is an insurance concept which complies with the rules and regulations of the Islamic law (Fam, Waller & Erdogan, 2000).

Income is measured as the sum of money that is received by an individual as a result of the normal business activities or wage paid for labor (Hwang & Gao, 2003).

Education is measured as the degree of an individual's intellectual knowledge (Hwang & Gao, 2003).

Religiosity is a comprehensive sociological term used to refer to the numerous aspects of religious activity, dedication, and beliefs of an individual (Mokhlis, 2006).

Attitude refers to an individual's beliefs about a potential positive or negative outcome as the result of engaging into a particular behavior (Ajzen, 1980).

Subjective Norm refers to an individual's perceived social pressure to engage or not to engage in a behavior (Ajzen, 1980).

Perceived Behavioral Control refers to an individual's perceptions of his or her ability to perform a particular behavior (Ajzen, 1991).

Intention is an indication of an individual's readiness to perform a particular behavior (Ajzen, 1980).

1.6 Significance of the Study

Majority of the consumer buying behavior focuses on food industries and is lack of empirical research in the Islamic financial sector. It is only recently that some studies have started to focus their attention on Islamic banking. However, we have yet to come across a research that measures the consumer buying behavior in the Islamic Insurance industries.

As the takaful begins to regain its recognition in the insurance industry, the takaful operators are now pushed to compete aggressively. Strategic marketing strategies deployed by the takaful operators are critical; such that it does not only bring in the customers for a short time, but it will also attract other customers so that the number of policies issued will increase massively.

Findings from this research will enable the takaful operators to concentrate on the factors that influence the customers' intention to engage into a takaful protection plan and would include these factors in their effort to gain more takaful policy holders.

1.7 Organization of Remaining Chapters

This research paper is organized into six chapters. The first chapter provides an overview of takaful operators in Malaysia, followed by the research problem and research objectives. It also explains the significance of this research. Chapter two will illustrate the history of takaful and its emergence into the Malaysian market. Chapter three will further discuss the literature review on the findings done by past researchers on consumer behavior and discuss the underlying theory chosen for this research paper followed by the theoretical framework and the research hypotheses.

In chapter four, the research methodology which comprises of the research design, research hypotheses and the data collection method is presented. Results of the findings will be presented in chapter five and finally, chapter six will conclude the results and the limitations of the study, as well as suggestions for the future research.

Chater 2

BACKGROUND OF TAKAFUL

2.1 History of Takaful

Takaful is not a new concept; in fact it had been practiced by the Muhajrin of Mecca and the Ansar of Medina following the Hijrah (migration) of the Prophet over 1400 years ago. All Muslims who lived in Medina at that time became a single community (Ummah) and had set up a special fund into which members of the Ummah made yearly contributions. This clearly indicates that takaful is not a new practice in the insurance industry. In addition, extraction from the Holy Qur'an the sayings of the Prophet (Hadith) contribute to form the basic premise from which the rules, regulations and guidelines of takaful, along with complying with the Syariah Law (Fam, Waller & Erdogan, 2000).

The Islamic Law, or known as Syariah Law, is extracted from the Holy Qur'an and from the Prophet Muhammad's practices and way of life. Syariah Law provides the legal guidelines of political and economic systems for the Muslims (Ahmad & Petrick, 2003). The Syariah Law is a code that describes the duties, behavior and ethics of all Muslims, be it individually or communally, in all aspects of life (Fam, Waller & Erdogan, 2002). This law classifies all matters into either "halal" (permitted) or "haram" (prohibited). Muslims are prohibited to idol worship (statues), engage in adultery, engage in gambling activities, eat pork, drink alcohol and nudity (expose one's aurat-the Islamic code of dressing). In terms of business activities, Muslims are prohibited engage into the production or selling of alcohol materials and pig products, black marketing, misleading purchases, conducting business in manners which is harmful to other people (such as contributing to the environmental pollution) and most of all, gambling (Metwally, 1997).

The conventional insurance business, which deals with uncertainties of loss, does not conform well to the Islamic principles. Conventional insurance involves the elements of uncertainty resulting in dishonesty or lack of clear terms and conditions (Al-Gharar) in the contract of insurance, gambling or speculation (Al-Maisir) and the presence of uncertainty or borrowing funds or investments at a predetermined interest rate (Al-Riba) in the investment activities (Pillsbury, 1998). All these elements are considered “haram” in the Islamic financial practices and therefore, making conventional insurance unacceptable for Muslims. This has, particularly in recent years, created the need for an alternative form of insurance that is “halal” and complies with the regulations of Shariah.

The Holy Qur’an exhorts Muslim to accept all Qada’ and Qadar’ (fated misfortunes); however they must take necessary steps to minimize losses from these unfortunate events. Co-operation is strongly encouraged in Islamic teaching. By engaging into a takaful protection plan, risks are spread and losses can be minimized. Muslims that engages into a takaful plan would mutually agree among themselves to secure each other against defined losses or misfortunes that may cause upon any of them, and this act leads to the unity and co-operation among the Muslims.

Takaful is an alternative form of halal insurance whereby a Muslim can protect oneself against the risk of loss due to misfortunes. The concept of takaful, where resources are pooled to help the needy complies with the Syariah Law. The basic principle of takaful is to bring justice to all the parties involved in an operation based on helping others who are facing risks and misfortunes and where profit earning is not the main objective. The word “takaful” was derived from the Arabic verb “Kafala”, which means to give aid or to help (Bank Negara Malaysia). The basic concept of takaful was

formed from this definition, which was that of shared responsibilities, commonality and mutual cooperation, which in turn would then provide mutual financial security and assistance to safeguard participants against a defined risk. The second verse of Surah 5 in the Holy Qur'an exhorts the individual to assist others:

"Assist one another in the doing of good and righteousness. Assist not one another in sin and transgression, but keep your duty to Allah"(Al-Quran, 5:2)

The concept of takaful is in line with the principles of compensation and shared responsibilities among the community (Mudharabah). According to Maysami and Kown, (1998), Mudharabah is a form of partnership financing, whereby the takaful operator and the participant (takaful policy holders) share profits and losses according to a predetermined ratio. Under this principle, the participant would agree to let the takaful operator use the later contributions within the Islamic guidelines and then share the profit.

An "Akad" (contract) would first be established between the two parties in order to state the profit and loss ratio. According to the takaful principle, the welfare of the participants is the fundamental requirement. From the "Akad", the Tabarruq' (agreement) would be accomplished and the takaful operator and the participant would then recognized the amount of contribution to be made by the participant, whereby a certain proportion of the contribution that the participant agrees to compensate would be acknowledged as a source donation, thus enabling the participant to fulfill his or her obligation to give aid should any of the other fellow participants suffer a defined loss (Bank Negara Malaysia).

2.2 Takaful in Malaysia

The concept of takaful was first introduced in Malaysia in the early 1980s, in order to fulfill the prevailing needs of the Muslims for a “halal” insurance. The later issue was largely triggered by the Malaysia National Fatwa Committee, whereby in 15th February, 1979, in the 16th Convention Malaysia National Fatwa Committee, the committee ruled that the existing conventional insurance scheme is considered “haram” as it contains the elements of Gharar (uncertainty), Maisir (gambling) and Riba’ (usury). A special task force was set up by the Government of Malaysia in 1982 in order to study the practicability of setting up an Islamic Insurance company. Following the advice made by the task force, the establishment of the Takaful Act came into effect in 1984 and later the first takaful operator, Syarikat Takaful Malaysia, a subsidiary of Bank Islam Malaysia, was incorporated in Malaysia in November 1984 and commenced its operations in 1985

The Malaysian takaful industry has experienced rapid growth and transformation since its inception in 1984. In 1993, another takaful operator, MNI-Takaful was licensed and commenced operations. The latter company changed its name to Takaful Nasional Sdn. Bhd in 1998. This was followed by the commencement of Mayban Takaful Berhad in 2002 and Takaful Ikhlas Sdn. Bhd in 2003. From comprising of a sole composite operator with a capital of RM10 million in 1984, the Malaysia takaful industry has grown to comprising four composite takaful operators with minimum capital of RM100 million each in 2004. This shows that competition is arising in the Islamic insurance industry. On 30th January, 2006, Bank Negara Malaysia announced that it has approved four new takaful licenses; thus, this brings in the total number of nine takaful operators in the country.

The growth of the takaful industry gained its momentum in year 2000 with the main business indicators recording higher growth rates; and takaful continues to increase its market share in the insurance sector. The combined contribution of the family and general takaful sectors continues to grow rapidly; from RM444.7million in 2000 to RM1.3billion in 2005, with the takaful family business remaining as the major income generator for the overall takaful industry.

Table 2.1
Total Number of New Takaful Contributions from 2000 to 2005

Year	Family		General		Combined Contributions
	Contributions	Growth Rate	Contributions	Growth Rate	
2000	RM279.5m	80.8%	RM177m	23.9%	RM444.7m
2001	RM1,306.4m	367.4%	RM227.7m	28.6%	RM1,465.5m
2002	RM452.5m	22.6%	RM332.7m	24.7%	RM 1,000.2m
2003	RM511.1m	13.0%	RM403.0m	21.1%	RM 1,040.0m
2004	RM603.7m	18.1%	RM492.5m	22.2%	RM 1.1b
2005	RM725.5m	20.2%	RM553.8m	12.4%	RM1.3b

Currently, the bank is focusing into promoting operational efficiency of the takaful industry especially in the area of facilitating outsourcing arrangements by takaful operators. Major moves were taken to strengthen the market practices in order to increase consumer confidence in the industry. Among a notable initiative is through the issuance of guidelines outlining measures to reduce incidents of replacements of takaful certificates and through specific revision on claims settlement practices aimed at improving transparency and neutrality of claims assessment process. These initiatives are

further being complemented by specific measures directed at strengthening governance practices over the information systems, as well as appointing external auditors for the takaful operators.

The blossoming performance of the takaful industry continues amidst the increasing challenges and more aggressive environment. The emergence of bancatakaful as one of the major distribution channel for the industry further expands the distribution channel to offer consumers convenient access to takaful and comprehensive wealth management services from banking institutions. Reports by the Bank Negara indicate that the total assets of the takaful funds continue to grow rapidly. This certainly reflects the increasing awareness of consumers on the existence of takaful in the industry.

Table 2.2
Total Assets of Takaful Funds from 2000 to 2005

Year	Total Assets of Takaful Funds	
	Total assets	Growth rate
2000	RM877.1m	44.4%
2001	RM3,019.5m	106.0%
2002	RM3,626.9m	20.1%
2003	RM4,429.1m	22.1%
2004	RM5.0b	13.5%
2005	RM5.9b	16.9%

(Bank Negara Malaysia, 2005).

Chapter 3

LITERATURE REVIEW

3.1 Introduction

Many researchers in the area of marketing have increasingly turned their attention to the behavior of customer in the recent years. The desire of business entities to gain competitive advantage by implementing strategic marketing strategies relies on the information from the former research on consumer behavior; particularly about the factors that influences the consumers' intention to purchase a product or service.

In the process of making a purchase decision, a customer will be affected by the following three factors; personal, psychological and social. The personal factors that leads customer in making purchase decision are factors that are unique to the customer himself, such as the customer's sex, age, race, and marital status.

The primary psychological factors that influence customer behavior are motives, learning, attitudes, and perception. Motives are the need and desire that causes a customer to make a purchase of a product or service. Motives help to explain customer's actions. Through the process of learning, customers learn about their needs and desires. Attitudes are learned tendency to respond in a given behavior to a particular situation; and attitudes may be positive, negative or neutral. Perception is how a customer interprets and gives meaning to a situation and is difficult to analyze because each individual is unique. Psychological factors also include the individual factors that influence customer buying behavior such as personality, self-concept, lifestyles, ability and knowledge.

The social factors includes forces from other people that might influence the customer's buying behavior; which includes the consumer's family, reference groups,

social class, opinion leaders and culture. Besides these factors, there are situational factors that also influences the customers' decision making process; such as surroundings, time, purchase reason, and the customer's mood and condition (Jaju, 2002).

A marketer must be aware with these factors in order to develop appropriate marketing plans for its target market. The need to understand the underlying factors leading to customer buying behavior is critical. A marketer should first discover why customers make the purchases that they make, what are the factors that influence customer purchases and the changing factors in decision making according to our society. In the process of making the marketing strategies, marketers should try to influence investment motives, which would lead to the customer purchasing a product or service. Marketers should also try to influence what customers learn in order to influence what they buy. Because of their potential impact on the customer buying decision process, marketers try to understand customer attitudes. A smart marketer should also learn the personal and psychological attributes of individuals, the sociological (group) and cultural structure of the market in the process of planning the appropriate marketing strategies.

In order to market an insurance policy successfully, insurance operators must know what motivates the customers in the selected market group. It is difficult to accomplish this because learning what motivates customers to buy is a complex process; yet, understanding that process can help the operators in the process of designing marketing strategies. The purchase of an insurance policy is a high-involvement decision process. This means a significant amount of product evaluation occurs before a buying decision is reached. The customer must first decide in which level of needs an insurance plan can fill. The first step in this process is problem recognition, which is influenced by

an individual's personal, psychological and social factors. Other decisions such as efforts of the insurance operators also contributes to the decision making process.

The Federation of Malaysian Consumers Associations (FOMCA) indicated that a customer's basic need is to get the products and services which guarantees their survival. This includes enough food, clothing, protection, health care, education and cleanliness. The effect of buying an insurance policy falls under the need for an individual's protection. Thus, this clearly craves for the need for the takaful operators to gain a better understanding of the factors that influence the behavior of customers who purchase an insurance plan.

3.2 Income and insurance consumption behavior

Insurance is considered as one of the financial instruments that can perform multiple functions; such as savings as well as protection one self from any unforeseen misfortune. An individual's desire to maintain the living standards of its dependants gives a rise to the increased consumption of insurance schemes which indeed increases with the level of income (Hwang & Gao, 2003).

It has been frequently exposed that consumer ownership of, and preferences for, various possessions are influenced by measurable socio-economic and psychological factors. As mentioned earlier, income is one of the psychological factors that influence customer buying behavior. Wandel (1956) on his study on insurance consumption patterns concluded that the income level can be closely associated with an individual's "style of life"; and that socio-economic and social class factors are very significantly related to insurance consumption patterns; and the factor of income appeared to be one of

the most important determinates of insurance consumption behavior. Wandel (1956) later found that the greater the level of income, the greater is the amount of protection owned.

Previous studies by Lewis, (1989); Hakansson, (1969); Fischer, (1973); Fortune, (1973) and Campbell, (1980) have found that the level of income has always been associated with the insurance consumption process; whereby as an individual's income increases, purchasing an insurance plan becomes more affordable. Using aggregated national data, Fortune (1973), Truett and Truett (1973) and Beenstock et. al (1986) found that the life insurance premium expenditures and national income are positively interrelated (Browne & Kim, 1993). To further strengthen these findings, Burnet and Palmer (1984) found that the level of income appears to be one of the best demographic predictors of the demand for life insurance (Truett & Truett, 1990).

On their study on the determinants of the demand for life insurance in China, Hwang and Gao (2003) found that the income variable was statistically significant and positively correlated with life insurance consumption in China. This later study further strengthen the earlier findings; and they further added that the rapid economic growth in China over the past ten years had played an important role in encouraging the Chinese to purchase protection plans.

3.3 Education and insurance consumption behavior

Education appears to be one of the psychological factors that influence customer buying behavior. Unquestionably, education plays an important role in the decision making process for an individual. Education may increase the demand for pure death protection whereby insurance can be said to lengthen the period of dependency as well as providing

a source of income for the dependants left behind (Beck & Webb, 2003). Higher level of education may lead to a greater degree of risk aversion and creates more awareness of the necessity of consuming insurance in general (Browne & Kim, 1993). Educated individuals may have a greater knowledge of the need and purposes of having a protection plan. These individuals recognize the various types of insurances available and perhaps have a stronger desire to protect their dependants by consuming an insurance plan. Burnett and Palmer (1984) found education, number of children and income to be the best demographic predictors of the demand for life insurance (Truett & Truett, 1990).

Prior studies proved that, like the level of income, the level of education has always been associated with the insurance consumption process. On the same study on the determinants of the demand for life insurance in China, Hwang and Gao (2003) through their literature review concluded that the increase in the education level may lead to a larger number of people being able to recognize the value of insurance and is likely to create a demand to consume insurance for dependants and themselves. From their study, Hwang and Gao found that education is statistically significant and positively correlated with insurance consumption. They further elaborated that the increase in the educational level in China has led to a greater knowledge and understanding of the role of a protection plan, and this was therefore another reason that has driven the increasing demand for life insurance.

In a recent study on the economic, demographic and institutional determinants of life insurance consumption across countries, Beck and Webb (2003) expected that a higher level of education in a population will be positively associated with the demand for an insurance plan. A higher level of education may increase individuals' ability to

understand the benefits of risk management and long-term savings; thus this would increase their risk aversion; and prior to the previous study, Beck and Webb also found that there is a positive relationship between the level of education and insurance consumption.

3.4 Religiosity and consumer behavior

Undeniably, religion has been recognized as an important social force that influences an individual's behavior. Religious beliefs play an important role in shaping human attitudes and behaviors; religion have direct influence on the way people live, what they eat, the choices they make and whom they associate with. Although religion was found to have a significant impact on an individual's behavior, it has not been sufficiently examined and until today, is still lack in research. Understanding how strongly consumers depend on their own religious beliefs should be measured in understanding the nature of consumer behavior.

Religion provides a fundamental element of society in most culture and without doubt is linked to many aspects of our life and behavior; it affects our decisions, motivations, purpose, goals and satisfaction. Religious commitment or as known as religiosity portrays the extent to which an individual is committed to his or her religion, and how this commitment directly contributes to the individual's attitudes and behaviors. Highly religious individuals exhibit strong sense of commitment to their beliefs and they were found to behave according to the norms as described by their religion (Mokhlis, 2006; Fam, Waller & Erdogan, 2002).

In their study on religiosity, ethical ideology and intentions to reporting a peer's

misconduct, Barnett et. al. (1996) found that religiosity was positively associated with ethical ideology. Individuals who believed reporting a peer's wrongdoing was ethical were more expected to say that they would actually report a peer's wrongdoing. Religiosity was found to indirectly influence ethical judgments through its association with the ethical ideology of relativism. Individuals who expressed a strong commitment to religious belief also was found to believe more strongly in universal moral principles; and this relationship suggests that religious commitment may influence individuals' ethical ideology.

In Malaysia, Mokhlis (2006) found that religion plays an important role in consumers' shopping orientations and stressed that it is crucial not to underestimate the importance and potential of religion as a descriptive construct in predicting consumer behavior. Fam, Waller and Erdogan (2002) concluded that religion is not a trend that can be dismissed by the marketer as a short term change, but rather it is a long term phenomenon and suggested that it should be an area of further research for marketers, especially in markets where Islam is the faith of the majority.

3.5 Theory of Reasoned Action (TRA)

There are various theories associated in the process of predicting the consumer buying behavior. One of the most widely used theories in social psychology to explain consumer behavior is Ajzen's Theory of Reasoned Action (Fishbein & Ajzen, 1980). This theory was later extended into the Theory of Planned Behavior (Ajzen, 1991).

The Theory of Reasoned Action (TRA) was formulated by Ajzen and Fishbein in 1980. The basic concept of this theory is that an individual's intention is the main

predictor and influencer of engaging into a behavior. The theory was an extension from their earlier research on Expectancy Value Models of Attitudes which explains about behaviors over which an individual has control on (Thompson, Haziris & Alekos, 1994). TRA was formulated in the process to measure the difference between attitude and behavior. Basically, TRA is related to intentional behavior. In TRA, both personal and social factors influence an individual's preference of wanting to engage into a specific behavior (Park, 2000). Behavioral intention, the primary predictor of engaging into a behavior is directly affected by these two factors (Ajzen, 1998). Behavioral intention is influenced by two main influencers of intention; an individual's attitude and subjective norms towards the behavior.

Attitudes toward a behavior are determined by salient beliefs about the evaluation of a behavior. The outcomes of performing an attitude towards a behavior can be either positive or negative (Ajzen, 1985). An individual's attitudes are considered personal as they are internally generated, mainly relying on the individual's beliefs about a potential outcomes of a specific behavior and the individual's evaluation on the behavioral outcomes (Park, 2000). In other words, attitudes suggest individuals to consider their decisions and the possible outcomes before making a decision.

Subjective norms are being determined by normative beliefs, that is, perceived beliefs of specific individual about engaging into the behavior (Burak, 2004). In other words, subjective norms measure the influence that other people have on the behavior of the individual (Thompson & Thompson, 1996). The reaction from other people would later influence the individual's motivation to comply the behavior. An individual's subjective norms are considered social as they are mainly generated from external

information such as the opinion and advice from spouse, family members, and opinion leaders and sometimes are heavily influenced by the individual's culture. It is a common practice that an individual will consult other people before making any decisions, and thus, what other people will think of the decision play an imperative role in the individual's subjective norms.

Ajzen and Fishbein's model has been used in many fields and a great deal of their research backs up the assumptions why the model is widely used in academic and business studies. Without any doubt, Fishbein and Ajzen's work on TRA has inspired many marketing researchers.

3.6 Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB) is an extension of TRA. TPB predicts intentional behavior, because behavior can be deliberative and planned. The TRA model did not consider situations whereby a behavior is not completely under an individual's control; such as when the individual is unable to engage in a behavior due to lack of opportunities and resources such as time, money or skill (Thompson & Thompson, 1996). TRA appeared notably not to be voluntary and under control, and thus, TPB addresses this problem by adding the third predictor; perceived behavioral control. According to TPB, the intention to perform a behavior is influenced by three factors; the individual's attitude towards the action, the subjective norm with regard to the action, and the perceived control over the action.

Besides attitudes and subjective norm, perceived behavioral control was found to have a significant influence towards an individual intention. Perceived behavioral control

is an individual's perceived efficiency on achieving a specific behavior or the reasons inhibiting a particular behavior (Sideridis, Kaissidis & Padeliadu, 1998). In other word, perceived behavioral control refers to an individual's perceptions of their ability to perform a given behavior and this predictor leads to intention. The more favorable the attitude and the subjective norm, and the greater the perceived control the stronger should the individual's intention to perform the behavior. Perceived behavioral control may accurately reflect actual control of the situation and thus postulates a direct link between control and behavior, which is not mediated by intention (Ajzen, 1998).

3.7 Summary of TRA and TPB

TRA has been widely used in many applications, also in explaining consumer buying behavior including consumers' choice of food products (Tarkiainen & Sundqvist, 2005; Choo, Chung & Pysarchik, 2002; Thompson, Haziris & Alekos, 1994) and also consumers' choice on alcohol-free beer (Thompson & Thompson, 1996), and to examine and predict college students' reading intentions (Burak, 2004). This theory was also being used to measure and predict consumers' brand loyalty (Ha, 1998).

TPB has been used as a framework to examine consumers' intention to buy environmentally products (Kalafatis, Pollard, East & Tsogas, 1999). Concerning internet-related behavior, it has been used to explain intentions to make internet purchases (George, 2002).

Based on Ajzen' research, a similar model need to be develop to examine the factors that influences the Muslim customers' intention to engage into a takaful

protection plan. In this research, we will examine the same variables of “attitudes”, “subjective norms” and “perceived behavioral control”.

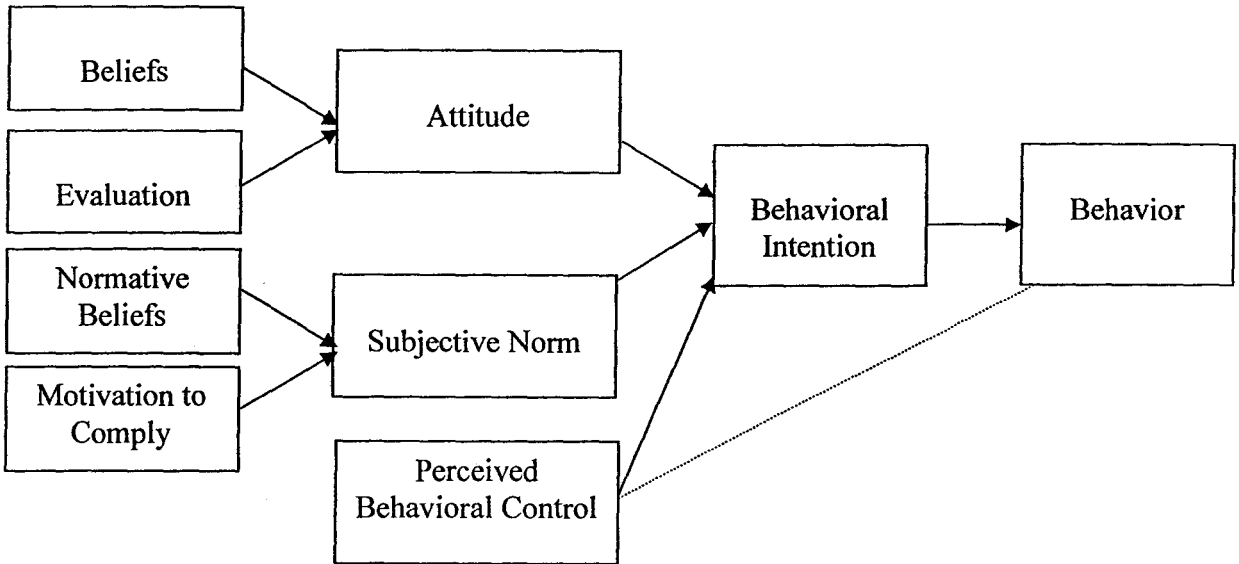


Figure 3.1 Ajzen’s theory of planned behavior model

From the literature review above, the influence of religion seem to be an important predictor of the Muslim customers’ buying behavior. Since religiosity plays a significant role in examining consumer behavior, an external variable of “religiosity” will also be included for this research. For the purpose of the study, religiosity refers to the level of faith and beliefs that the Muslim school teachers have about takaful.

3.8 Theoretical Framework and Research Hypotheses

The following hypotheses were developed based on the theoretical framework described earlier and the literature review discussed. From the above literature, the theoretical framework for this particular study was being constructed: