

Cultivating Islamic Marketing Approach – Customer’s Buying Decision towards Takaful Services

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Abstract— Nowadays Takaful is very important for every people. The need to have adequate protection in the future as well as supporting the rapid growth of Islamic businesses in Malaysia. Takaful services are expected to provide changes in sustaining personal and family stability to meet the unpredictable changes of the world. The elimination of risk can improve the quality of life and at the same time adapt with changes in society’s psychographic needs. As such, this paper aims to investigate the awareness level which influence customer’s buying decision in choosing Takaful services. In addition, it will also explore the relationship between independent variables which is level of awareness. Using a questionnaire survey, a total of 86 questionnaires were collected back from the respondent in Selangor. The finding based on correlation analysis revealed that all the independent variables have a moderate relationship with dependent variables.

Keywords— Takaful, Level of Awareness, Willingness to pay, Buying decision

I. INTRODUCTION

THE rapid growing concept and approaches to Islamic marketing is gaining fast momentum within the industry. In due course, Malaysia is seen to be committed in developing takaful marketing initiatives as evidenced by the complete range of globally recognized halal services in takaful industry.

There are currently 1.8 billion of Muslims in the world, which makes 24.1% of the global population. In addition, the global halal industry is estimated to be worth around USD2.3 trillion (excluding Islamic finance). This number is believed to be growing at an estimated annual rate of 20% and furthermore, the industry is valued at about USD560 billion a year (Pew Research Center, 2015).

This numbers represent the new opportunities and enormous potential of global market interest both in Muslim

and non-Muslim countries. In due course, both academics and practitioners of marketing, sees the potential of “Halal” marketing concept as a new way to grab the market. Subsequently, government of a progressive Islamic country could also position “halal” as one of its economic competitive advantages to flourish on the global arena.

The halal marketing has now stretched well beyond the food sector as what it is traditionally known for, by moving up to other sectors such as service industry. This is the new platform recognized by many as the way forward to further widening the economic potentials for halal industry.

Marketing for takaful service deals greatly on the effort to match the business in accordance to Shariah law and at the same time, fulfilling both the interest of the customer and service provider. The idea of synchronizations between these aspects requires critical evaluations in understanding the perception of the current delivery of Islamic marketing approach.

In this paper, we will discuss the customer’s due weightage to which perception of customer in halal service concept that will reflects their current acceptance to Takaful service holistically.

Since the Takaful business started in 1984, the percentage of the people who live in Malaysia that pay for Takaful products is quite low compared with the conventional insurance. There were many activities have been done for instances the promotion of Takaful products via the sources of media but the growth still have slow pacing in achieving to growth compared with their conventional insurance competitor (Naail & Norsham, 2014). Besides that, Swartz and Coetzer (2010) stated the lack of knowledge and awareness among the people is among the greatest challenges to development and growth of Takaful industry. These obviously seen, most of the

people have difficulty to understanding specific terminologies of Takaful. For instances, they sometime do not familiar with the term of gharar (uncertainty) or maysir (gambling). This situation as mentioned by Sarwar, Aamir and Qureshi, Hamza Ahmad (2013), role of insurance agent is become an issue and can become as a barrier to health insurance enrolment or awareness. The people are interested to purchase health insurance but are not properly informed about its functions. The most common issue among agents was difficulty to approach insurance agents, inadequacy of knowledge on the part of insurance agents and unsatisfactory behaviour of insurance agents.

Health insurance is one of method to finance healthcare and indirectly will reduce the burden among the citizen to pay for the healthcare cost. Furthermore, according to Frost and Sullivan, (2012) the statistic shown that in Malaysia the total expenditure on healthcare sector is expected to grow with an increment forecasted from USD 2.25 billion on 2012 to USD 3.65 billion in 2018. This has shown that Malaysian will incur much higher expenses on healthcare later and the citizens will be responsible for this burden later.

In addition, there are a few factors regarding the barriers in subscription of health insurance which including formalities bottleneck, agent related problem, coverage issues, awareness and negative feedback, (Pooja Kansraa & Gaurav Pathania, 2012). Other than that, poor people didn't subscribe due to their less income and saving. This group of people not afford to pay cost of medical bill and because of that financial risk occur influencing them unwilling to pay the health insurance, (Maumita Ghosh, 2013). As a result, many barriers influence the level of awareness and willingness to pay Takaful health insurance. Therefore, this study is mainly to investigate the level of Takaful insurance and its level of subscription by which integrating the influence of customers willingness and affordability.

This research was conducted at Hospital Sungai Buloh, Selangor which is known as public hospital that deliver healthcare services. To determine whether the public sector staff was acquired their own insurance or not, the researcher was conducted an informal interview with the Human Resource staff in order to gain an information. The researcher was being informed that this organization did not provide their staff with the medical cards. Since, they could acquire the healthcare services at the staff clinic that has been provided for all staff in this Hospital. Hence, the researcher can conclude this matter was becoming one of the factors that influencing their awareness about the importance of insurance.

The researcher also has been explained that basically most of the staff that subscribes policy will be exposed with insurance during an events that related (if the insurance provider invited) or CUEPACS day which they usually they invited the insurance provider that offering conventional plan to open booth together with CUEPACS. Thus, with this restriction and shortcoming of information and publicity for

Takaful Insurance to the staff has becoming factor of problems. The staffs were only being exposed more on the conventional insurance. So, the researcher we seeing the problem and interested to determine whether they are aware about the existing of Takaful Insurance in the industry.

II. LITERATURE REVIEW

2.1 Awareness on Takaful Product

Public awareness is important to increase the market size for Takaful Insurance in Malaysia (Hidayat S.E., 2014). The study of The Ownership of Takaful Insurance in Malaysia which has found that 86.2 percent the respondents from the three government departments that were selected in Kuala Lumpur and Putrajaya area are aware about the Takaful Insurance (Hamid M.A., Husni S., Palil M.R., 2013). As cited by Ayuba and Mayuki, (2015), it stated that awareness of Takaful insurance is needed in Muslim group since they still could not differentiate between the Takaful Insurance and Conventional Insurance. Therefore this matter has becoming the factor that will influence the consumer to buy the Takaful insurance which mean the Muslim should have an awareness which is knowledge regarding the Takaful Insurance. In Malaysian market, Takaful Insurance are having high potential market that still not being explore to the fullest by the Muslim community, as being stated by National Bank Malaysia the penetration rate for Takaful Insurance on September 2010 was 10.9% only. (Hamid M.A., Husni S., Palil M.R., 2013). This is shown that market condition of Takaful Insurance could give an impact towards the Muslim awareness regarding the Takaful Insurance.

2.2 Unawareness on the Takaful Insurance

According to Kamil N.M and Mat Nor N. (2014), the factor influence based on independent variables such as knowledge of religiosity, perception, product features, promotion to customers, product benefits, quality of services provided by Takaful operators. Nevertheless, the level of awareness of halal, exposure and knowledge regarding Takaful insurance among Muslim also the factors influence the subscription of Takaful insurance.

Nowadays, one of the ways to reduce the risk of loss due to misfortunes is through insurance. Insurance is an invention intended to offer security to people and industries against particular eventualities. Conventional insurance policies provide protection from catastrophic events that would normally bankrupt a business or family. The commercial insurance is a contract between two parties, insured and insurer, with the policy, the insurer receives the premium; it's one of the regular sum of paid, in cash or credit, from the insured and the insurer promises to indemnify all of losses may be suffered him (Mittra S., Sahu A.P., and Crane R.A (2007). Thus, the main reason for the purchase of insurance is to provide financial security. Other than that, the consumers' perception is the factor that most influence customer demand on the insurance. Consumer's perception and knowledge

towards insurance is essential in facilitating the success of insurance services.

According to Abduh et.al. (2012), measured the performance and efficiency levels of the insurance industry in Malaysia between the year 2008 to 2010, highlighting both the conventional insurance and Takaful. Employing ratio analysis and data envelopment analysis, the authors concluded that the insurance industry in Malaysia is more efficient than the Takaful industry even though the difference in the efficiency levels in both industries is quite small. Besides that, compared the conventional system of life insurance and the Takaful model, owing to several arguments raised by the scenario of life insurance policy practiced under the conventional system, it reported that both conventional and Islamic designs tend to have different models (Billah, 2002).

2.3 Willingness to Pay

Takaful is an insurance system which is based on Shariah compliance. Takaful holds a different concept from conventional insurance which is rejected by the Shariah due to elements of uncertainty (gharar), gambling (maysir) and interest (riba). However, subscribe Takaful health insurance is the importance decision and very highly recommended among Muslim people. It is supported by Ayinde (2012) reported that Malaysians are willing to adopt Takaful insurance services depending on significant factors including compatibility and awareness. Even though Takaful is generally related to Islamic, these insurance products have attracted for non-Muslim communities (Swartz and Coetzer, 2010). However, the interest shown by non-Muslims and the support of Muslims is insufficient to promote the knowledge and willingness of the people to attract them for pay Takaful insurance. The lack of knowledge and awareness are the greatest challenges to the development and growth of the Takaful insurance industry.

According to Razak et.al. (2013), have found the factors that influence Malaysians pay for Takaful insurance based on perception, product, features, promotion, benefit and service quality. Other than that, the researcher also states that service quality was the most significant factor on why they are willing to pay Takaful insurance. A similar study by Rahim and Amin (2011) researched on the relationship among attitude, subjective norm and amount of Takaful information on the Islamic insurance participation. The researchers concluded that all three factors of attitude, subjective norm and amount of Takaful information on the Islamic insurance participation were includes as the influential factor of willingness to pay

In term of agents also give impact on the people for pay Takaful insurance. According to Salleh et al. (2013) the understanding of the concept of Takaful insurance among Takaful agents must be strengthening in order to become as influential factor of willingness to pay Takaful insurance. This is because when agents have fully knowledge and understand on the concept Takaful insurance, it will help to convince the people for attract to pay Takaful insurance. The agents of Takaful played important roles in promotion of the benefits of Takaful. The people knew the benefits of Takaful through

consultation given by Takaful agents who influence them to buy Takaful products.

Furthermore, in a separate study, Abdul-Hamid and Othman (2009) also investigate Takaful but from a Takaful literacy's angle amongst 232 bank customers in Kuala Lumpur (the capital city of Malaysia). The study found that most of the respondents had difficulty in understanding the specific terminologies of Takaful. For example, only just 32 percent of the respondents are be familiar with the terms gharar (or uncertainty) and maysir (or gambling or speculating). The findings of this study are important to provide a direction to Takaful operators on how to develop their marketing plans because reasonably information is the basic element for influencing the people are willing to buy Takaful product.

The study by Kamil and Mat Nor (2014) found that most of the respondent had mentioned that Takaful and religion is very much close to each other. This is because Islam has this Makasid of Shari'ah. So, one of the objective in this Makasid is to protect peoples' wealth. In that sense, the people who buying Takaful not only for herself or himself but also for their generations. An example is when buying a Takaful product, it's covered whole of families if anything happen to you. In case of any emergency, if someone has to be hospitalized, she or he will be protected. The most important thing in Takaful is helping each other, is a mutual corporation or benefit.

III. RESEARCH METHODOLOGY

3.1 Research Design

A study has been conducted through a distribution of questionnaire to a 86 respondents that randomly chosen among clinical staff in Hospital Sungai Buluh, Selangor. Sampling frame was acquired from the human resource department. Total population was 104 muslims that servicing as a support clinical department. From Krejcie and Morgan, only 86 respondents were required to fulfill the study. A set of question on their level of takaful awareness and willingness to pay has been circulated. The SPSS analysis has been done and looking at descriptive and correlation analysis with an objective to look at their awareness level and the relationship with the variables when they are looking for Takaful.

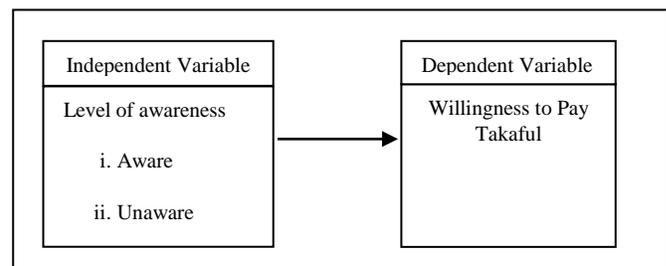


Fig. 1: Conceptual Framework

IV. FINDINGS

Below results explained on the demographic studies of the respondent as well as descriptive studies of the variable, the

reliability of the data and the relationship between variables.

4.1 Validity and Reliability analysis

The pilot test was conducted to determine the reliability of the items in the questionnaire. The analysis was made by distributed 20 questionnaires to the Muslim working people. The analysis result was show the value of Cronbach's Alpha are achieved with .753. The dependent variable is reliable with the Cronbach's Alpha value .818

4.2 Demography

From the above table 4.0 analysed data for demographic section has shown that the higher age for the respondents that answering this questionnaire are 18 – 25 years old with $N = 29$, percentage = 33.7%. For the lowest rate of age are from the range 46 – 55 years old $N = 7$, percentage = 8.1%. The remaining number of respondent was 50 respondents are 26 – 45 years old. The gender analysis, there is 35 male respondents with 40.7 % and 51 respondents with 59.3 % are female respondents. For the marital status analysis 38 respondents are with single status, 47 respondents with married status and 1 respondent with divorced status. All of the respondents are working in the public sector. For the annual income analysis, the result has shown that most of the respondents are having RM 10 001 – RM 20 000 annual income with 55 respondents. The lowest income respondents are below than RM 10 000 annually with 2 respondents. The result of insurance policy holder are 48 respondents with 55.8% acquired an insurance policy and 38 respondents with 44.2 % are not acquired insurance policy.

4.3 Descriptive

Descriptive analysis was used to analyse the data of mean and standard deviation for each variables in this research. According to Sheridan (2013), the result of data analysis for descriptive analysis was helpful to generate overall results for the questionnaires. The study was conducted to find the relationship between Awareness and Willingness to Pay for Takaful Insurance. This study was conducted at Hospital Sungai Buloh which is the occupational sector was government sector. The result for mean and standard deviation for Independent variable was as table 4.2. As being stated in chapter 3, the researcher would like to determine the highest mean for the variables. From the table the highest mean score was ($M = 4.12$, $SD = .676$) which has shown most of the respondents are agree with the question number 1. However, for the lowest mean was ($M = 3.44$, $SD = .876$) which indicate that most of respondent was uncertain or unsure about the question number 3. For the overall mean and standard deviation for this dimension of section was ($M = 3.7613$, $SD = .33439$) that has shown most of respondent was feeling indifferent about their answers.

Table 4.3 show the result of mean and standard deviation for the Willingness to Pay for Takaful Insurance. There is 14 items in this section C. the highest mean score was ($M = 4.03$, $SD = .694$) which most of the respondents are agree with this question number 3. The lowest mean was ($M = 3.35$, $SD =$

.967) which most of respondent was unsure about the possibility of answer for this question 12. Overall mean for this section was ($M = 3.7326$, $SD = .38068$) which indicate that most of the respondent was uncertain about their answers.

4.4 Normality Test

The normality test were done and there are skewness and kurtosis analysis, this analysis are considered as normally distribute if the result are zero (Hair, Hult, Ringle, and Sarstedt, 2014). Skewness are being measure using scale +1 and -1 by Hair, Hult, Ringle, and Sarstedt, (2014) and +2 and - 2 are measure scale from Cameron, (2004).

4.4 Correlation

Correlation was being analysed between the Awareness and Willingness to Pay for Takaful Insurance among those respondents in order to find the relationship between these two variables. From the analysis, the result was $.317(84) = 26.628$, $p = .003$ it has shown that the pearson's correlation was has low positive relationship between both of variables. The range between .30 to .50 was considered as low positive correlation (Sekaran and Bougie, 2009). The variables also were significant value was $p = .003$ for both variables which mean that the variables was have significant correlation and the independent variable are influencing the dependent variable. As that, the summary of correlational analysis result are $.317(84) = 26.628$, $p = .003$. From this result, the r value were able to answering the hypothesis that has being as in the chapter 1 which is "There is a significant relationship between Takaful awareness towards the willingness of Muslim to buy the Takaful insurance." The hypothesis is accepted with the result of $r = .317$ that was low positively correlates. This result also was supported with research of Abdulsater.M., (2014) that has hypothesis acceptance with result moderately for the level of awareness on the Islamic Insurance.

V.CONCLUSION

Through this research, the first objective was achieved and the level of awareness regarding the Takaful Insurance was in the moderate level which has been analyzed using the pearson's correlation. However, the second objective is not achieved in this research since there are no variables that can measure the influence of awareness on Takaful Insurance.

Through this research the researcher has two suggestions to increase the awareness of the staff on the Takaful Insurance. To increase their awareness on the Takaful Insurance the researcher were suggested the strong campaign should be made at Hospital Sungai Buloh to make the staff aware about the Takaful Insurance. The campaign and suitable strategies will influence the consumer awareness on Takaful Insurance (Maiyaki and Ayuba, 2015). The staff should being exposed with the differences of Takaful and Conventional Insurance. Hence they could differentiate and make a better decision in buying the policy for their self.

The staff also should being exposed with the benefits and process of the Takaful Insurance. It will help to influence their perception and indirectly will enhance their awareness. The

takaful insurer itself should cooperate together in order to make the people aware about the Takaful Insurance (Hamid, Husni and Palil, 2013). By joining together to make awareness

it could give a positive impact and will able to increase their awareness on the Takaful Insurance.

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