

Employees' Intentions to Participate in Family Takaful Plan

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ABSTRACT

Takaful is a system of Islamic insurance based on the principles of ta'awun" (mutual assistance) and 'tabarru' (voluntary contribution) by the group of participants. There are many types of insurance offered to customers. This study involved a survey commissioned to obtain peoples' response towards family Takaful insurance. This paper investigates the factors influence customer's intentions in participating in family Takaful. Proportionate Stratified Random Sampling is used to obtain the sample. A personally-administered questionnaire was distributed randomly among respondents. From the analysis, it has been found that products and services, economic and knowledge are the factors that contribute significantly towards employee's participation to Family Takaful. The findings of this study propose that Takaful companies should concentrate in their marketing and promotional matters. In addition, the information regarding the benefits of family Takaful should be disseminated to educate as well as to attract people to participate in family Takaful.

KEYWORDS: Takaful, Family Takaful, Participation.

INTRODUCTION

Nowadays, people are exposed to various risks in their lives which can be either expected or unexpected risk. Islam promotes the act of taking precautionary measures or 'ikhtiar' against any risks. Takaful is a concept of insurance that provides customers with a protection and long-term savings. In Malaysia, the evolution of Takaful industry can be seen via its business performance and Takaful gross contribution from year 2008 to 2012 had increased by RM2,366 million[1]. Family Takaful business contributed much stronger as compared to general Takaful business.

Despite the increasing number of Takaful penetrations, there still exists a huge untapped market to be explored. Report by Bank Negara Malaysia showed that only 54% of the population are having Family Takaful [2]. According to [3], the Family Takaful penetration rate was merely 10% of the population in 2010. This was supported by [4] where the market penetration rate for the Family Takaful business in Malaysia is quite low. Therefore, it is doubtful as to why people in Malaysia have yet to join in Family Takaful whereby raises the issue of investigating the factors that influence the participation of peoples towards Family Takaful. In this study, the authors build up framework based on previous research in order to identify the main factor that influences the participation toward a family Takaful. The factors that are used in this research consist of the products and services, economic factors and knowledge factor as the independent variable and employee's participation toward a Family Takaful as the dependent variable.

LITERATURE REVIEW

Employees' Participation towards Family Takaful

According to [5] suggested that the basic concerns of the consumers when purchasing insurance are the need, coverage and duration of the insurance. While according to [6] found that the decision making process is depend on the customers' knowledge and understanding on how insurance can benefit or fulfil certain needs of their lives. According to [7] found that the income per capita is a robust predictor of Family Takaful demand, while the composite index has a significant relationship with Family Takaful demand. While the study conducted by [8] is slightly different with the study of [7] in terms of variables used which the study indicated that the income, Islamic banking development, education, dependency ratio and Muslim population factors are positively related to family demand. Other than that, among the economic factors, it is found that the inflation, real interest rate, financial development and life expectancy seem to be substantial factors that affect the Family Takaful demand in Malaysia.

Products and Services

The responsibilities of Takaful agents are not only to sell Takaful products, but they also need to educate the public concerning the importance of having Takaful products [9]. At the same time, they should be able to give advice and solutions to customers' needs. While according to [10] mentioned that the study has shown that most people favor the products and services that are complying with Shariah. In addition, a study done by [11] has recognized that the critical reason for choosing Takaful Operator is whether the product can be easily understood. According to a study conducted by [12] concluded that the factors that influence the acceptance of Takaful among Malaysians are based on the perception, product, features, promotion, benefit and service quality. The results found that there are significant relationships between products and Takaful demand. In contrast, the most dominant factor that influences the customer acceptance towards Takaful was the service quality [13].

Economic Factors

According to [2] found that the level of income is included as the economic factors in determining the Takaful demand. Income is a strong factor of the life insurance consumption, and therefore it is expected to have a positive relationship with Takaful demand. The finding from the study showed that there is a positive relationship between level of income and Family Takaful demand. While according to [10] found that life insurance/Family Takaful demand is significantly affected by the income variable. The result is consistent with a preceding study which stated that demand for Family Takaful and life insurance arises when the level of income increases [7]. According to [14] concluded that consumers' purchasing behavior in life insurance products are affected by demographic and economic factors. Among the economic factors that affect the life insurance demand are gross domestic product, tax exemption, the rate of personal savings and short term interest rate. The finding however showed that the first two factors are positively related, whereas the latter are negatively related. In addition, in [15] found that the income (economic factors) and Islamic banking deposits have a significant positive relationship with family Takaful demand.

Knowledge Factor

According to [9] found that the majority of customers prefer to deal only with a specialized officer who has the most knowledge about business operations. In this context, it is realized that knowledge is vital to determine the effectiveness of agent in dealing with customers. Low acceptance towards insurance among Malaysian Muslim is due to the lack of information and misunderstanding on the insurance concept as mentioned by [16]. In addition, there is also the factor of insufficient information on the benefits of taking Islamic insurance. This concern is also shared by the Malaysia's Central Bank (Bank Negara Malaysia), as increasing effort is being made to increase public awareness on Takaful.

METHODOLOGY

A self-developed questionnaire was designed and formulated according to the research objectives. The questionnaire consists of five sections. Section A covered items on socio-demographic of the respondents, whereas section B comprises the questions on employees' participation towards Family Takaful. Meanwhile section C, D and E covered the questions about the products and service factor, economic factors and knowledge factor respectively. All questions in section B, C, D and E use a Likert scale of 1 to 5 where the scale of 1 represents strong disagreement while scale 5 represents strong agreement. All the questions use sentences in the affirmative form.

Sample survey was undertaken involving a total of 210 respondents out of 396 employees from various departments at Tunjong City State Education. The selection of the respondents is based on Proportionate Stratified Random Sampling with the number of respondents from each department was determined by its proportion. A questionnaire was randomly distributed among respondents at 6 departments namely Management and Development Services, School Management, Academic Management, Human Development Management, Quality Assurance and Information Communication and Technology (ICT).

Frequency distribution was used to present the overall frequency of all variables. Descriptive analysis was used to gauge an overview of respondent characteristics. Next, correlation and multiple linear regressions were used to measure further relationships among the variables. The following hypotheses were generated:

H1: There is a significant relationship between products and services with employees' participation towards Family Takaful at Tunjong City State Education Department.

H2: There is a significant relationship between economic factors with employees' participation towards Family Takaful at Tunjong City State Education Department.

H3: There is a significant relationship between knowledge factors with employees' participation towards Family Takaful at Tunjong City State Education Department.

FINDINGS AND DISCUSSION

Frequency Distribution

Table 1 shows the demographic profile of the respondents. About 57.6% of the respondents are female and the rest are male (42.6%) with the following age distribution: 21-30 (17.1%), 31-40 (38.6%), 41-50 (27.1%), 51 years and above (17.1%). Almost 31.4% of the respondents have SPM or Certificates, 43.3% are STPM, STAM and diploma holders while 25.2% attained degree and above. Majority of the respondents were Malays (99%) and only 1% is non-Malay. Most of the respondents are Muslims (99.5%). Majority of the respondents (67.6%) already have insurance, which is either conventional or Takaful plan.

Table 1: Frequencies of respondent profile

Characteristic	Values	No	%
Age	21-30	36	17.1
	31-40	81	38.6
	41-50	57	27.1
	51 and above	36	17.1
Gender	Male	89	42.4
	Female	121	57.6
Highest education level	SPM/Certificates	66	31.4
	STPM/STAM/Diploma	91	43.3
	Degree/Masters/Ph.D	53	25.2
Race	Malay	208	99.0
	Non Malay	2	1.0
Religion	Muslim	209	99.5
	Non-Muslim	1	0.5
Income	Below RM2,000	55	26.2
	RM2,000-RM4,000	118	56.2
	RM4,001 and above	37	17.6
Status subscribing of Family Takaful	Subscribe	106	50.7
	Not yet subscribe	75	35.9
	Have intention to subscribe	28	13.4
Do you have insurance (Conventional and Takaful) policy?	Yes	142	67.9
	No	67	32.1
What the type of Insurance policy which you subscribe?	Conventional	44	21.0
	Takaful	128	61.0
	Don't Know	38	18.1

Reliability Analysis

The Cronbach's alpha reliability test was conducted to test the reliability of the variables. According to [17] stated that the measuring instrument is better when the reliability coefficient get close to 1.0.

Table 2: Analysis of reliability

Variables	Cronbach's Alpha
Participation	0.933
Product and Service	0.908
Economic	0.924
Knowledge	0.930

The result in Table 2 shows that all Cronbach's alpha coefficients are above 0.8, which reflects items in the variable were positively correlated to each other since the value was close to 1.

Correlation

Table 3: Correlation between independent variables with participation

Variables	r	P-Value	Level of Significant
Product and Service	0.850	0.000	Significant
Economic	0.765	0.000	Significant
Knowledge	0.814	0.000	Significant

Based on Table 3, the relationship between employees' participation to Family Takaful with all the independent variables is significant. The strength of the relationship is a strong positive linear correlation between participation to Family Takaful with product and service ($r=0.85$), economic ($r=0.765$) and knowledge ($r=0.814$).

Multiple Regressions

Table 4: Summary regression model of the variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	0.871 ^a	0.758	0.754	0.32430	0.000

a. Predictors: (Constant), knowledge, economic, products and services

b. Dependent variable: mean employees participation towards family Takaful

Based on Table 4, the R Square value of 0.758 indicates that 75.8% of the total variation in the employee's participation towards Family Takaful is explained by the product and service, economic and knowledge.

Table 5: Analysis of variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	67.792	3	22.597	214.866	0.000
Residual	21.665	206	0.105		
Total	89.458	209			

ANOVA in table 5 showed that the p-value is less than 0.05 indicating that the model is valid and the result of the relationship is significant ($F_{3, 209} = 214.866$, $p < 0.001$).

Coefficient of Determination (R²)

Table 6: Coefficients of the variables

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	0.361	0.148		2.445	0.015
Products and Services	0.497	0.074	0.494	6.750	0.000
Economic	0.135	0.062	0.135	2.167	0.031
Knowledge	0.291	0.069	0.288	4.217	0.000

a. Dependent variable: Participation towards family Takaful

Result in Table 6 shows that all variables; product and services, economic and knowledge are significantly influences the employees' participation to Family Takaful with p-value of 0.000, 0.031 and 0.000 respectively. The result also indicates that the variable products and services is the best predictor or variable contributes to employee participation towards Family Takaful based on the Beta value of 0.494, followed by knowledge (0.288) and the less influential predictor is economic (0.135).

CONCLUSION AND RECOMMENDATIONS

This research demonstrates that most of the respondents agree that service factors, economic factors and knowledge factor will influence employee's participation towards Family Takaful. Moreover, the findings suggest that the products and services, economic and knowledge factors initiate a high impact on their decision to participate towards Family Takaful.

Concisely, the researchers recommend that Takaful Company and Takaful Operator should do more promotion to make people aware, hence willing to participate in their products and services. The price that offered to the customer must be affordable to all levels of people. Hence, people with moderate income level are afforded to participate in Takaful products. Other than that, the Takaful Operator also should do more advertisement which is easy for customers understand and get information about Takaful products offered. Takaful Operator also needs to collaboration with the organizations such as Tunjong City State Education Department in order to give a talk or promotion events about Takaful products to employees and customers. Through this alternative, Takaful Operator can attract more employees from any organizations to participate in Family Takaful or other Takaful products for beneficial to their future. Other than that, Takaful Operator also can make the offer prices to each Takaful product to employees whom interested in participating in Family Takaful.

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