Acceptance Level of Takaful Insurance Products Among Non-Muslims in Malaysia

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Abstract
Malaysia has declared Islam as the national religion, however the penetration rate of takaful insurance is lower. Non-Muslims have a lower participation rate in takaful insurance. The purpose of this paper is to examine the factors that influence acceptance level of takaful insurance products among non-Muslims in Malaysia. In this paper, independent variables: awareness, attitude, service quality and relative advantage were examined using the Multiple Linear Regression (MLR) Model to analyze the effect of dependent variable: non-Muslim acceptance level. The methodology used was a purely quantitative survey using convenience sampling with data collected from 153 non-Muslims participants in Malaysia. The findings revealed that attitudes and relative advantage are found to be the factors that influence the acceptance level on takaful insurance products while awareness and service quality do not account for acceptability on takaful. It was also discovered that attitude is the most significant factor towards acceptance level on takaful insurance products among non-Muslims in Malaysia. The paper provides insight for understanding the factors that lead to consumers’ purchase intention of takaful insurance products in Malaysia. Furthermore, this study gives valuable ideas for takaful insurance companies to develop appropriate takaful insurance and build marketing strategies to enhance takaful insurance participation in Malaysia.

Keywords: Takaful Insurance, Acceptance Level, Awareness, Attitude, Service Quality, Relative Advantage, Multiple Linear Regression

1.0 Introduction
Insurance is one of the most essential aspects of our lives, which protects us from the danger of accidents and uncertainties. Conventional insurance and takaful insurance are the two primary types of insurance in the market. Takaful insurance, often known as Islamic insurance, is one of the key topics of this research. The researcher will begin by introducing the research title and providing some background information on the takaful insurance industry, followed by the discussion on the issues of accepting takaful and indicate the variables in this chapter. Between the dependent and independent variables, hypotheses are listed. It will also further explain the importance of the study, scope and limitations and defining the major key terms used in the study.

1.1 Background of the Study
The name Takaful comes from the Arabic word "Kafalah" with the meaning of "guarantee". The whole notion relies around this phrase, which refers to the idea of providing one another with assured safety and security (Darbelles, 2021). Takaful, an Islamic insurance, always referred to a Shariah-compliant insurance policy. Takaful is a newer insurance product marketed as an Islamic alternative to traditional insurance. It is built on mutual cooperation, with the insured and insurer sharing both risks and funds. Participants jointly guarantee each other against loss or harm, and they fulfil their obligations by making a donation (tabarru) to a fund (Wahab, 2021). The donations
are gathered into a pool that is overseen by a takaful operator. Takaful, in general, provides Shariah-compliant services such as medical takaful, motor takaful, family takaful and includes life takaful (Razak et al., 2013).

1.2 Problem Statement

The majority of non-Muslims in Malaysia, particularly those who are not employed in the banking or insurance industries, are unfamiliar with Islamic or takaful ideas. Most of them still believe that Islamic insurance can only be adopted by Muslims, despite the fact that takaful insurance was initially developed with a Muslim market in mind. Most of the non-Muslims who have not considered purchasing takaful insurance have done so owing to a lack of information about takaful. Moreover, they may believe that purchasing takaful insurance is strange to non-Muslims. Furthermore, non-Muslims may be unwilling to accept takaful insurance as an insurance alternative due to religious reasons. This is also due to the fact that most people's minds are so ingrained with the concept of traditional insurance that they will prefer to get traditional insurance first. Therefore, there is a reason for the low participation rate on takaful insurance compared with conventional insurance in Malaysia.

Previous research has looked into the elements that affect takaful insurance acceptability in various nations including Nigeria, Pakistan, the United States, and Malaysia. The majority of researchers concentrate on whole states or nations, with a particular concentration on the Muslim population. However, no one has investigated the level of acceptability among non-Muslim communities or the non-Muslims' perceptions of takaful. Although takaful insurance was initially provided to Muslims, it was welcome for the adoption of non-Muslims as well. The researcher wants to conduct a study that focuses on non-Muslims' perceptions in Malaysia. Furthermore, the researcher wishes to rank the most important variables that influence takaful insurance purchasing behaviour of non-Muslims. By carrying out the study, the researcher will be able to learn more on the takaful insurance industry, as well as help respondents become more knowledgeable and aware about takaful insurance products in Malaysia. After doing the research, the researcher will have a better understanding of non-Muslims’ takaful insurance buying intentions.

1.3 Objectives of the Study

1.3.1 General Objective

The purpose of this quantitative study is to identify the level of acceptance towards takaful insurance products among non-Muslims in Malaysia. Also, the study wants to identify the most important element that influences non-Muslims’ choice to accept takaful insurance.

![Research framework](image)

**Figure 1. Research framework**
1.3.2 Specific Objective
   a. To examine the relationship between awareness and acceptance level of takaful insurance products among non-Muslims in Malaysia.
   b. To examine the relationship between attitude and acceptance level of takaful insurance products among non-Muslims in Malaysia.
   c. To examine the relationship between service quality and acceptance level of takaful insurance products among non-Muslims in Malaysia.
   d. To examine the relationship between relative advantage and acceptance level of takaful insurance products among non-Muslims in Malaysia.

1.4 Significance of Study
   This study was conducted to present knowledge on takaful and Islamic as one of the options for non-Muslims in the insurance industry. Moreover, the research tends to help future researchers and policy makers looking for additional information about non-Muslims’ opinions and their attitude towards takaful products. In addition, this study also provides valuable ideas for takaful insurance companies to prepare suitable takaful insurance and build marketing strategies to enhance takaful insurance participation in Malaysia. It was helpful to let people know more about takaful and the purchasing behaviour of takaful insurance.

2.0 Literature Review
   This chapter examines the literature and previous research in the field of takaful insurance and factors influencing the acceptance of takaful insurance. Takaful insurance is common in the 21st century especially in Islamic countries including Malaysia. But conventional insurance still plays an important role and more people are buying it compared to takaful. For accepting takaful from conventional insurance, there are few factors that could be used to determine the acceptance level on takaful products.

2.1 Dependent variable: The Concept of Acceptance Level
   In this research, the level of acceptance serves as a dependent variable. It may be measured using four independent variables: awareness, attitude, service quality, and relative advantage, which were used for this study. All independent variables must be ranked in order to determine which variable has the greatest impact on non-Muslims' acceptance and uptake of takaful insurance products in Malaysia. Individuals' acceptance intentions can be supported by the Theory of Reasoned Action (TRA) and Theory of Planned Behaviour (TPB), which state that attitude, subjective norms, and perceived behaviour control influence acceptance intentions (Ibrahim et al., 2021; Kazaure & Abdullah, 2019; Mas’ud; 2017). Many previous researchers employed acceptance level as a dependent variable in their studies to investigate purchasing behaviour or acceptance of takaful insurance. To determine the level of acceptability of takaful in Nigeria, Kehinde and Sharofiddin (2021) adopted a new product adoption theory. Khan et al. (2020) were curious about people's attitudes toward Islamic insurance and how to determine the most crucial elements influencing consumer choice. In Malaysia, Haji Wahab (2018) performed a survey to determine the level of consumer interest in utilising medical takaful cards.
2.2 **Independent variable 1: Awareness**

Past researchers have made awareness as one of the significant factors that influence the acceptance of takaful insurance products. A survey conducted by Salman et al. (2018) using snowball and convenience sampling method of 909 individuals among Muslim and non-Muslim in India to identify the internal factors including product awareness that influence consumers to take part in Takaful insurance. The results analysed by using linear regression model have indicated a positive relationship between awareness and takaful participation’s willingness but non-Muslims seem a bit less motivated compared to Muslims. Ali and Jama (2016) focused the awareness of the Somali community on takaful insurance and the factor influencing adoption decision by using convenient sampling of a sample of 179 Mogadishu respondents in Somalia. The study found that all factors including awareness have a significant positive relationship with the intention to adopt takaful. Ibrahim et al. (2021) had conducted 2 different surveys using Smart Partial Least Square Structural Equation Modelling (PLS-SEM) technique from 414 and 421 respondents respectively in Bumiputera contractors in Malaysia. Both findings showed that awareness significantly affects the acceptance of the Contractor’s All Risks (CAR) takaful insurance by Bumiputera contractors which analysed with the SmartPLS and SPSS respectively.

2.3 **Independent variable 2: Attitude**

Attitude is another important variable to influence humans towards the adoption of takaful insurance products. Ibrahim et al. (2021) had carried out 2 different surveys using PLS-SEM technique from 414 and 421 respondents respectively in Bumiputera contractors in Malaysia. Both findings showed the attitude affected Bumiputera contractors to choose CAR takaful products. From the second survey, the researchers also stated that attitude is the most significant component to influence takaful acceptance. Ab Rahim and Amin (2011) collected data among 176 Malaysian bank customers to identify the factors influencing takaful insurance acceptance. In the reliability test, attitude was deemed reliable and found that it has a strong influence on takaful insurance acceptance in regression analysis. In Malaysia's Klang Valley, convenience sampling techniques were used to conduct a study of 384 Muslims who did not have life insurance or a family takaful programme. The findings revealed that one's attitudes toward family takaful have a significant impact in determining one's willingness to join in the family takaful plan (Md Husin & Ab Rahman, 2016).

2.4 **Independent variable 3: Service Quality**

There were researchers who agreed with other past researchers that service quality is an important factor to affect decision making on adoption of takaful insurance. Saidon et al. (2019) had carried out a study in Malaysia to investigate the key variables impacting the participants’ choice of family takaful. The respondents came from one takaful operator and most of them agree with the service quality which will attract them to buy takaful insurance products. Haji Wahab (2018) examined the relationship between performance of takaful providers throughout the service quality and level of acceptance towards takaful using a disproportionate stratified random sampling of 313 governmental agencies in Kedah, Malaysia. The results indicate that takaful operation’s performance including service quality has a highly significant positive impact with consumer acceptance in using takaful medical insurance.
2.5 Independent variable 3: Relative Advantage

There were a few surveys conducted in Pakistan which agree with the statement that relative advantages provide a substantial influence on takaful insurance acceptability and purchasing behavior. The researchers calculate Cronbach’s Alpha coefficient of relative advantage in the reliability test which shows significance to determine adoption behaviour. They did a hypothesis testing on the p-value of perceived relative advantage and found out the value is significant at 0.01 in the data analysis. Raza et al. (2019) used theory of planned behaviour to conduct a Partial Least Square SEM by collecting data from 305 individuals. The outcome was found that relative advantages were positively influencing the takaful products acceptability because most respondents, especially Muslims believe that the takaful insurance system, which is advantageous to them, does not involve interest. (Raza et al., 2019).

3.0 Methodology

The instrument that is used in this research is a self-administered and closed-ended questionnaire. Firstly, the researcher was going to do descriptive statistics for demographics information and insurance status by calculating the mean, standard deviation, skewness which will aid the researcher in finding absolute figures to synthesize personal characteristics and identify trends.

3.1 Reliability Testing of Data

Cronbach's alpha coefficient, created by Lee Cronbach in 1951, is the most widely used measurement of internal consistency (Pallant, 2010). A Cronbach's alpha value of more than 0.7 is deemed acceptable, while more than 0.8 is considered good. A value of higher than 0.9 is excellent and shows extremely high measurement consistency.

3.2 Pearson Correlation Analysis

Pearson Correlation test assesses the strength of the link between independent and dependent variables with a value between -1 and 1. A correlation of 0 implies that there is no correlation between two variables, whereas a correlation of 1 shows that they are perfectly correlated (Pallant, 2010). Correlation values of (±0.1 - ±0.3) are considered weak, (±0.4 - ±0.6) are considered moderate, and (±0.7 - ±0.9) are considered strong (Dancey & Reidy, 2011). The correlation coefficient should not be used to determine cause and effect relationships since correlation does not indicate causality (Green, 2012).

3.3 Multiple Linear Regression

Before applying multiple regression analysis, some assumptions of linear regression such as normality test, outlier, homodecasisity and multicollinearity are tested. The regression equation for dependent and independent variables are being developed as below:

\[ Y = a + \sum_{i=1}^{j} b_i X_i \]

where some \( i = 1, 2, 3, \ldots, j \)

\( Y \): Dependent variable
\( a \) : Constant
\( b_i \) : \( \beta \) values of independent variables
\( X_i \) : independent variables
4.0 Result and Findings
The data and information collected through online questionnaires has been imported to SPSS and analyzed through a series of tests between variable awareness, attitude, service quality, relative advantage and acceptance level of takaful insurance.

4.1 Reliability Testing of Data
Each variable in this study is subjected to individual reliability testing.

<table>
<thead>
<tr>
<th>Variables of The Study</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>0.859</td>
</tr>
<tr>
<td>Attitude</td>
<td>0.858</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.861</td>
</tr>
<tr>
<td>Relative Advantage</td>
<td>0.781</td>
</tr>
<tr>
<td>Acceptance Level of Takaful Insurance Products</td>
<td>0.910</td>
</tr>
</tbody>
</table>

Table 1: Cronbach’s Alpha Value of All Variables

As shown in Table 1, Cronbach’s alpha values for all variables are greater than 0.7. As a result, all variables for this study are regarded as reliable, and the instrument for this study enabled for additional analysis and exploration of the research.

4.2 Descriptive Statistic for Variables
According to Table 2, it showed the descriptive statistics of Awareness (AW), Attitude (AT), Service Quality (SQ), Relative Advantage (RA) and Acceptance Level of Takaful Insurance Products (AL) and where the SPSS test the minimum, maximum, mean value and standard deviation. The table shown AW has a mean value of 20.8562 and standard deviation of 5.08405, AT has a mean value of 20.5686 and standard deviation of 3.88615, SQ has a mean value of 15.8105 and standard deviation of 2.70173, RA has a mean value of 15.4706 and standard deviation of 2.46037 while the dependent variable, AL has a mean value of 13.9281 and standard deviation of 3.05025.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean Statistic</th>
<th>Std Deviation Statistic</th>
<th>Skewness Statistic</th>
<th>Std Error</th>
<th>Kurtosis Statistic</th>
<th>Std Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>AW</td>
<td>153</td>
<td></td>
<td></td>
<td>20.8562</td>
<td>5.08405</td>
<td>-0.219</td>
<td>0.196</td>
<td>-0.712</td>
<td>0.390</td>
</tr>
<tr>
<td>AT</td>
<td>153</td>
<td></td>
<td></td>
<td>20.5686</td>
<td>3.88615</td>
<td>0.365</td>
<td>0.196</td>
<td>0.040</td>
<td>0.390</td>
</tr>
<tr>
<td>SQ</td>
<td>153</td>
<td></td>
<td></td>
<td>15.8105</td>
<td>2.70173</td>
<td>-0.321</td>
<td>0.196</td>
<td>-0.160</td>
<td>0.390</td>
</tr>
<tr>
<td>RA</td>
<td>153</td>
<td></td>
<td></td>
<td>15.4706</td>
<td>2.46037</td>
<td>0.041</td>
<td>0.196</td>
<td>0.026</td>
<td>0.390</td>
</tr>
<tr>
<td>AL</td>
<td>153</td>
<td></td>
<td></td>
<td>13.9281</td>
<td>3.05025</td>
<td>0.264</td>
<td>0.196</td>
<td>-0.501</td>
<td>0.390</td>
</tr>
</tbody>
</table>

Table 2: Descriptive Statistic for Variables
4.3 Pearson Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AL</td>
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<tr>
<td>AL</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>153</td>
</tr>
<tr>
<td>AW</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>153</td>
</tr>
<tr>
<td>AT</td>
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<td>Sig. (2-tailed)</td>
<td>.000</td>
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<tr>
<td>N</td>
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</tr>
<tr>
<td>SQ</td>
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<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>153</td>
</tr>
<tr>
<td>RA</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>153</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3: Pearson Correlation coefficient between IVs and DV

From table 3, since the p-value of all variables is less than 0.05, all variables show a significant correlation with one another. Between AW and AL, there was a moderate positive correlation (r =.561, p-value<0.000). AT had the strongest correlation to AL of all the independent variables, with a strong positive coefficient (r =.780, p-value<0.000). Furthermore, SQ and AL had a moderate positive correlation (r =.512, p-value<0.000), whereas RA and AL had a moderate positive correlation (r =.641, p-value<0.000). Overall, it suggests a moderate or strong positive correlation between all independent variables and the dependent variable.

4.4 Normality Testing

![Normal P-P Plot](image)

**Figure 2: Normal P-P Plot**

The skewness of the variables is between -0.321 and 0.365, and the kurtosis is between -0.712 and -0.040, according to Table 20. As skewness and kurtosis both fall within this range, the data is...
assumed to be normally distributed. The skewness is in the -0.5 to 0.5 range, indicating that the data is approximately symmetric. The data are close to the diagonal in Figure 2, and all of the factors are drawn near the line or sit on the linear line in a pretty straight diagonal line from bottom left to top right. This would indicate that there are no significant departures from the norm. As a result, the residuals' normal probability plot is almost linear, indicating that the error terms are normally distributed.

4.5 Homoscedasticity

From Figure 3, the residuals were roughly rectangular distributed, with the majority of the scores clustered in the centre (along the 0 point). The residuals do not display a clear or systematic trend. Scatterplots may also be used to determine the existence of outliers. There is no outlier in this study since the residuals are not bigger than 3.3 or less than -3.3.

4.6 Multicollinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
</tr>
<tr>
<td>AW</td>
<td>.548</td>
</tr>
<tr>
<td>AT</td>
<td>.442</td>
</tr>
<tr>
<td>SQ</td>
<td>.494</td>
</tr>
<tr>
<td>RA</td>
<td>.431</td>
</tr>
</tbody>
</table>

Table 5: Collinearity Statistics of IVs

The tolerances for variables AW, AT, SQ, and RA are 0.548, 0.442, 0.494, and 0.431, respectively, according to the table, with all values more than 0.25. Variables AW, AT, SQ, and RA have VIF values of 1.825, 2.263, 2.025, and 2.318, respectively, all of which are less than 5. It implies that all of the independent variables are not too correlated and do not have collinearity, indicating that multiple linear regression models may be used.
4.7 Multiple Linear Regression

Table 6: Model Summary of Multiple Regression

As indicated in Table 6, the R-square value for independent variables is 0.657, implying that independent factors can explain 65.7% of the changes in dependent variables. The adjusted R-square statistic changes the statistic based on the number of independent variables in the model to indicate the generalisation of the results. The adjusted R-square in this model is 0.648, indicating that 64.8% of the variation in the acceptance level of takaful insurance products is explained by awareness (AW), attitude (AT), service quality (SQ) and relative advantage (RA). However, additional factors not included in this study explain the remaining 35.2%.

Table 7: ANOVA test of Multiple Regression

The number of independent variables in the research is represented by the df in the table, which is four. Meanwhile, the F test is employed in the study to see if the model fits the data well. In the ANOVA test, it gets an F-value of 71.018. The p-value of the ANOVA test is 0.000, which is less than 0.05, indicating that this model is well-fitting for the data and has a substantial impact on the acceptance level of takaful insurance products.

Table 8: Regression Coefficients of Multiple Regression
The obtained multiple linear regression model from Table 8 is:

\[ \text{Acceptance Level of Takaful Insurance Products} = -1.311 + 0.029 \times \text{(Awareness)} + 0.463 \times \text{(Attitude)} + 0.005 \times \text{(Service Quality)} + 0.326 \times \text{(Relative Advantage)} \]

### 5.0 Conclusion

After conducting multiple regression analysis, acceptance level of takaful insurance products are strongly affected by attitude and relative advantage. The Adjusted R square in this study showed that 64.8% variation can be explained by the model. As shown in earlier, attitude (AT) is the most important element towards acceptance level of takaful insurance products (AL) with 0.589, followed by relative advantage (RA) with 0.263, awareness (AW) with 0.048 and service quality (SQ) with 0.004. Based on ANOVA, significance or p-value, hypothesis H2 and H4 are accepted while H1 and H3 are rejected in the study. Attitude and relative advantage have significant relationship with acceptance level of takaful insurance products while awareness and service quality do not have significant relationship with acceptance level of takaful insurance products.

### 5.1 Implication of Study

Other researchers may use this as a guide to learn about non-Muslims' attitudes regarding takaful acceptance. They can have a better understanding of non-Muslims’ opinions regarding takaful insurance products. It may be advantageous to the reader in that the reader may expand his or her understanding about takaful and obtain further information or benefit as a result of reading this article. Furthermore, it raises non-Muslims' understanding of takaful insurance products and fundamental concepts such as profit-sharing and Shariah compliance. Once they are aware of it, they have the option of applying for takaful service in Malaysia.

### 5.2 Limitations of Study

To begin, due to resource constraints, the scope of this study is limited; there are only four variables that may be investigated during the research: awareness, attitude, service quality and relative advantage. It may not be able to address all of the variables that impact takaful insurance acceptance level. All terms in TRA and DOI are also unable to be taken into account. The results show that 65.7% of the changes in dependent variables may be explained by these four independent variables, leaving 34.3% to other possible factors that were not included in the study. Therefore, other factors can be included in this study. Second, due to time constraints, the sample size in the study is quite small, limiting the recruitment of more volunteers in order to acquire more perspectives from each responder. Not all non-Muslims will be covered and allowed to participate in the study. The majority of survey participants are younger teenagers, and the survey's limited sample size prevents it from covering other categories of respondents. It will prevent the study from obtaining more accurate results when compared to a bigger sample size. Third, this study used convenience sampling, which allowed all non-Muslim to participate, although not all non-Muslims have purchased takaful insurance. It does not focus on non-Muslims who have actually purchased takaful insurance and it may have an impact on non-Muslims who have purchased takaful insurance and hold differing viewpoints on the study's topic.
References


