THE EFFECTS OF COMPATIBILITY, SOCIAL INFLUENCE, AND AWARENESS IN THE ADOPTION OF TAKAFUL

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Abstract— This paper aims to investigate the effects of compatibility, social influence, and awareness on the adoption of takaful. The research was an empirical investigation based on surveys completed by 210 university staff in Malaysia. Using regression and correlation analysis, the paper found that only awareness is positively related to the adoption of takaful. On the other hand, compatibility and social influence appear to be the significant factors that adversely influence the adoption of takaful. The findings are also useful for takaful managers in effectively managing marketing strategies for takaful products and services.

Index Terms—Adoption, Awareness, Compatibility, Social Influence, Takaful.

I. INTRODUCTION

Takaful (Islamic insurance) is coined from the Islamic word kafalah, which means 'guaranteeing each other' or 'joint guarantee'. In principle, a Takaful system is based on mutual co-operation, responsibility, assurance, protection, and assistance between groups of participants. For instance, the Malaysian Islamic Financial Services Act 2013 defined takaful as "an arrangement based on mutual assistance under which takaful participants agree to contribute a common fund providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events".

The takaful industry in Malaysia started in 1985, when the first takaful operator, Syarikat Takaful Malaysia Berhad (STMB) opened its business, aiming to fulfil Malaysian Muslims' needs towards the benefits of insurance protection that is approved by the Shariah principle [1]. However, although takaful has been operating for 25 years, its growth has still been behind the conventional counterparts, especially in terms of market penetration and share [2],[3],[4]. For example, according to the latest figures from Bank Negara Malaysia, takaful fund assets only comprise of 8 percent from the total assets of the Malaysian insurance and Takaful industry.

This issue has raised a concern on what causes consumer willingness to adopt takaful products. In other words, what are the factors that influence Malaysians in choosing the takaful products? The present study investigates these factors based on three independent variables such as compatibility, social influence, and awareness. The findings of this study are aimed to help takaful operators in selecting the best and appropriate methods to enhance their marketing strategies to attract consumers buying their products and services.

The objectives of this paper are threefold: 1) To identify those who are willing to adopt takaful, 2) to determine factors that influence customer's adoption and 3) to identify the relationship between customer's willingness and behaviour in adopting takaful.

II. METHODOLOGY AND CONCEPTUAL FRAMEWORK

The regression model employed in our study has the following functional forms:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where;

Y = Dependent variable
α = Constant value
β_1, β_2, β_3= Regression coefficients
X = Independent variable
ε = Residual term

The above-mentioned variables or potential determinants of the adoption of takaful to be examined in the conceptual framework of this study are discussed below.

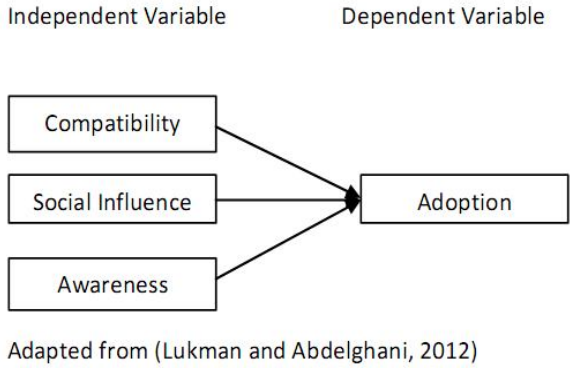

Figure I: Conceptual Framework of the Study

A. Adoption

The literature on adoption is primarily organised around themes such as the adoption models [5], [6],[7],[8]. The theory of reasoned action coined by [5] primarily focused on normative and behavioural beliefs. After that, [6] came up with the theory of planned behaviour with an additional variable namely perceived behavioral control. Later in 1995, [7] and [8] proposed the diffusion of innovation and decomposed theory of planned behaviour. All these theories are primarily focusing on the adoption of products and services. For instance, these theories have been adopted and adapted by many researchers in the fields of technology, innovation, tourism, information system, ethics, as well as financial services.

In an attempt to provide greater explanatory power of these models, many researchers have come up with additional variables including awareness, efficacy, ease of use, compatibility, innovativeness, and others. However, the intention of this study is not to elaborate more on this issue but to focus on the selected variables that are appropriate to the adoption of takaful.

B. Compatibility

Compatibility, as defined by [7], is "the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopter". In this research, compatibility is related to the social values, religious values, financial needs, and lifestyle of the consumer of takaful products and services. If the consumer were compatible with the values and needs of takaful, it would be more likely for the organisation to adopt the products and services. On this basis, we could hypothesise that:

H1: There is a positive and significant relationship between compatibility and the adoption of takaful in Malaysia

C. Social Influence

Social influence, also referred as subjective norms, is a function of beliefs that specifies an individual's thinking about the acceptability of a particular behaviour by related groups, for example adopting takaful [9]. Furthermore, social influence can affect one's behaviour in varying ways in differet societies. One's social influences may come from many sources including friends, family, peers, and media [10]. Therefore, this study proposes that:

H2: There is a positive and significant relationship between social influence and the adoption of takaful in Malaysia

D. Awareness

Awareness is the initial process prior to adoption. It is defined as the individuals' passive involvement and has raised interest towards certain issues [11]. According to [7], the awareness stage was hypothesized to be followed, over time, by the interest, evaluation, trial and finally, the adoption stages. Empirical analyses by [12] and [13] found that the awareness was able to increase the adoption probability of product and service. Therefore, the next hypothesis was postulated:

H3: There is a positive and significant relationship between awareness and the adoption of takaful in Malaysia.

III. DATA COLLECTION METHODS

A survey questionnaire was designed to measure the conceptual framework. Each of the variables (e.g. compatibility, social influence, awareness, and willingness to the adoption of takaful) was measured using multiple items. The participants in the study were the staff from three private universities in Malaysia, namely UNISEL, UNIKL, and UNITEN.

Originally, 300 questionnaires were distributed. However, only 210 returned questionnaires were used for the analysis for this study, providing a response rate of 70 percent. The participants were categorized in different segmentations. Firstly, all participants were Malaysians. Out of 210 participants, 116 respondents were male (55.2 percent) and 94 (44.8 percent) were

female. Next, the participants were classified based on the age group, where the highest respondents were from the age group of 31-40 years old (81 percent) and most of the respondents had bachelor's degree (36.2%). The internal reliability of the items was verified by using Cronbach's alpha [14]. The Cronbach's alpha estimated for compatibility was 0.836, while social influence was 0.737, awareness was 0.782, and adoption scale was 0.798. As Nunnally suggested that a minimum alpha of 0.6 sufficed for early stages of research, the constructs were therefore deemed to have adequate reliability.

IV. EMPIRICAL RESULTS

Table I presents the correlations of the major constructs used in this study. The results indicate that compatibility, awareness, and social influence were positively correlated with the adoption of takaful ($p < 0.01$). This means that when the compatibility, awareness, and social influence were stronger, the greater the adoption of takaful would be.

Table I

Variables	Comp	Aware	Social	Adopt
Comp	1			
Aware	0.544	1		
Social	0.561	0.557	1	
Adopt	0.413	0.580	0.401	1

*Comp = compatibility, Aware = awareness, social = social influence, adopt= adoption

Note: Significance at: p <0.01

A multiple regression analysis was employed to examine the relationship between a single dependent variable and three independent variables. All the hypotheses were tested and the result is listed in Table II.

Table II

Variables	*B*	t-value	p-value
Constant	1.793	8.248	0.000
Compatibility	0.090	1.575	0.117
Awareness	0.052	6.698	0.000
Social Influence	0.435	0.960	0.338
$R^2 = 0.353$			
Adjusted $R^2 = 0.344$			

Based on the table, only awareness was found to be positively and significantly related to the adoption of takaful (p-value= 0.000, t=6.698). For instance, awareness is an important factor in influencing the adoption of takaful because those with high positive awareness appeared to have greater intentions to adopt takaful products and services. This result was noted to confirm the findings in [15]. On the other hand, compatibility (p-value= 0.117, t=1.575) and social influence (p-value= 0.338, t=0.960), were found to be positively related, but insignificant in influencing the adoption of takaful. This means that it is less likely for takaful to be adopted when compatibility and social influence are stronger. However, this result is not consistent with the assertions by [9] that both compatibility and social influence have strong influence on the adoption of takaful. Adjusted R2 value for this framework is 0.344 indicating that 34.4 percent of the variation in the adoption of takaful could be explained by the three independent variables.

CONCLUSION

This research investigates the relationship among three constructs namely compatibility, awareness, and social influence towards the adoption of takaful. Based on the findings, only one of the constructs, namely awareness has positive and significant relationship towards the adoption of takaful. The other two construct, namely compatibility and social influence are found positively related, but insignificant in influencing the adoption of takaful. Based on the findings of this study, it is suggested that the takaful operators should focus on enhancing takaful awareness to the public. The awareness can be enhanced by educating the existing as well as the potential customers. Other than that, strong marketing strategies through numerous advertising channels nd takaful agents may also contribute in increasing the awareness.

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