

Exploring Motives of Malaysian Muslims for Participating in Family Takaful

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ABSTRACT

This study explores the motives of Malaysian Muslims for participating in family takaful. The qualitative approach was utilised with four focus groups involving 22 volunteer participants who owned family takaful policies. The findings show five main motives of participating in a family takaful policy: as preparation for rainy days, for a child education plan, to meet rising medical costs, to meet debt payment, and for investment or saving purposes. The findings from this study will help takaful operators in their efforts to develop marketing strategies that can encourage more Malaysian Muslims to participate in family takaful.

Keywords: Consumer Behaviour, Takaful, Motives

INTRODUCTION

Takaful is an insurance system that complies with the Shariah or Islamic law. The Malaysian takaful industry has experienced encouraging growth since its inception in 1985. Family and general takaful grew by 7.5 per cent and 5.9 per cent respectively in the first half of 2017, compared with 5.2 per cent growth for conventional life insurance and 1.8 per cent contraction for conventional general insurance (The Edge Markets, 2018). The total assets of Malaysia's takaful industry amounted to USD6.7 billion as at 2016 (Malaysian Takaful Association, 2016). Malaysia's penetration rate for insurance is low at 14.3 per cent for takaful and 40.1 per cent for conventional insurance,

representing a good opportunity for takaful to further expand and grow (The Malaysian Reserve, 2017). In a report published in *The Star*, a Malaysian newspaper, (2012) a large potential market for takaful in Malaysia still remains untapped to its fullest and a significant component of this untapped market comprises Malaysian Muslims. The Muslim community in Malaysia is very much under-insured for family takaful which is more accepted by the non-Muslim market because of the equitable aspect that Takaful offers (The Star Malaysia, 2012).

Participating in takaful is one of the most important financial decisions as no one knows what the future holds. People could die prematurely every year



from illness or accident. For a family, the death of the sole breadwinner could have devastating consequences in the context of maintaining their standard of living. Moreover, medical inflation in Malaysia has been estimated to increase by about 10 to 15 per cent annually and based on statistics from the past 15 years, the medical inflation rate has increased by a whopping 107 per cent (Lin, 2017). According to Sohail Jaffer, Deputy CEO, FWU Dubai Services, prospects for continued growth in Malaysia's takaful sector are good, especially for family takaful. Hence, this paper intends to explore the motives of Malaysian Muslims for participating in family takaful. The findings of this study can help takaful operators in their efforts to develop marketing strategies that can encourage Malaysian Muslims to participate in family takaful.

LITERATURE REVIEW

Takaful

Takaful is the Islamic counterpart of conventional insurance, and exists in both family or life and general forms. The Islamic Financial Services Act (2013) defines takaful as an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events. Takaful is a system based on the principle of mutual cooperation

(*Ta'awun*) and donation (*Tabarru'*), where the risk is shared collectively and voluntarily by the group of participants. Under the schemes, participants mutually agree to guarantee and to protect one another against a defined loss or damage by jointly providing financial assistance to any member suffering from a loss. Thus, Shariah-compliant insurance is based on shared responsibility, mutual cooperation and solidarity and is designed to protect participants against a defined risk.

There are two types of takaful businesses: family or life takaful and general takaful (Insurance Info, 2007). The products under family takaful are family takaful, investment-linked takaful, child education takaful, and medical and health takaful while the products under general takaful are home takaful, motor takaful, and personal accident takaful. The main difference between family takaful and general takaful is the way contributions are treated. General takaful payments are not divided into two separate accounts as they are treated only as *Tabarru'*. The takaful operator raises the *Tabarru'* fund, and invests the remainder of the fund after deducting the operational cost of the scheme. If any participant suffers a loss or damage, then he or she will be compensated from this fund by considering the level of occurred losses. Any profit or return from the investment is returned back to the fund. Unlike family takaful, net surplus in the general takaful fund is shared between the participants and the

takaful operator. In addition, the profit sharing will exclude participants who get compensation from their claims.

Motives

A buying motive is the reason why a customer purchases goods and the importance of motivation in consumer behaviour is well established. Motivation is the driving force within individuals that impels them to action (Schiffman & Kanuk, 2010). According to Hawkins, Best, and Coney (2001), consumers do not buy products. Instead they buy motive satisfaction or problem solutions. The authors further added that since the purchase of products is caused by different motives, managers must discover motives that their products and brand can satisfy and develop marketing mixes around these motives.

In consumer behaviour research, motives can be categorised as rational motives and emotional motives (Schiffman & Kanuk, 2010). Rational motives imply that consumers behave rationally by carefully considering all alternatives and choosing those that give them the greatest utility. For instance, consumers select goals based on totally objective criteria such as size, weight, price, or miles per gallon. They are conscious, logical reasons for a purchase or can be defended by reasoning or logical argument. On the other hand, emotional motives imply the selection of goals according to personal or subjective criteria or a feeling experienced by a customer

through association with a product.

Previous studies examining consumer motives have identified consumer shopping motives (Tauber, 1972; Babin, Darden, Griffin, 1994; Dawson, Bloch, & Ridgway, 1990; Westbrook and Black, 1985). For instance, Tauber (1972) hypothesizes six personal motives for shopping (i.e. role playing, diversion, learning about new trends, self-gratification, physical activity, and sensory stimulation) and five social motives (i.e. social experiences outside the home, communication with others who have a similar interest, peer group attraction, status and authority, and pleasure of bargaining) based on in-depth interviews. In another study, using personal interviews with 203 female department store shoppers, Westbrook and Black (1985) identified seven shopping motives: anticipated utility, role enactment, negotiation, choice optimization, affiliation, power and authority, and stimulation. In this regard, the motives for buying financial products such as takaful are rather limited or unknown. Understanding consumer motives for buying intangible products is a bit more complex than that for buying tangible products as consumers are not able to physically touch the product offerings.

Motives for Participating in Takaful

Research on consumer motives for participating in takaful is rather limited or unknown. Nevertheless, researchers have explored the factors that influence



the acceptance of takaful among Malaysians. For instance, Razak, Yusof, and Ali (2013) found factors such perception, product, features, promotion, benefit and service quality influenced Malaysians' acceptance of takaful. The researchers reported that service quality was the most significant factor as to why Malaysians chose to purchase takaful products. In another research, Rahim and Amin (2011) investigated the determinants of Islamic insurance acceptance by including the role of attitude, subjective norm, and amount of takaful information obtained. The research captured all three factors as predictors of acceptance of Islamic insurance. Further, Md Husin and Ab Rahman (2013) found that the purchase of a takaful policy is not only affected by attitude, subjective norms and perceived behavioural control but is also influenced by moderating factors like demographic variables, consumer knowledge, situational factors and consumer level of religiosity.

Existing studies have mainly examined factors influencing the purchase of takaful plans and have not explored the motives for participating in family takaful. In addition, findings from previous research have been limited to quantitative approaches (Razak, Yusof, & Ali, 2013; Rahim & Amin, 2011; Md Husin & Ab Rahman, 2013) and do not provide an understanding of the issues from the takaful policy holders' perspective. Therefore, the purpose of this study is to explore the motives of Malaysian

Muslims for participating in takaful, in particular for participating in family takaful products.

METHODS

An exploratory study was developed to investigate the motives of Malaysian Muslims for participating in takaful. A qualitative approach was employed because it allows tapping the participants' own perspective (Denzin & Lincoln, 1994). The study was conducted on four focus groups involving a total of 10 male and 12 female participants. Participants were volunteers and had to be existing family takaful policyholders (such as investment-linked takaful, child education takaful, or medical and health takaful) and aged between 21 and 60 years. The participants were employed in either the public or the private sector. Participants were briefed about the aims and objectives of the study. The discussion topics included motives for participating in family takaful and participants were asked to give feedback based on their own views. The focus groups were formed in several places around Negeri Sembilan and Selangor, Malaysia. All sessions were tape-recorded and each session took about 45 to 60 minutes.

To analyse the focus group discussion, the method suggested by Casey (1989) was used. All of the focus group discussions were audio taped and transcribed. After the discussions had been carefully typed, the transcripts were reviewed so that the researcher

could become familiar with the flow of the dialogue. All transcripts were merged and then all of the answers for each topic and question from all the groups were moved to the same master document. From this master document (which contained all of the relevant responses), the patterns, trends or themes across all of the responses were examined.

RESULTS

For the purpose of reporting the results of the focus groups, the findings are organised by topics that arose during the discussions and that were relevant and pertinent to this study. The aim of the study was to explore the motives of Malaysian Muslims for participating in family takaful. The findings were grouped according to the answers given to a specific question, yielding many opinions and views. The following is a discussion of the findings with the details that support each finding.

Preparation for Rainy Days

In general, the participants viewed takaful as a safety net for when risks go wrong. Takaful can support the life of a family should a member pass on. Participants in this study noted that participating in takaful helps to provide some financial security in times of hardship or that it is a tool that protects family members from the potentially devastating financial losses

"I purchased takaful to protect my family members when I am gone."
(Male, 36 years old).

"There are so many kinds of diseases nowadays, so I bought takaful when I was young and healthy instead of trying to buy it later after I have been diagnosed with an illness." (Female, 43 years old).

"I do not come from a well-to-do family, so I purchased takaful because I do not want to burden my family should anything bad happen to me." (Male, 25 years old).

"I care about my family and should anything happen to me, the takaful that I bought is in place to protect and provide financial relief for my wife and children." (Male, 25 years old).

that can result if the breadwinner dies prematurely. The following are quotes that show their motives for participating in Takaful:

Education Plan for Children

The majority of the female participants realised that the cost of higher education is increasing and they acknowledged that the child education policy can not only be used to pay for their child's education expenses when the child reaches the age of entry into college (18 years and above) but can also provide assurance that, in the event of the

"I purchased takaful (child education policy) because of my children. If something happens to me and my husband, my children can have protection until they turn 18 years old. The takaful plan will bear my children's education fees." (Female, 42 years old).

"My father took takaful (child education policy) for me when I was young. I could see the benefit when my father used the money to finance my college fees. Now, I purchase similar takaful for my children." (Female, 38 years old).

policy owner's (parent's/legal guardian's) untimely demise, the child will have access to the funds to help finance his or her studies. The following quotes provide the participants' feedback.

Rising Medical Cost and Previous Bad Experience

Participants also bought takaful as they realised that healthcare costs are rising. The Life Insurance Association of Malaysia (LIAM) reported that healthcare costs were rising and would continue to do so at a rate of 15 per cent yearly (Chin, 2016). It was also reported that a majority of those who do not have health or medical insurance are at risk of financial ruin if nothing is done to address the country's high rate of out-of-pocket payments for private-healthcare services (The Star, 2016). According to the Health Minister Datuk Seri Dr S. Subramaniam, Malaysians

"Nowadays, medical costs are very high. So, we do not know when we will be tested and it is very important to have a takaful policy to cover the medical cost." (Female, 43 years old).

"I had a bad experience when I was admitted at a government hospital. I was frustrated with the service that I got and my parents had difficulties in visiting me at that time. Now, by having takaful, I can be admitted at a private hospital in order to get better service." (Male, 28 years old).

spend a total of RM45 billion annually on healthcare expenditures, of which nearly RM36 billion is paid with their own money or savings instead of some form of medical insurance. Here is some of the participants' feedback:

Investment or Savings

There are many types of family takaful plans including plans that consider long-term savings and protection policies or plans that are a combination of investment in a variety of Shariah-approved investment funds and takaful coverage which includes death and disability benefits. Previous studies have shown that individuals save for different motives, which include precautionary motives (Hubbard, Skinner, & Zeldes, 1995), retirement motives (Bucks, Kennickell, Mach, & Moore, 2009), life cycle events (Liebenberg, Carson, & Dumm, 2012) and wealth accumulation or profit motives (Canova, Rattazzi, & Webley, 2005).

In this study, a number of participants bought takaful policy for investment or savings purposes. The takaful policy is seen as a good savings tool. It forces participants to save for the future, and also for unforeseen disasters. As such, the motives of participants may be precautionary motives which refers to efforts undertaken by individuals in order to reduce or minimize uncertainties in life. As stated by Wärneryd (1999, p. 270), "Insurance is a remedy against the feeling of uncertainty in the sense that there is preparedness for facing the consequences of the ill outcomes that uncertainty may embody". Therefore, in this study, participants' motive to buy a takaful policy was influenced by

"The investment-linked takaful does not give high return but I know that I have put aside my money for the future. With this plan, I am more disciplined to save. At least I know the money is invested or is a savings account."
(Female, 35 years old).

"When I was younger, I thought takaful protection was only meant for death and disability benefits but when I discovered that a takaful plan can also include savings, I purchased a takaful plan for saving purposes, in case something bad happens to me."
(Female, 26 years old).

precautionary motives as a takaful plan protects against personal risks such as life, health, and disability risks. The following is some of the feedback given by the participants:

Debt Payment

In this study, younger participants purchased takaful plans to protect their

"I have a debt to PTPN. Due to that, my debt is the first thing I want to cover if I die. In addition to providing income to cover everyday living expenses, my family would need takaful to cover debts like the mortgage so they would not have to sell the house to stay solvent." (Female, 26 years old).

loved ones from paying off their debts when they die. A takaful plan allows those they leave behind to take care of any lingering financial responsibilities. The following is the feedback from the participants:

DISCUSSION AND CONCLUSION

This study explored the motives of Malaysian Muslims for participating in family takaful. With the qualitative approach, the participants indicated that participating in takaful helps them to provide some financial security in times of hardship or acts as a tool that protects family members from the potentially devastating financial losses that can result if the breadwinner dies prematurely. Other than that, realising



the rising medical costs and previous bad experience at public hospitals made the participants buy takaful. Participants expected that they would be able to get better services if they were admitted to a private hospital.

In this study, for female participants, participating in takaful family is crucial for their children's education. A child education plan provides the participants protection and long-term savings to finance their children's higher education. On the other hand, participants who were single considered participating in takaful as means of paying their education loan debt in the event of misfortune. Confirming previous findings (Zakaria, Azmi, Nik Hassan, Salleh, Mohd Tajuddin, Mohd Sallem, & Mohd Noor, 2016), this study also shows that Malaysian Muslims participate in family takaful plans for investment or saving purposes.

Also, understanding the underlying motives behind making a purchase is essential to determine the reasons for an individual buying a takaful policy (Hawkins, Best, & Coney (2001). The findings of this study are limited to the reasons people participate in family takaful. Therefore, it is suggested that future research endeavours to investigate the factors impeding the purchase of takaful or conventional insurance as AIA Bhd reported that only 54 per cent of Malaysians have any form of insurance coverage and only 15 per cent of bumiputera have any insurance coverage (Heong, 2015). ■

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