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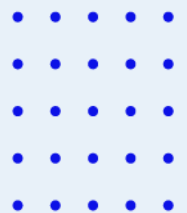
eProceeding



INTERNATIONAL ACCOUNTING COLLOQUIUM

**(FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH &
MINDANAO STATE UNIVERSITY- ILGAN INSTITUTE OF TECHNOLOGY)**

**Organized by
FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH, MALAYSIA**



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PREFACE

The heartiest congratulation is proffered to the Faculty of Accountancy of UiTM Kedah Branch for the successful organization of the first *International Accounting Colloquium (IAC2023)* in collaboration with Mindanao State University-Iligan Institute of Technology on 31st January 2023. This colloquium marked another milestone for UiTM Kedah Branch as an intellectual hub where stimulating and prolific academic presentations and discussions could always be found.

It is indeed truly encouraging to see UiTM Kedah Branch forging ties with international universities to further strengthen itself in the aspects of research and innovation. This colloquium which covered a wider scope of knowledge had managed to accrue a broad set of perspectives not only in accountancy and business but also in other facets in which those two areas could be applied.

Thus, this colloquium could be viewed as a platform that brought together academicians who were interested in mobilizing innovative and creative global practices in accountancy and business for a sustainable business environment. Hopefully, our valued presenters and participants had not only gained new ideas from others but also managed to share their experiences, ideas and expertise which had been an enriching as well as a fulfilling experience for everyone.

Finally, to all participants and presenters, without your contribution, this colloquium would not have been possible. I would like to take this opportunity to express my immense gratitude and appreciation to you.

Thank you.

PROFESSOR DR. ROSHIMA HJ. SAID
Rector
Universiti Teknologi MARA (UiTM) Kedah
08400 Merbok, Kedah, Malaysia.

PREFACE

Alhamdulillah, my utmost gratitude to Allah SWT as with His blessings and mercy, the *International Accounting Colloquium (IAC2023)* could be successfully held on 31 January 2023. I would like to thank the Rector of UiTM Kedah Branch, Deputy Rectors, and esteemed members of the management for their support and encouragement in making IAC2023 a success. I would also like to extend my heartfelt thanks to Ms. Noora'in Omar, the Chairperson of IAC2023, for her dedication and commitment in accomplishing this program. My humble gratitude also goes to IAC2023 Committee Members and Team for their continuous hard work and effort.

The research effort is essential in educational organizations. Hence, the publication of this online eProceeding comprising of 10 (ten) extended abstracts is an effort by the Faculty of Accountancy, Universiti Teknologi MARA Kedah Branch (UiTM Kedah) to encourage accounting academics to be involved in academic writing. The IAC2023 eProceeding provides a platform for accounting academics to share and disseminate their academic knowledge to a larger audience. The experience gained in writing extended abstracts may help them improve their writing skills and be more confident in producing academic materials in the future.

Finally, the Faculty of Accountancy of UiTM Kedah, organizer of IAC2023, is very proud to share this avenue with academics, students, and industry practitioners. Thanks, and congratulations to all involved.

Thank you.

ASSOCIATE PROFESSOR DR. HAJAH INTAN MARZITA SAIDON

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PREFACE

Alhamdulillah, all praises to Allah, by whose grace and blessings made it possible to conduct our first *International Accounting Colloquium (IAC2023)* on 31st January 2023. This colloquium was organised by Faculty of Accountancy of UiTM Kedah Branch. The main participants were lecturers of UiTM Kedah Branch, Malaysia and Mindanao State University-Iligan Institute of Technology, Philippines. Hence, I would like to take this opportunity to thank the Rector of UiTM Kedah Branch, Deputy Rectors, Head of Centre of Studies and esteemed members of the management for their support and encouragement in making IAC2023 a success.

As a result of the colloquium, we are now publishing an online eProceeding IAC2023 comprising of 10 (ten) extended abstracts covering various topics such as money laundering, fraudulent financial reporting, ESG and sustainability. Some of the articles highlight the current issues in accounting, current development of related concept in accounting and its application in Malaysia and the Philippines. It is hope that this effort will encourage more academicians of local and foreign countries from different backgrounds to present and publish their research in their respective fields.

On behalf of the colloquium organiser, I would like to thank all presenters and authors for your participation and contribution. Special thanks to all the committee members of the *International Accounting Colloquium (IAC2023)*, I owed all of you so much and I want you to know that this is the best team ever!!! Last but not least, to all participants, we hope to see you in our next colloquium.

Thank you.

HAJAH NOORA'IN BINTI OMAR

Chief Editor

eProceeding International Accounting Colloquium (IAC2023)

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Factors Influencing The Filipino-Muslims' Willingness To Participate In The Takaful Industry

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Abstract

The insurance industry continues to expand, and many consider insuring themselves and their families. Conventional insurance is contrary to Islamic principles because of the involvement of interest, uncertainty, and gambling which is strictly prohibited in Shariah (Islamic law), making Muslim Filipinos uncomfortable participating in it. Takaful, also known as Islamic insurance, follows Islamic rules and principles. However, the development of Islamic insurance in the Philippines appears to be unperformed. This study aims to determine the willingness of Muslim-Filipinos in BARMM to participate in the Takaful industry and determine the factors that influence their willingness to participate. The self-administered questionnaire was distributed to the Muslim income earners in the different provinces of BARMM. Using Ordinal Regression with a sample of 384, results showed that among the independent variables, namely: awareness, trust, personal income, perceived usefulness, perceived risk, and social influence, only the latter showed a significant influence on the dependent variable. Nonetheless, the findings showed that 86.98% of the respondents agreed that Islamic insurance should be offered in the Philippines. In addition, 72.92% of the respondents are willing to participate in Takaful, signifying a great opportunity and demand for Islamic Insurance to be offered in the country.

Keywords: Takaful, Islamic Insurance, BARMM financing development

1. Introduction

The Philippines has always faced frequent natural disasters like volcanic eruptions, floods, typhoons, landslides, earthquakes, and several non-natural disasters such as transportation accidents and fires that cause life and property damage (Tacio, 2020). In May 2017, a five-month-long armed conflict in one of the cities in the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) led to the most prolonged siege in the Philippines that impacted thousands of people financially and emotionally as they were forced to leave their homes and properties during the siege. In addition, in October 2022, a severe Tropical Storm, "Paeng," the Philippines' 16th tropical cyclone for 2022, triggered floods and landslides in the Philippines (Bong, 2022). The BARMM residents were affected by the said tropical storm which had reached roughly half a million of the region's population. The Philippines is also by far the most economically devastated country in Asia, with the ongoing impact of the pandemic as it severely impacted the Philippine economy, resulting in significant losses in income and employment (Masigan, 2021). Considering the COVID-19 pandemic and recent calamities in the Philippines, the importance of life insurance has become more evident to Filipinos together with the ideas of protecting and improving the financial security of their families and businesses.

Currently, Muslim Filipinos have no choice but to engage with conventional insurance because of the absence of the Takaful industry in the Philippines. Muslim Filipinos wish to purchase life insurance, although the fact that it is against the Shariah law (Islamic law). Takaful is a recommended option by Islamic finance experts to prevent Muslims from participating in interest-related transactions, uncertainty, and gambling, which are strongly prohibited in Islam. Since its founding, Takaful has garnered significant interest, especially in countries which Muslims are the majorities like Malaysia, Saudi Arabia, and Indonesia; its components and principles of having an ethical investing policy keep

drawing attention and driving demand (SuperMarket Research, 2021). The Al Amanah Islamic Investment Bank is currently the sole Islamic bank that is operating in the Philippines, despite the country's significant Muslim population. However, the Takaful activity is still not undertaken by the aforementioned Islamic bank. According to Allied Market Research (n.d.), the limited market penetration and expansion of the Takaful industry in a given nation are limited by the low public awareness of the product. One of the purposes of this study is to assess whether Takaful should be made available in the Philippines. This study aims to determine the factors influencing Muslim-Filipino income earners' willingness to participate in the possible introduction of the Takaful industry in the Philippines.

2. Literature Review

Awareness and knowledge are two of the most prominent factors identified in most research by having a beneficial effect on a population's willingness to participate in the Takaful industry. Htay & Salman (2013) found from the 333 responses in India that both respondents' awareness and knowledge of Takaful are low. The fact that the two factors are somehow related, could possibly cause confusion to the respondents. Thus, this supports the inclusion of awareness rather than knowledge in this study, as knowledge implies a much deeper comprehension. Social influence, in which peers such as close friends, parents, and the media, play a large role in persuading an individual to engage in or purchase a certain service or product, is another prominent element that has a significant impact on purchase intention. Peers possess persuasive features that could persuade consumers to purchase or attempt a product or service and establish trust, which is also a factor identified in this study. As perceived risks and uncertainties are associated with newly emerging products and industries, the significance of trust is evident in the two factors. This is certainly relevant in Takaful, where invested funds are accompanied by trust.

It was also observed that income influences the demand for life insurance or family Takaful, as life insurance becomes considerably more accessible as income rises. In the study conducted by Hwang and Gao (2003), it was discovered that a person's or family's income does not influence their inclination to join an insurance firm, but rather the country's economy. This suggests that income is not the only social issue that must be considered, but the country's economy may also play a vital role in persuading individuals to engage in Insurance. Trust mentioned in the related literature was necessary, and perceived risk was added as it was found to have a negative impact on the intention to participate (Ali et al., 2019). This highly supports the other studies, which concluded that consumers were attracted to products and services that they could benefit from and whom they could trust as it has low exposure to risk. Perceived usefulness was used as well by many works of literature as one of the factors. However, findings concerning the relationship between perceived usefulness and purchase intention are inconsistent. The study of Pikkarainen et al. (2004) and Ernawaty & Dimantri (2018) both used the Technology Acceptance Model (TAM), where consumers depend on their decision on whether to buy and use new technologies if it can improve their life in general. However, their studies' findings contradict. The reason could be due to the subject difference, as the study of Pikkarainen et al. (2004) focuses on online banking while Ernawaty & Dimantri (2018) focuses on National Health Insurance which is more related to this study. Different studies considered various factors in assessing their respective respondents' purchase intention and willingness to participate in the Islamic insurance scheme.

The goal of Decomposed Theory of Planned Behavior (DTPB) will be used in this research to determine the concepts and elements. This theory looks at how beliefs, attitudes, intentions, and behavior are related to one another to understand what is behind people's actions and behavior. Aziz et al. (2017) asserts that DTPB is more favorable to be employed when compared to the two early versions of the theory. In contrast to the previous two, this theory will provide a clearer explanation of the relationship between each variable in a study (Aziz et al., 2016). Another advantage is that it may be implemented at any moment, which helps it overcome the shortcomings of the two prior models (Berger, 1993). Additionally, by adding more specific components and adhering to more ideas, a study's outcome may be more relevant (Aziz et al., 2017).

3. Methodology

To assess and measure the influence of the independent variables on the dependent variable, the researchers utilized primary data obtained through the questionnaire survey. The study was additionally supported by secondary data from reliable internet resources such as articles, previous studies, and journals. The questions used in this study were taken from questions used in similar studies, with some questions adjusted to fit the needs of this research. Given that the majority of Muslim Filipinos reside in the BARMM region, it was more relevant and effective for this study to collect responses from Filipino Muslim income earners from BARMM.

The following regression model is specified:

$$Y_i = a_i + \beta_1(\text{awareness})_i + \beta_2(\text{trust})_i + \beta_3(\text{personal income})_i + \beta_4(\text{perceived usefulness}) + \beta_5(\text{perceived risk})_i + \beta_6(\text{social influence})_i + \varepsilon_i$$

4. Results and Analysis

Out of the 384 respondents, 86.98%, agreed that the Philippines should offer Islamic insurance. While 2.86% are against it, and 10.16% are undecided. Among the respondents, only 328 (85.64%) stated their corresponding reasons and opinions on why Takaful should be introduced in the Philippines or why it should not be introduced in the Philippines. Precisely, 72.92% of the respondents were willing to participate, 9.64% were not willing, and the remaining 17.45% were undecided. The findings demonstrate that 86.98% of the respondents want Takaful to be offered in the Philippines, and 72.92% affirmed that they would participate in the Takaful scheme when it becomes available in the Philippines. The analysis of the factors on the willingness of Muslim Filipinos to participate in the Takaful industry are awareness, trust, personal income, perceived usefulness, and perceived risk. Out of 6 factors, only social influence was determined to be significant. The findings of this study differ from the findings of Salleh et al. (2017), Opalla et al. (2019), Cho & Sagynov (2015), and Muda et al. (2016) since all the factors that have insignificant effects in this study were significantly influencing the independent variables of these related studies.

The findings on social influence coincide with the findings of Persaud & Schillos' (2017), which means that social influence play a role in boosting consumer consumption. This study's findings are also supported by the study of Wang & Chang (2013) where many people get information about a new product through social media before engaging in it. Also, Akar et al. (2015) mentioned that social networking sites are one of the channels of social influence that affect the willingness of consumers to purchase a product. Authorities can use these findings to interact with their target market. Moreover, the result of this study supports one of the cultures of the Asian family, where they act as one unit in times of purchasing a product or service, whether it is for personal or typical consumption (Kumar & Rao, 2019). The study by Kumar & Rao (2019) revealed that their respondents tend to discuss the product or service first among themselves before purchasing them. Family members play an essential role in influencing an individual's buying behavior (Juneja, n.d.), and many consumers' decisions are made on behalf of the family (LumenLearning, n.d.).

5. Conclusions and Recommendations

The willingness of Muslim Filipinos to participate in the possible introduction of Takaful in the Philippines is somehow aligned with their traditional culture called "Maratabat". Maratabat is a deep sense of personal honor, dignity, self-esteem, and reputation for most Muslim Filipinos, which drives their tribes to protect every clan member. They are extending different forms of help and support to preserve their family's honor and dignity. Another culture that supports Muslim Filipinos' willingness to avail of Takaful is the Filipino culture called "Bayanihan," also known as community spirit. Bayanihan is a core value of the Filipino culture which means unselfishly extending help to the community and fellow citizens in times of need without expecting anything in return. The Philippines is one step closer to the shared vision of an all-inclusive, prosperous nation for all Filipinos. As of 2022, Takaful has not yet been available and operating in the Philippines because of several issues and challenges in the Philippine Financial Market.

However, the Philippine government has gradually established some necessary reforms that convey to the market that the country fosters an open and competitive financial system. There have already been great government efforts in the past three years 2019-2022 to boost the Philippine Islamic finance sector while adhering to Islam's high moral and humanitarian principles. Overall, government efforts are needed to penetrate Takaful successfully and rapidly. Islamic banking and finance can promote inclusive finance by making it available to groups that avoid using conventional banking facilities due to their faith. Promoting Islamic banking and finance can also attract foreign investments, which can, in turn, be deployed to support critical projects of the government (Bangko Sentral ng Pilipinas, 2020). Islamic banking and finance can also be attractive to non-Muslims, particularly those investors (within or outside the Philippines) who are in their quest to diversify their portfolios. Through social influence and broader awareness, with the key legal and regulatory frameworks in place, Takaful can effectively be introduced to Filipino consumers.

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