



**ASSESSING THE ROLE OF RELIGIOSITY ON THE  
BEHAVIORAL INTENTION TO BUY ISLAMIC INSURANCE**

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## DECLARATION OF WORK



**FACULTY OF BUSINESS MANAGEMENT  
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We, hereby, declare that:

- This report is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

Signature : \_\_\_\_\_  
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## LETTER OF TRANSMITTAL

September 2013

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### SUBMISSION OF REPORT

Attach is the report entitled “**Assessing the Role of Religiosity on the Behavioral Intention to Buy Islamic Insurance**”.

Thank you.

Yours sincerely,

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SHAH RIZAL ZAMBAHARI

## CHAPTER 1

### 1.0 INTRODUCTION

#### 1.1 Background of the study

Insurance industry in Malaysia has experience tremendous growth since its inception during colonial period between the 18th and 19th centuries. Market penetration of life insurance, as measured in terms of the total number of policies in force to total population, grew to 39.3% as at end-June (end-June 2006: 38.7%) (The Star, September 8, 2007). But less than 7% of Malaysians are covered by family takaful plans in 2006 although 52 percent of the Malaysian population constitutes Muslim. This research was conducted to identify the level of awareness among Malays toward the importance of life insurance. The study was based on:

##### 1.1.1 Malay Culture and Custom

Many studies have succeeded in establishing links between culture and consumer behaviors (McCracken, 1986). According to Wallace (1965), culture is the all-encompassing force which forms personality, which in turn is the key determinant of consumer behaviors. Differences were found in consumption patterns between people of various ethnic groups (e.g. Saegert, Hoover and Hilger 1985) and various geographic subgroups that hold differing cultural values (e.g. Gentry, Tansuhaj, Manzer and John 1988). Islam is regarded as an inseparable part of Malay ethnicity and is ingrained in its culture (Li, 1989). According to Bedlington (1971; 1974), the Malay idea of *rezeki*, or belief in the predetermination of man's economic destiny, results in fatalism and a "lack of will to go on striving." As a result of placing their full trust in *Allah* to provide for them in times of need and distress, Malays are reported to avoid taking up insurance policies. To them, they only take it up if it is compulsory (e.g., car insurance).

### **1.1.2 Malay Believe and Religion**

It has been reported that 99.6% of Malays are Muslims (Singapore Census of population 2000). The *Qur'an*, the revealed word of God provides definite guidelines for people in all walks of life to follow. The guidance is comprehensive and includes the social, economic, political, moral and spiritual aspects of life. It states clearly the *halal* (lawful) and *haram* (forbidden). To the Muslims, there is no compartmentalization between religion and secular aspects of life, rather they see life as an integrated whole and they aim to live out Islam in all areas of their life. The “coping effect” of religion suggests that religiosity reduces the psychic cost of adverse life events like unemployment or shocks to income due to illness. Religious individuals will be more likely to appraise such events as being less threatening to their overall goals, they will experience less stress, and, consequently, if standard consumption and “psychic” consumption are partial substitutes, then religious individuals will prefer lower social insurance provision (Scheve, 2006).

### **1.1.3 Malay Quality of Life**

In a recent study of quality of life in developing countries with reference to South Africa (Moller, 2004), income and social security (own wages, ability to provide for family, insurance against illness/death and income in old age) have been treated as one of the major indicators of quality of life. This standpoint stresses the significance of insurance to human life. Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The culture and the lifestyle (i.e. education and social status) of the population contribute to the level of acceptance towards certain products.