



**Factors Influencing Undergraduate Students' Intention to  
Use Islamic Insurance: A Study of Business Students at  
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## ABSTRACT

**Issue/Problem:** Many customers are not interested in *Takaful* because they did not find any difference between *Takaful* and conventional insurance. They used to perceive that *Takaful* is more expensive than insurance. In addition, because of the *Takaful* industry have lacks of expertise, the employees are not customer friendly and consequently contributed in the establishment of a lack of needed policies.

**Objective:** The purpose of the study is to investigate the factors that influence prospective customers among students of higher learning institutions to use Islamic Insurance services.

**Variables:** This study will use four independent variables and one dependent variable. The independent variables are attitude, social influence, religious obligation and pricing. Meanwhile, for the dependent variable of this study is students' intention to use *Takaful* services.

**Data/ Sample Description:** The sample is made up of business students of UiTM Segamat. Respondents were surveyed using a standardized questionnaire which is adopted from Fithriah and Hanudin (2011). The questionnaires consist of six parts.

**Statistical/Econometric Method:** The research applies quantitative research approach. Multiple regressions analysis is used in order to identify the factors that influence students' intention to use Islamic insurance. This study is conducted using SPSS statistical software for Windows.

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND OF STUDY

#### 1.1 Introductions

This chapter consists of ten sub-chapters emphasis on background of research study includes overview on Islamic Insurance (*Takaful*), problem statement, research questions, research objective, scope of study and limitation of research.

#### 1.2 Overview of Islamic Banking

Islamic Banking in Malaysia has been adopted a new system officially for almost 28 years with the establishment of Bank Islam in 1983 which was turned to be the first *Shariah* compliant bank in this country. In Islamic banking, prohibition of interest is one of those limits as well as prohibition of gambling, fraud and hoarding. Many conventional banks started offering interest free Islamic products and some even opened Islamic branches. Currently, Islamic banks operate under the supervision of the central banks and also there are no problems dealing with international financial institutions. Moreover, Islamic finance in practice they pose great challenges.

The principles of Islamic bank are rooted in Islam as a faith which is bestowed by *Allah* to his prophet, *Muhammad P.B.U.H.* The philosophical aspects of the Islamic banks basically can be derived from the two sources which are primary sources and secondary sources. Primary sources for Islamic bank are Al Qur'an and Hadith. Islamic banks also can be enriched with the other sources which