

UNIVERSITI TEKNOLOGI MARA

**TAKAFUL PARTICIPATION
READINESS MODEL (TPRM): THE
INFLUENCE OF TAKAFUL
KNOWLEDGE, RELIGIOUS
COMMITMENT AND
MATERIALISM WITH THE
MODERATING EFFECT OF
SWITCHING COSTS**

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ABSTRACT

Takaful (Islamic Insurance) was introduced in Malaysia to provide a better alternative for Muslims. As Muslims are known to be very concerned with religious obligation, family Takaful, thus, should be the life insurance coverage of choice. However, despite the obligation of having family Takaful and Muslim is the predominant religion in Malaysia, the penetration rate of family Takaful in 2013 was only 14 percent as compared to conventional life insurance of 55 percent. It is therefore essential to investigate the factors causing or inhibiting the low penetration rate. Past studies have shown that switching costs are among the contemporary issues in explaining consumer behaviour. The effect of switching costs, however, has never been tested in the area of Takaful. The objective of this study is therefore to empirically test the relationship between switching costs and behavioural intention of the Malay professional conventional policyholders, leading to advancing a Takaful Participation Readiness Model (TPRM). The theory of planned behaviour (TPB) forms the basis in developing the Takaful Participation Readiness (TPRM). The investigation begins with a qualitative method. The result of the qualitative study was then used as inputs to the constructs in this study which are knowledge, religiosity, materialism and switching costs. In this study the religious commitment and Takaful knowledge are hypothesised as positively related whereas materialism is hypothesised as negatively related. As this study is a quantitative study, self-administered questionnaires were distributed to the respondents who met the criteria set by the researcher. This study employs exploratory factor analysis (EFA), confirmatory factor analysis (CFA) and structural equation modelling Amos Graphic. The results of this study contribute to Takaful industry by providing an empirical evidence of the relationships between religiosity, knowledge, materialism and switching costs towards Takaful participation readiness. The findings indicate that participation readiness is significantly influenced by knowledge and switching costs particularly relational costs, uncertainty costs and set-up costs. Although literatures showed that materialism and religiosity do influence behavioural intention, this study however, proved otherwise. For future research, this study should cover not only the professionals in Wilayah Persekutuan and Selangor but to all cities in Malaysia including Sabah and Sarawak.

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CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

To give an overview of this thesis, this introductory chapter first presents the background of the study. Secondly, the research problem, highlighting the critical issues to be investigated in this study is discussed. The study objectives, research questions, research hypotheses, scope of the study, as well as the potential contributions of the research towards the existing body of knowledge and to the practitioners, come next. The operational definitions are presented in section nine, and the final section outlines the structure of the whole thesis.

1.2 RESEARCH BACKGROUND

All human beings are exposed to the possibility of meeting catastrophes and disasters giving rise to misfortunes and sufferings such as death, loss of limbs, accident, and destruction of business or wealth. Notwithstanding the belief of all Muslims in *Qadha-o-Qadr*, Islam provides that one must find ways and means to avoid such catastrophes and disasters wherever possible, and to minimize his or his family's financial losses should such events occur.

The Holy Quran stated that it is the duty of the husband to leave their wives with bequest as stated in the Al Baqara, verses 240.

وَالَّذِينَ يُتَوَفَّوْنَ مِنْكُمْ وَيَذَرُونَ أَزْوَاجًا وَصِيَّةً لِأَزْوَاجِهِمْ
مَّتَّعًا إِلَى الْحَوْلِ غَيْرَ إِخْرَاجٍ فَإِنْ خَرَجْنَ فَلَا جُنَاحَ
عَلَيْكُمْ فِي مَا فَعَلْنَ فِي أَنْفُسِهِنَّ مِنْ مَّعْرُوفٍ وَاللَّهُ
عَزِيزٌ حَكِيمٌ

And those, that are taken in death among you and leave wives behind for their wives is a bequest: maintenance for one year without turning (them) out. But if they leave (of their own accord), then there is no blame upon you for what they do with themselves in an acceptable way and Allah is exalted in might and wise.