

FACTORS INFLUENCING THE PURCHASING INTENTION OF TAKAFUL HIBAH PRODUCTS; A CONCEPTUAL FRAMEWORK

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Article info

Received:
26/07/2022
Received in revised form:
25/08/2022
Accepted:
28/08/2022
Available online:
07/09/2022

Keywords:
Conceptual Framework;
Islamic Estate Planning;
Hibah;
Takaful hibah,

Abstract

The upward trends of frozen assets and remaining unsolved become worrying as the inheritance assets are not efficiently utilized. One of the root causes of frozen assets in Malaysia is the lack of awareness of estate planning among individuals, particularly the Muslim community. The increasing frozen assets were contributed by the low penetration of estate planning among individuals, making the estate administration process even abandoned. Takaful hibah has been introduced as one of the Shariah-compliant products made accessible by Islamic Financial Institutions (IFIs) to overcome these issues. Its versatility is proven in risk management, mitigation, and wealth management, especially in estate planning. Integrations of takaful and hibah have provided reduced time and cost consumption for the inheritance process for Muslims in Malaysia.

Further, past research on estate planning related to takaful hibah is still limited to the aspect of consumer purchasing intentions on takaful hibah. Therefore, this paper aims to determine the relationship between attitude, subjective norms, perceived behavioral control, and knowledge towards the intention to purchase takaful hibah. Findings in this study perhaps will focus on twofold contributions. First, it directs the takaful hibah operators to enhance their marketing efforts, such as more product awareness towards the Muslim working adults' population. Second, regarding academics, this finding helps boost education programs by stimulating the attitude to purchase the takaful hibah. Hence, our study contributes to filling the knowledge gaps on the takaful hibah, as one of the Islamic estate planning tools, particularly among Muslims in Malaysia.

INTRODUCTION

Hibah is derived from the Arabic word "habubah" which stands for passing. Hibah is defined as the ownership of assets that are transferred from a donor (wahib) to a recipient (mawlahu) without return (Bank Negara, 2016). Moreover, a donor makes an offer to transfer property to the beneficiary while the latter will accept the offer hoping no consideration (Mujani et al., 2011; Buang, 1993). Hibah is mainly applied to overcome issues, whereas donors can contribute wealth in accordance with their wishes (Abdul Rashid et al., 2014). Hibah applications help the beneficiaries in need and work to avoid conflict

among them by allowing the transfer of inheritance assets straightforwardly and easily (Azmi et al., 2021).

Most takaful operators in Malaysia have been implementing hibah as estate planning management for securing the welfare of beneficiaries in the event of policyholders' death. Today, there was no ruling for hibah stated in Takaful Act 1984. Hence, this leads to several disputes and problems among beneficiaries regarding legal rights and raises questions about the amount of hibah given to the intended nominee. All hibah cases being brought in courts are decided based on the opinions of Muslim scholars (Noor et al., 2008).

Participants can contribute takaful benefits from two points of view. First, wealth belongs to the deceased, and thus that wealth is distributed according to faraid, whereas only legal heirs entitled could be nominated. The second view states that participants can gift hibah to anybody regardless of the nominee status. (Noor et al., 2008)

The application of takaful hibah among takaful operators also had its drawbacks. Hibah is known for the distribution of wealth during the donor's lifetime, while hibah for family takaful products is only transferred to the nominee after the death of the participants. It contradicts the nature of hibah. (Noor et al., 2008). Hibah is also considered an alternative for estate management for Muslim participants who wish to allocate their wealth to their wishes. A completed hibah contract that fulfills the terms and conditions show that acceptance of benefits is transferred from donor to donee. However, a donor could not simply withdraw back their hibah benefits from donee unless the hibah is made from immediate family to his children. For instance, hibah benefits are given from the father to his son (Noor et al., 2008).

PROBLEM STATEMENT

Frozen assets value in Malaysia are estimated at 70 billion to RM90 billion in 2020, and 90 percent of it is under Malay ownership (Kamarulbaid,2021). It is reported that 60 billion inheritance claims have been frozen and unclaimed since 2016 (Buang, 2009). The amount of frozen assets is increasing, and this issue remains unsolved. This underwhelming result proves that more people did not know how to plan their estate effectively. With the presence of takaful hibah among takaful operators, participants for family takaful products could secure its benefits to the beneficiaries in the event of participants' death. This research is carried out to study factors that influence the purchasing behavior of participants on takaful hibah.

Research according to Islamic approaches such as zakat, Islamic bank, and waqf are commonly discussed, while issues on hibah are still lacking (Kamarudin and Alma'amun 2013). For the past few years, there has been research carried out on the scope of hibah, but it solely focuses on its ruling and mechanism. There are limited studies carried out primarily to study variables that influence purchasing intentions of participants on takaful hibah. The public was still unaware of the hibah option for family takaful products and how it would significantly affect the welfare of the beneficiary in the future.

This paper is organized into the following parts. The first part provides the literature review, including the takaful hibah in Malaysia and the Theory of Planned Behavior (TPB). The second part presents the research framework and a set of research hypotheses according to the theory in the preceding section. Finally, it is the conclusion and the discussion about the potential recommendation for future study.

LITERATURE REVIEW

In Takaful, a nomination is a process where a policyholder appoints one or more persons as a way for the nominee to gain takaful benefits after the death of the policyholder. Nominations have been practiced by takaful operators (TO) to distribute takaful benefits without undergoing financial and time-consuming estate administration delays. It is not subject to the Wills Act 1959 and Probate and Administration Act 1959 (Ismail, 2009).

The status of a nominee can either be as a trustee or absolute beneficiary. Nonetheless, the actual status of the nominee is still being questioned due to the non-existent clause under nomination in Islamic Financial Act (IFSA) 2013 (Ismail, 2009). Having a nomination clause for a family takaful policy might have caused a violation of the rules of mirath and wasiyyah. Nominees may receive takaful benefits exceeding one-third of the property (Hussain, 2009).

Hibah is defined as giving one's property to another without any rewards. The option of hibah in distributing takaful benefits has been widely practiced by some takaful operators. The number of benefits contributed depends on the participant's consideration (Mohd Noor and Abdullah, 2008). Hibah in nomination for family takaful contradicts its nature and fara'id law. For instance, Takaful Ikhlas Berhad (TIB) provided nominations differently for Muslim and non-Muslim participants. Muslim participants are subject to fara'id law in distributing takaful benefits to the nominee, while non-muslim participants' benefits are distributed according to the percentage of shares stated in the nominee form. Thus, TIB has provided the option for hibah if the participants want to. The status of takaful benefits is not considered an estate. Therefore, it will not comply with Islamic inheritance law (Mohd Noor and Abdullah, 2008).

Theory of Planned Behavior

The theory of Planned Behavior (TPB) predicts individuals' intention to engage in a particular behavior at a specific time and place. The central assumption of this model is that most behavior people engage in is under their control and is logical. According to the TPB model, human behavior is guided by behavioral, normative, and control beliefs. Behavioral beliefs are beliefs regarding the probable consequences of behavior, while normative beliefs are beliefs about general expectations. Thirdly, control beliefs are a belief about factors that facilitate the performance of behavior (Ajzen, 2002)

The three main factors, attitude, subjective norms, and perceived behavioral control are crucial in developing one's behavioral intention. Previous research has been conducted by implementing the TPB model. It was proven that such a model could improve the predictability of consumers' behavioral intentions such as exercise, diet, and leisure. Many researchers in the health and nutrition field widely implement the TPB model. Hence, this theory suggests that for behavior to change, the four factors are attitude, subjective norms, perceived behavioral control, and knowledge.

Attitude

Based on previous research, factors influencing takaful hibah giving behavior have been conducted with three variables: attitude, service quality, and religious value. However, religious values tested as variables have led to inconsistent results, as it is difficult to measure hibah for nomination adopted by takaful operators is against the nature of hibah following the Islamic perspective (Ghazali, 2001). Moreover, the research did not implement theoretical models to support each variable. In addition, the researcher has stated that future research should include other factors to consider. It is due to a lack of research conducted regarding takaful hibah.

According to Azjen (1991), attitude is defined as one attitude toward behavior which is divided into two: good evaluation and bad evaluation. Attitude is the most vital key variable in assuming behavioral intention. A study by Kautonen et al. (2013) found that attitude influences entrepreneurial behavioral intention. It can be deduced that individuals with a positive attitude will be more likely to choose the option of hibah on the nomination for family takaful products.

One attitude on takaful hibah could significantly influence their thoughts and actions in purchasing any takaful hibah products. Most clients tend to exude a more positive attitude when they are aware of its essential components that are takaful. Once they know that hibah products are solely shariah compliance, they tend to have positive impressions of takaful hibah products. (Ghazali, 2001).

Furthermore, some clients perform purchasing behavior on takaful hibah products as they intend to bequeath takaful benefits to their spouse or children according to the amount they want. The amount also could be revoked by the deceased. However, non-Muslims are also interested in takaful hibah products as it benefits them regardless of differences in religion. Some takaful operators even provided different procedures for the non-Muslim participants to develop specific rules and guidelines. (Mohd Noor and Abdullah, 2008).

Subjective Norms

Moreover, subjective norms refer to the opinion of others who are essential to an individual and will influence their decision-making process. It also can be defined as the social pressure individuals feel from others (Ajzen, 1991). Subjective norms positively affect behavioral intention; the more positive subjective norms a person has, the stronger their intention to act (Tonglet et al.,2004). Opinions from people regarding takaful hibah are commonly influenced by those who are knowledgeable or at least have personally experienced the process of administering nominations in hibah.

McClelland (2007) suggested that individuals are prone to exhibit a behavior approved and admired by their reference groups to enhance their relationships. It means that people would likely perform an action suggested by whom they are close. Nonetheless, having favorable judgments from a group of references would positively affect individuals' intentions to act and vice versa.

Influence from people who are close to them might influence their purchasing decision on takaful hibah products. Knowledge of hibah is vital to make them interested in purchasing takaful hibah products. This information is gained from friends, family, relatives, or acquaintances. These people play a significant role in spreading their knowledge and information about takaful hibah to anyone who wants to buy one of takaful hibah products. (Mohd Noor and Abdullah, 2008).

Perceived Behavioral Control

Perceived behavioral control refers to perceptions of adverse implications when performing a specific behavior. Factors such as money, time, and chance may be under the exclusive control of individuals. Hence, when individuals have more control over resources and opportunities to perform a specific behavior, it is easier to engage with such behavior (Ajzen, 1991). By having limited resources of information, individuals might not have been exposed to the nature of takaful hibah. It could be due to the lack of exposure given by takaful operators and the fact that only some takaful operators provide the option of takaful hibah to prevent individuals from extending their estate planning management more effectively.

Individuals with sufficient resources with a minor restriction might be considered to perform an act of behavior. They also play the role of ensuring that they have enough knowledge in terms of required resources or information so that they would know the consequences of their behavior. Information regarding takaful hibah can be gained through communication with the takaful agents, who will explain the concept of takaful hibah and how it works in takaful products (Ajzen, 1991).

Knowledge

Rowlingson and McKay (2005) uncover a comparable need for information, especially about estate planning. Further, Omar (2009) also stated that knowledge is essential in stimulating individuals to have estate planning. Concerning the primary reason, it can be more exact to claim that the inadequate information was imitated, but more on their misconception of the concepts of Islamic bequest arranging, Faraid, and Wasiyyah, which hinders estate planning among Muslims (Ahmad & Pyeman, 2008).

Another point of view expressed that various still see takaful hibah as less essential than other estate planning instruments. The latest research from Dahan (2012) also affirmed that the awareness and

understanding among the Muslim community around the world relating to Will are deficient with progression in innovation. This issue was also discussed by Noordin et al. (2012), stating that IT developments in Shariah make courts more efficient via electronic applications. However, these advancements do not significantly minimize the number of unclaimed inheritances.

RESEARCH METHODOLOGY

This conceptual paper proposes the Theory of Planned Behavior model. The adaptation of this model to the context of takaful hibah will provide more comprehensive findings in explaining the theoretical connections between the study's constructs. Besides, this study's main objective is to investigate the purchasing intention of takaful hibah in Malaysia. The second objective is to examine the effect of behavioral factors (attitude, subjective norms, perceived behavioral control, and knowledge) on the intention to purchase takaful hibah among Muslims in Malaysia.

There are four independent variables: attitude, subjective norms, perceived behavioral control, and knowledge. This study aims to test the relationship between attitude, subjective norms, perceived behavioral control, and knowledge towards purchasing intention of takaful hibah. The study will be conducted using a questionnaire, and the respondents were asked to rate their agreement on these variables based on a five-point Likert scale. The research hypotheses proposed from the literature reviews are as follows:

- H1-** There is a positive relationship between attitude and purchasing intention on takaful hibah products.
- H2-** There is a positive relationship between subjective norms and purchasing intention on takaful hibah products.
- H3-** There is a positive relationship between perceived behavioral control and purchasing intention on takaful hibah products.
- H1-** There is a positive relationship between knowledge and purchasing intention on takaful hibah products.

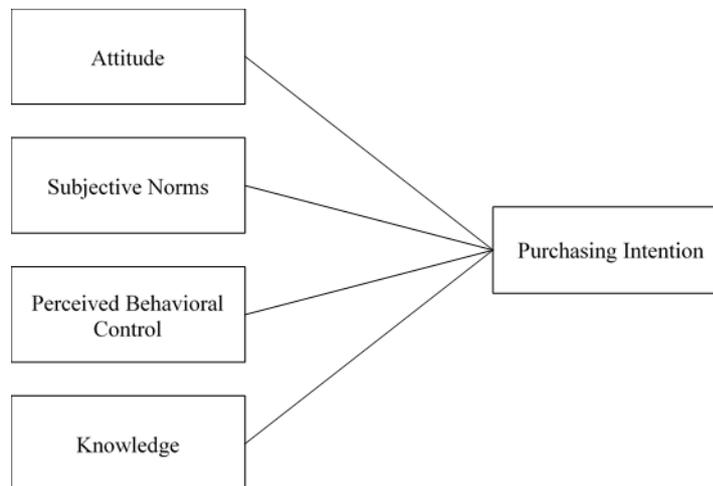


Figure 1. A conceptual framework for Purchasing Intention on Takaful hibah

CONCLUSION

This conceptual study provides a valuable insight into Islamic estate planning and takaful hibah studies. Previous literature discussed the aspect of estate planning where it resolves the gap between knowledge and awareness of the Muslim community in Malaysia (Ahmad et al., 2008; Buang, 2009; Omar, 2009; Mujani et al., 2011, Hassan et al., 2014) which caused issues of delay in estate distribution process thus contributing to an overall increase of unclaimed wealth in Malaysia (Mujani et al., 2011, Noordin et al., 2012; Utusan Malaysia, 2021). It brings a possible solution by utilizing Hibah as part of an alternative in estate distribution (Kamarudin and Alma'amun, 2013; Azmi et al., 2021) and Takaful as the vehicle for using these benefits (Noor and Abdullah, 2008; Ismail, 2009). In contrast to this effort, it still failed to solve the issues of unclaimed estate in Malaysia. That is why this research tries to shed new light on different perspectives by highlighting the fundamental factor which could benefit the academician and industry players alike in solving these issues through understanding the behavior of consumers in Malaysia towards purchasing Takaful hibah.

The contributions of this research work are twofold; Takaful hibah operator regarding marketing efforts in streaming the awareness towards the Muslim working adult's population. Second, enhancing the body of knowledge about the importance of knowledge influences the intention to purchase the Takaful hibah products. Thus, this study will contribute to the discussion of knowledge as another predictor influencing the purchase intention of Takaful hibah products. The inclusion of knowledge as one of the predictors will extend the body of knowledge in gauging the need for more salient actions about inculcating the education about takaful hibah products at every level of the institution in the community.

This conceptual framework has limitations. First, the predictors are related to attitude, subjective norms, perceived behavioural control, and knowledge that influence takaful hibah intention. Other predictors might influence the takaful hibah intention, such as experience, major life events, and awareness. Second, this framework adapts the Theory of Planned Behaviour as the leading underlying theory, which can be extended to any other theory, such as the Theory of Acceptance Model (TAM), Resource Based Value Theory, and Decomposed Theory of Planned Behaviour.

Apart from that, this conceptual framework could also be extended to opt for qualitative research such as focus group interviews or case studies. Since this study is adopting quantitative research, the survey is the main proposed instrument for the data collection method. The proposed conceptual framework can be interpreted in other ways by interviewing the respondents from various parties such as takaful hibah operators, wealth planners, regulators such as land offices, religious departments, and others. The qualitative approach to conducting this conceptual framework might provide more prudent results.

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