



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v8-i11/5340>

DOI: 10.6007/IJARBSS/v8-i11/5340

Received: 28 Oct 2018, **Revised:** 17 Nov 2018, **Accepted:** 03 Dec 2018

Published Online: 04 Dec 2018

In-Text Citation: (Razak, Muhammad, Hussin, Ramdan, & Hadi, 2018)

To Cite this Article: Razak, A. A., Muhammad, F., Hussin, M. Y. M., Ramdan, M. R., & Hadi, F. S. A. (2018).

Applying Ajzen's Theory of Planned Behaviour on the Participation of Micro-Entrepreneurs in Micro-Takaful. *International Journal of Academic Research in Business and Social Sciences*, 8(11), 1666–1679.

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Vol. 8, No. 11, 2018, Pg. 1666 - 1679

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Abstract

This study attempts to apply the theory of planned behaviour (TPB) in predicting the behaviour of micro-entrepreneurs towards their participation in micro-*takaful*. The influence of TPB model such as attitude, subjective norms and perceived behavioural control factors and tendency of micro-*takaful* participation are analyzed using the multiple linear regression analysis. This study uses a questionnaire instrument involving of 135 micro-entrepreneurs in Perak. The findings reveal that attitude, subjective norms and perceived behavioural control factors have significant influenced on the tendency of micro-*takaful* participation. The implication of the study shows that *takaful* operators and policy makers need to take into account the factors that exist in the theory of planned behaviour when planning a strategy and making decisions related to the micro-*takaful* scheme.

Keywords: Micro-*Takaful*, Theory of Planned Behaviour, Micro-Entrepreneurs

Introduction

Takaful is an Islamic finance instrument which provides financial protection against unexpected risks such as disaster, death or business loss. The word '*takaful*' is borrowed from the Arabic word '*kafala*' which means guarantee or responsibility (Billah, 2003). As an alternative to conventional insurance, *takaful* was introduced to apply the element of *tabarru'* (donation) and profit-sharing which does not involve the elements of *gharar* (uncertainty) and *maisir* (gambling) in the insurance contract (Mohamed Sherif & Nor Azlina, 2013). Based on Table 1, the growth of *takaful* fund assets had grown from RM20,934 million in 2013 to RM26,792 million in 2016. As for the size of the *takaful* market compared to the overall insurance market, this showed a good increase from 8.96 percent in 2013 to 9.68 percent in 2016.

In line with the government's aim related to financial inclusion, in 2010, Central Bank of Malaysia had urged the *takaful* providers to design and provide a micro-*takaful* scheme for low-income groups and micro-entrepreneurs at an affordable premium (Norashikin et al., 2013) or less than RM20 (Bank Negara Malaysia, 2010). This call was in line with the increasing growth of micro-

takaful schemes globally. The first micro-*takaful* scheme was introduced in Lebanon in 1997 and it has been steadily growing since January 2010 in countries such as Indonesia, Malaysia, Bangladesh, Kuwait, Sudan, United Arab Emirates, Sri Lanka, Bahrain and Pakistan. In Malaysia, there are a few micro-*takaful* products such as i-BRIM (*Takaful* Berkumpulan Rakyat 1Malaysia), fishermen's *takaful*, *takaful* for Indonesian maids, cooperative tabarru' schemes, paddy *takaful* protection, 1Malaysia micro-*takaful* protection plan (1MMPP) and others (Fatin Nabilah, 2015). Overall there are five *takaful* providers for the family and the public such as Etiqa *Takaful*, *Takaful* Ikhlas, AIA *Takaful*, Syarikat *Takaful* Malaysia Berhad and HSBC Amanah.

Table 1: Growth of *Takaful* Fund Assets (2013 to 2016)

		2013	2014	2015	2016
Total	(RM million)	20,934.0	22,746.0	24,711.0	26,792.0
Percent (%) from overall market		8.96	9.25	9.37	9.68

Source: Bank Negara Malaysia (2016).

However, the micro-entrepreneurs are still unaware about the use of micro-*takaful* for business. Micro-*takaful* involves business risks such as a firm's unsystematic way of managing business operations due to the lack of current technology utilization, distribution problems, lack of production capacity and customer debt collection problems (Norashikin et al., 2013) as well as mishaps such as robbery or fire at the premises (Marhanum & Fatimah Zaharah, 2018). Empirical findings from Norashikin et al. (2013) found that micro-entrepreneurs in Johore were less aware of the differences between insurance or *takaful* related to business and family as well as general insurance. The respondents' participation was limited to vehicle *takaful*/insurance, life and housing insurance. As such, it is imperative to highlight micro-*takaful* products to attract participation from the micro-entrepreneurs. As shown in the study by Marhanum and Fatimah Zaharah (2018) in Kelantan, the micro-entrepreneurs' level of understanding which was related to their education level, had a significant influence on their level of awareness towards the existence of micro-*takaful* products.

The purpose of this study is to gain some understanding about the behavioural tendencies of micro-entrepreneurs in Perak to participate the micro-*takaful* schemes by looking at the role of variables in the theory of planned behaviour. The study discussion is divided into 6 parts: the first part is the introduction, the second and third parts cover the literature review and framework of study, the fourth part is the methodology, and the fifth and sixth parts cover the findings, implications and conclusion.

Literature Review

This section is related to discussion about previous studies based on the tendency to participate in micro-*takaful*. There are two parts of discussion: one focuses on previous studies on the theory of planned behaviour and the other focuses on previous studies on the micro-*takaful* scheme.

The Theory of Planned Behaviour and Previous Studies

The construction of the theoretical framework is based on the Theory of Planned Behaviour (TPB) which was developed by Ajzen (1991). The theory is an extension of the Theory of Reasoned Action (TRA) by Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980). TPB explains that the intention and tendency of an individual is influenced 3 factors which are attitude, subjective norms and perceived behavioural control. The perceived behavioural control factor has been added in TPB to refer to an individual's perception whether it is easy or difficult for him to act on something. Diagram 1 shows the model of Theory of Planned behaviour as developed by Ajzen (1991).

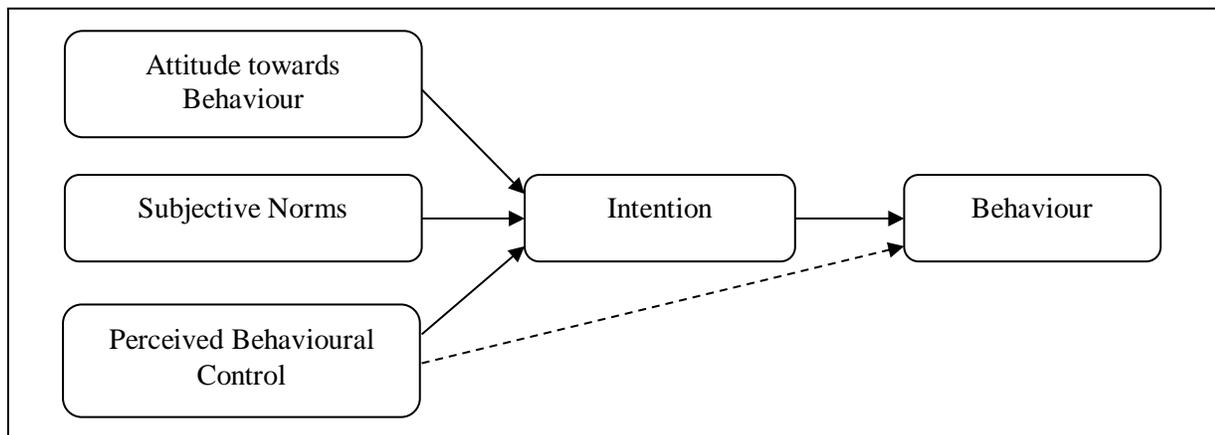


Diagram 1: Theory of Planned Behaviour (Ajzen, 1991)

The study by Maizaitulaidawati and Asmak (2016) also utilised the TPB model to look at the society's involvement in the family *takaful* scheme (Maizaitulaidawati & Asmak, 2016). However, the study only focused on the tendency of societies towards the family *takaful* scheme. This is also evident in the study by Hanudin (2012) which applied the TPB model with the customers' willingness to use *shariah*-based insurance products. As such, this present study is relevant to fill in the gaps in studies related to micro-*takaful*.

Previous Studies on the Tendency of Micro-Takaful Participation

Previous studies connected to micro-*takaful* have focused on issues unrelated to the behaviour or tendency to participate in such a scheme. Instead, the issues focused on were the implementation of micro-*takaful* scheme in Malaysia (Fatin Nabilah, 2015), prospects of the implementation of micro-*takaful* scheme in Malaysia (Fatin Nabilah & Kamaruzaman, 2014), experience of the implementation of micro-*takaful* in selected countries (Ahmed, 2016), the effectiveness of micro-*takaful* (Kwon, 2010), the positive role of micro-*takaful* (Erlbeck et al., 2011; Kwon, 2008), the development of a micro-*takaful* model for the benefit of the poor and the low-income population in selected Malaysian states (Noor Ashikin, 2014), and the awareness towards micro-*takaful* (Marhanum & Fatimah Zaharah, 2018; Norashikin et al., 2013). However, empirical studies on the involvement of *takaful* are still limited. One behavioural study had looked at the tendency of the societies to join the family *takaful* scheme. (Maizaitulaidawati & Asmak, 2016).

Developing the Hypothesis and Theoretical Framework

This section discusses the relationship between the variables in this study which are attitude, subjective norms and perceived behavioural control factors towards the tendency for micro-entrepreneurs to join micro-*takaful* schemes.

Attitude towards the Tendency of Micro-*Takaful* Participation

Attitude is a form of mental preparation to provide either positive or negative response through the experience of an object or idea (Doane et al., 2016; Untaru et al., 2016). According to Fishbein and Ajzen (2011), a positive attitude is likely to influence someone to act on something; likewise, a negative attitude will decrease the likelihood of that person to do something.

Studies on the theory of planned behaviour have proved that attitude is the main predictor of intention and behaviour (Ajzen & Fishbein, 1980). For example, Maizaitulaidawati and Asmak (2016) found that attitude had a positive and significant influence on the individual's intention to join a family *takaful* scheme. A study by Mohd Azizi et al. (2017) found a significant relationship between attitude and customers' intention to choose a shariah-based house financing product. Mohamad Rohieszan et al. (2018) also showed that attitude towards nutrition labels was able to influence the consumers' tendency to choose healthy foods. As such, this study expects that attitude can also influence the micro-entrepreneurs' tendency to participate in micro-*takaful*. Therefore, the hypothesis below is proposed:

H₁: Attitude has a significant influence on the tendency of micro-entrepreneurs to participate in micro-takaful.

Subjective Norms towards the Tendency of Micro-*Takaful* Participation

Subjective norms refer to the influence or social pressure from other individuals towards an individual's attitude (Ajzen, 1991). The influence mentioned here may come from other people who are connected or related to a particular individual such as a family member, colleague or employer (Maizaitulaidawati & Asmak, 2016). Subjective norm is a construct which is connected to behavioural intention and also actual behaviour (Ajzen & Fishbein, 1980; Han & Kim, 2010). Previous studies have looked into the influence of subjective norms towards the behavioural intention (Abdullah et al., 2014; Mohd Azizi et al., 2017; Hanudin, 2012). The study conducted by Hanudin (2012) on 206 respondents found that subjective norms were the main factors which influenced undergraduates in Labuan to use *takaful* products. On the other hand, Maizaitulaidawati and Asmak (2016) found that subjective norms did not influence an individual's intention to join the family *takaful* scheme as the respondents in the Klang Valley already had a high level of knowledge about the scheme; as such, the intention to join the scheme or otherwise was not influenced by any parties. Therefore, this study attempts to determine whether there is any influence between subjective norm factors and the tendency of micro-entrepreneurs to participate in micro-*takaful*. Based on the discussion, the following hypothesis is tested:

H₂: Subjective norms have a significant influence on the tendency of micro-entrepreneurs to participate in micro-takaful.

Perceived Behavioural Control towards the Tendency of Micro-Takaful Participation

Perceived behavioural control refers to an individual's perception towards the ease or difficulty to carry out certain behaviour (Ajzen, 1991). This factor has a direct effect towards behaviour as well as an indirect effect towards intention with the assumption that this element has a motivational implication on behavioural intention (Ajzen, 2002). In other words, a community which believes that they have a lot of opportunities and resource (example, time, money, cooperation from everyone) will be likely to have a high perceived control, which leads them to increase their behavioural intention (Maizaitulaidawati & Asmak, 2016). There are a few studies which support the influence of perceived behavioural control towards intention and behaviour (Syed Shah Alam et al., 2012; Alam & Sayuti, 2011; Nik Safiah and Norazlina, 2015). Nik Safiah and Norazlina (2015) in their study involving 308 UUM staff found that the perceived behavioural control factor was the main predictor towards the usage of Islamic personal loans, compared to other factors such as being religious, attitudes and adherence towards the religion. On the other hand, the perceived behavioural control factor did not influence the tendency to participate in agricultural *takaful*. Based on this discussion, the hypothesis below is tested:

H₃: Perceived behavioural control has a significant influence on the tendency of micro-entrepreneurs to participate in micro-takaful.

Conceptual Framework of the Study

According to Muhammad Akbar and Syed Kamaruzaman, (2011), the conceptual framework is developed to create a systematic observation towards the problem of the study by referring to previous studies. The conceptual framework developed includes the variables used to study the factors which influence the tendency of micro-entrepreneurs in Perak to join the micro-*takaful* scheme. This conceptual framework is shown in Diagram 2.

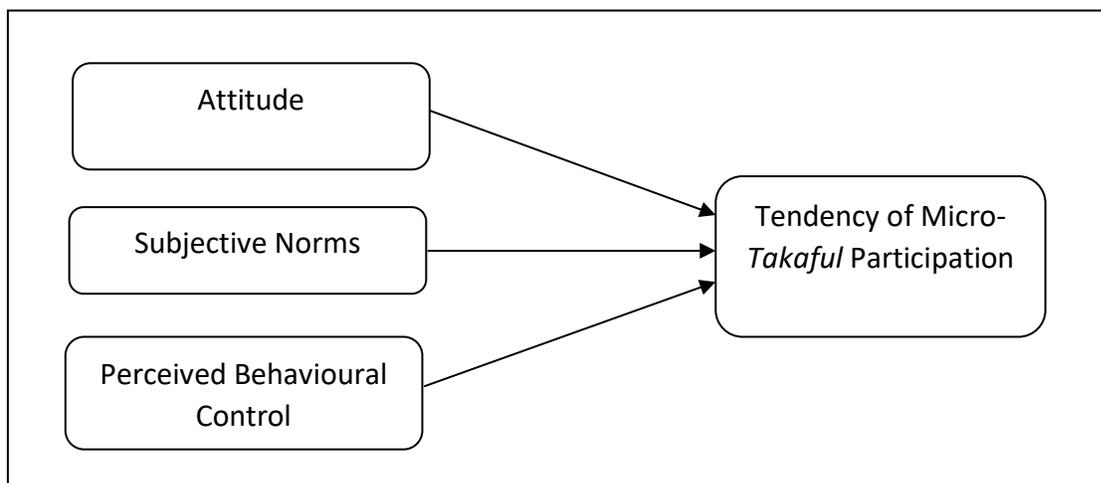


Diagram 2: Conceptual Model of Micro-Takaful Participative Behaviour

Methodology

This study involved the agreement of micro-entrepreneurs in Perak regarding their participation in micro-*takaful*. The Perak state was chosen as the study location due to the development of the small and medium industries (SMEs) with a total of 75,140 industries which represented 8.3 percent of the whole total of SMEs in Malaysia (Department of Statistics Malaysia, 2015). A total of 135 entrepreneurs took part in this study. This number had been determined by taking into account the practices in previous studies, the sample's ability to represent the population and also the rule of thumb for the usage of the data analysis technique, which is a minimum linear regression of about 108 for a medium-sized case at $\alpha = 0.01$ with three variables (Cohen, 1988). The sample selection for this study was conducted using cluster sampling followed by simple random sampling.

Study Instruments

This study is in the form of a survey on the sample using a questionnaire as an instrument for obtaining data. The items used to measure the constructs studied had been adapted and modified from studies by Maizaitulaidawati (2015) and Noor Ashikin (2014). The items for all variables in the study were based on the 7-point Likert scale.

Data Analysis

The analysis for this study involved two kinds of statistics which are descriptive and inferential. The descriptive statistical analysis involved the analysis of frequency, mean and standard deviation (Othman, 2015; Zikmund & Babin, 2006) utilising the Statistical Package for Social Sciences (SPSS) software. Specifically, the distribution diagram explains number of frequency, percentage and standard deviation used to summarise the respondents' profiles (Huck, 2012).

Next, the inferential statistical analysis was utilised to analyse data related to the micro-entrepreneurs' behaviour, with aspects such as attitude, subjective norms and perceived behavioural control influencing the tendency of micro-entrepreneurs to participate in micro-*takaful*. The analysis was conducted to identify the extent of the micro-entrepreneurs' behaviour, involving attitude, subjective norm and perceived behavioural control, in influencing the tendency of micro-*takaful* participation among micro-entrepreneurs. Multiple linear regression was employed in this study due to its suitability in testing the relationship between two or more factors which would contribute towards a change in dependent variable (Pallant, 2015).

The position of reliability and validity for each construct in the study is shown in Table 2. There were four constructs which went through each reliability and validity test: tendency to participate in micro-*takaful*, attitude, subjective norms and perceived behavioural control. The overall reliability level for each construct was satisfactory with a *Cronbach's Alpha* exceeding 0.70 (Hair et al., 2010).

Table 2: Reliability Analysis for the Measurement Scale

Variable	Cronbach's Alpha Value	Number of Items
1. Tendency of Micro- <i>Takaful</i> Participation	0.945	8
2. Attitude	0.962	4
3. Subjective Norms	0.941	8
4. Perceived Behavioural Control	0.934	6

Table 3 shows the Kaiser-Meyer-Olkin (KMO) value exceeding 0.6 with a significant Bartlett's test value which indicated that the data was sufficient to conduct a factor analysis. (Zuraidah et al., 2014).

Table 3: KMO and Bartlett's Test Results

KMO and Bartlett's test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.928
Bartlett's Test of Sphericity	Approx. Chi-Square	4248.216
	df	325
	Sig.	0.000

The EFA results in Table 4 produced 4 factors with a variance value explained at 79.0 percent.

Table 4: The Variance Results Explained

Component	Rotation Sums of Squared Loadings		
	Total	% Variance	Cumulative %
1	7.780	29.921	29.921
2	4.844	18.630	48.551
3	4.116	15.830	64.381
4	3.802	14.635	79.015

Study Findings

To ensure that the assumptions for the multiple linear regression analysis had been fulfilled, a preliminary test was conducted comprising a test to determine normal distribution of the data, and the presence of outliers and multicollinearity issues. A normal data distribution can be determined from a skewness and kurtosis test. If the values of skewness and kurtosis are in the range of ± 2 , then the data can be considered as normally distributed (Garson, 2012). Regarding the values of skewness and kurtosis for all items in the study, it was found that the items were in the range of ± 2 . As such, the normality assumption had been fulfilled.

To assess the existence of extreme values (outliers), two tests were conducted: a standardized z-score to identify the univariate outliers and a Mahalanobis D^2 test to identify the multivariate outliers. Observation on the values of the standardized z-score also found that there were no values exceeding ± 4 , as such; there were no extreme values in the data (Hair et al., 2010).

Observation on the values also did not manage to find any *Mahalanobis D²* value which was significant at the alpha 0.001 (Hair et al., 2010); thus this result revealed no evident *multivariate* outliers (Table 5). Therefore, this study data was free from univariate as well as multivariate extreme values, and the assumption of the required outliers was also fulfilled.

Table 5: Results of Maximum Mahalanobis *D²* Value

	Minimum	Maximum	Mean	Standard Deviation	N
<i>D²</i> (<i>df</i> =1, <i>p</i> 1<0.001)	0.028	13.290	2.978	2.853	135

Additionally, the multicollinearity issue was identified by conducting a test for 2 values, which were tolerance and variance inflation factor (VIF). Based on the rule of thumb, the multicollinearity issue exists if the tolerance value is less than the value suggested at 0.2 (Garson, 2012) and the VIF value exceeds the value suggested, which is 10 (Pallant, 2015). The collinearity statistics results (Table 6) showed that the tolerance value was in the range of 0.996 to 1.000 and the VIF value was in the range of 1.000 to 1.004. As such, the tolerance value for all the independent variables was bigger than the suggested value, which was 0.2 with a VIF value less than the suggested value of 10. This result thus showed that there was no multicollinearity issue which could influence the study findings.

Table 6: Collinearity Test

Independent Variable	Dependent Variable	
	Tendency of Micro- <i>Takaful</i> Participation	
	Tolerance	VIF
Attitude	0.632	1.582
Subjective Norms	0.268	3.727
Perceived Behavioural Control	0.251	3.982

As all the assumptions for the linear regression analysis had been fulfilled, it could be summarized that the study data were suitable for further analysis.

The Behavioural Model on the Tendency of Micro-*Takaful* Participation

A simple linear regression analysis was conducted to fulfil the study objective which was to analyse the influence of attitude, subjective norms and perceived behavioural control on the tendency of micro-entrepreneurs to participate in micro-*takaful* scheme.

Based on the multiple linear regression analysis (Table 7), the *R²* value for the model was 0.719. This indicated that 71.9 percent of the variation in the tendency to participate in micro-*takaful* (dependent variable) could be explained by the three variables: attitude, subjective norms and perceived behavioural control. The ANOVA table showed the *F* value (3,131) = 111.802 with a *p*-value (0.000) less than α (0.001). As such, at least one out of three independent variable tested had a significant linear relationship with the dependent variable. In other words, at least one of the factors

tested, which could either be attitude, subjective norms or perceived behavioural control, would have a significant relationship with the tendency to participate in micro-*takaful*.

Table 7: Results of the Multiple Linear Regression Analysis (Summary of Model and Anova)

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.848	0.719	0.713	0.78024
	F			sig
	111.802***			0.000

Note: ***significant with $\alpha = 0.001$, **significant with $\alpha = 0.005$, *significant with $\alpha = 0.05$.

To identify whether there exist a significant relationship between the independent variable and the dependent variable, the *p*-value and standardized beta value were assessed. The findings in Table 8 showed that the three independent variable tested, which were attitude ($p=0.000$, $p<0.001$), subjective norms ($p=0.004$, $p<0.005$) and perceived behavioural control ($p=0.000$, $p<0.001$), had a significant and positive relationship towards the tendency on micro-*takaful* participation. Apart from that, the standardised *beta* value showed the factor of perceived behavioural control ($\beta = 0.444$) as a dominant factor in influencing the participation on micro-*takaful*, followed by the factor of subjective norms ($\beta = 0.262$) and attitude ($\beta = 0.240$). As such, it could be determined that the higher the attitude, subjective norms and perceived behavioural control, the more likely those micro-entrepreneurs would participate on micro-*takaful* protection.

Table 8: Results of Multiple Linear Regression Analysis (Coefficient)

Model	Independent variable	Standardised Beta coefficient	<i>t</i>	Significant
1	Attitude ***	0.240	4.113	0.000
	Subjective Norms**	0.262	2.926	0.004
	Perceived Behavioural Control***	0.444	4.808	0.000

Note:

Dependent variable: Tendency to participate in micro-*takaful*

***significant with $\alpha = 0.001$, **significant with $\alpha = 0.005$, *significant with $\alpha = 0.05$.

The summary for the results of the test can be seen in Table 9.

Table 9: Summary of the Hypothesis Testing Result

	Hypothesis	Result
<i>H</i> ₁ :	Attitude has a significant influence on the tendency of micro- <i>takaful</i> participation.	Supported
<i>H</i> ₂ :	Subjective norm has a significant influence on the tendency of micro- <i>takaful</i> participation.	Supported
<i>H</i> ₃ :	Perceived behavioural control has a significant influence on the tendency of micro- <i>takaful</i> participation.	Supported

Discussion

This study aims to analysis the tendency of micro-entrepreneurs to participate in micro-*takaful* schemes. The data collected among the micro-entrepreneurs in Perak showed that the suggested model was effective in predicting the tendency of the entrepreneurs in micro-*takaful* participation.

The findings revealed that the TPB model could explain the 79.0 percent variance of the tendency to participate in micro-*takaful* schemes. The data showed that attitude, subjective norms and perceived behavioural control were important factors in determining the willingness of the micro-entrepreneurs to participate in the micro-*takaful* schemes.

The findings showed in detail that perceived behavioural control was the main factor in influencing the tendency to take part in micro-*takaful* schemes. This proved that micro-entrepreneurs with positive perceptions such as those who had access to resources and facilities would be likely and willing to participate in these micro-*takaful* schemes. Such a significant influence is parallel with the findings from Ajzen (1985), Alam et al. (2012), Alam and Sayuti (2011) and Nik Safiah and Norazlina (2015). Additionally, the subjective norm factor also had a significant influence with the tendency to join the micro-*takaful* schemes. These findings indicated that the greater the influence from others, the more likely that micro-entrepreneurs would participate in the schemes mentioned. These findings are parallel with the findings from Abdullah et al. (2014), Mohd Azizi et al. (2017) and Hanudin (2012). Similarly, the attitude factor had a direct and significant influence on the tendency on micro-*takaful* participation. This clearly shows that micro-entrepreneurs with a highly motivation would be attracted to join these schemes. As such, this indicates that the study findings are in line with previous studies by Ajzen and Fishbein (1980), Maizaitulaidawati and Asmak (2016), Mohd. Azizi et al. (2017) and Mohamad Rohieszan et al. (2018).

Implications and Conclusion

The study findings contribute towards theoretical and practical implications. Based on the theoretical perspective, this study provides additional empirical evidence to the existing literature related to the need for a micro-*takaful* scheme as an initiative to minimise the loss caused by the micro-entrepreneurs' involvement in the risk of uncertainty.

From the practical aspect, this study is in line with the government's policy to increase financial inclusion among the Bottom 40% (B40) and Middle 40% (M40) segments. This study aims to provide a new dimension not just for the academicians, but also for the micro-*takaful* entrepreneurs. To increase the micro-*takaful* participation, micro-*takaful* providers and policy makers should build a positive entrepreneurial attitude by creating awareness in the society about the role of micro-*takaful* in financial inclusion which aims to eradicate poverty and improve society's wellbeing. Therefore, policy makers such as the Ministry of Entrepreneur Development of Malaysia should promote the micro-*takaful* product to all segments of the societies so that the public can understand the benefits of the scheme. From the aspect of perceived behavioural control, micro-*takaful* providers should take into account the ability of micro-*takaful* entrepreneurs to participate in the schemes in terms of contributing (low) premiums, easy policy documentation and faster and easier claims procedure. It is imperative that the policy makers and *takaful* institutions to be more proactive and improve the micro-*takaful* system as well as upgrade the product's accessibility by expanding the service to post office, markets, zakat centres, wakaf institutions and cooperatives. Additionally, information should

be disseminated about the importance of micro-*takaful* schemes to guarantee protection, safety and the rights of micro-entrepreneurs in Perak as well as the whole of Malaysia.

Acknowledgement

This research is funded by Universiti Pendidikan Sultan Idris Research Grant (2017-0165-106-01).

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