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The Role of Awareness and Knowledge toward Motor Takaful Purchase Intention among Young Generation

Joeaiza Juhari¹, Najihah Abdul Rahim², Nik Rozila Nik Mohd Masdek³, Khaizie Sazimah Ahmad⁴, Norhusniyati Husin⁵

^{1,2,4,5}Faculty of Business Management, Universiti Teknologi Mara Melaka, 78000 Alor Gajah Malaysia, ³Faculty of Business Management, Universiti Teknologi Mara Selangor, 42300

Bandar Puncak Alam Malaysia

Email: joeaiza884@uitm.edu.my

Abstract

In Malaysia, the requirement to purchase a motor insurance is stated in the Road Transport Act 1987. It is a compulsory insurance policy for the owner of the motor vehicle in order to use the public road. There is no specific restriction to purchase as the decision to buy either conventional motor insurance or takaful products will depends on the insured's choice. Recently, the demand for motor takaful is increasing tremendously due to several factors. Nevertheless, the market penetration of takaful products still lower than the conventional insurance. Lack of awareness and knowledge about the concept of takaful were some of the contributory factors based on previous studies. This research aims to discover the role of awareness and knowledge towards motor takaful among young generation. Primary data collection was used through online survey involving young generation. Data analysis was performed by using SPSS version 27.0 and descriptive statistics were used to define the respondents. The findings showed lack of awareness and knowledge among the young generation pertaining to the elements of motor takaful. This finding would be useful for the takaful operators to look into their marketing strategies to stay competitive in the insurance and takaful industry.

Keyword: Takaful, Motor Takaful, Awareness, Knowledge, Purchase Intention

Introduction

The number of road accident cases in Malaysia were tremendously increased over the ten 10 years period since 2010 to 2019. There are various factors that contribute to this number. Inexperience driver and risk-taking behavior were some of the contributing factors (Rolison et. al, 2014). One of the loss reduction methods is by transferring the risk to the general insurance company by purchasing motor insurance or motor Takaful. Currently, there are 13 number of licensed Takaful operators listed in the Central Bank of Malaysia (Bank Negara Malaysia, 2022).

Today, insurance is also considered as necessity for the individuals and businesses. Since the risks inherently exists, the role of conventional insurance and motor takaful is similar as to

provide protection to the insured against risk exposures. Nevertheless, Takaful product has several major differences in comparison to conventional insurance in a form of compliance of several elements. The elements of uncertainty, gambling and riba' were strictly prohibited in the Takaful business (Sharifuddin et. al., 2016). The system of takaful is based on the principle of Ta'wun (mutual cooperation) and Tabarru' (donation) implies the intention of participation and willingness to help members in need (Ismail, 2013). Thus, motor takaful can be described as a joint guarantee policy that requires the participants to contribute their premium in a pool and mutually agree to help those participants in need. It includes the principles of mutual help, shared responsibility and cooperation.

In insurance industry, understanding of customer's intention is very crucial to encourage more participants to subscribe insurance and takaful products. To stay competitive in the industry, it is vital for the insurance and takaful operators to examine the influential factors that influence the customer's intention and behaviors. There are various factors that have been discussed by many scholars. Nevertheless, this study only focuses on the awareness and knowledge of young generation in their purchase intention of motor takaful.

Literature Review

Awareness of takaful

Takaful was introduced in Malaysia in 1984. It offers variety type of products that could protect individuals and businesses to encounter any peril that cause loss to them and their properties. Despite of more than 30 years of establishment, there are some people that still do not aware of the takaful products and its benefits. For instance, in a study conducted by Salman et al (2017), they discovered that majority of non-Muslims were unaware of the elements in conventional practice involved uncertainty, gambling and interest. There are various factors that lead to this low degree of awareness among individuals and businesses. For instance, based on a study conducted by Salleh and Lasana (2018) involving 536 flood victims in the east-coast region in Malaysia, it was revealed that majority of the respondents were uncertain about takaful especially the elders. Nevertheless, respondents with higher education had higher level of awareness about the existence and the significance to subscribe it. In addition, based on finding obtained from Salleh et al (2017) study, they found out that majority of the respondents are aware of the takaful and the differences between takaful and conventional. However, they were uncertain about the coverage and their financial ability to pay for the takaful premium.

The Influential Factors toward Motor Takaful Purchase in Malaysia

One of the factors that encourage the demand of the conventional motor insurance is the knowledge about the policy itself. Based on a finding obtained from a study conducted by Shamsuddin et al (2016), majority from the respondents purchased conventional motor takaful due to insufficient knowledge about motor takaful. It shows that they tend to choose a motor insurance based on their capacity to understand the policy. Also, in this study, the respondents revealed that they obtained the knowledge about the takaful policy from the takaful advisor. There are many other influential factors towards the purchase intention to buy motor takaful. For instance, with reference to Kamil and Nor (2014), three main factors were identified. The reliability of agents, public awareness and the availability of the insurance operators in the insurance industry are some of the identifiable factors according to their studies.

The marketing strategy of the takaful company must always being updated in response to changes in the business environment. In order to encourage more participants of takaful, the use of digital marketing, social media and the performance of the agent must be given more attention. In reference to Husin and Rahman (2013) in their studies, it was discovered that awareness, knowledge and exposure have significant impacts on the participation of takaful. It was also stated that the subjective norms were influenced by the word of mouth and mass media marketing that subsequently influence individual's intention to purchase takaful products. In addition, according to Sarwar and Qureshi (2013), they also highlighted that insufficient knowledge on insurance also had influenced on the intention to purchase the life and health insurance.

Customer Purchase Intention of Takaful

Intention can be described as an intended outcome of action and it includes either planned or unplanned purchase (Sentot et. al., 2015). Generally, the stronger the degree of intention, the higher the potential individual in engaging of a particular product (Azjen, 1991). In other words, purchase intention can be referred to individual's willingness or readiness to purchase any product or to use any service. There are various factors that contribute to the customer purchase intention. Based on Kamil and Nor (2014), knowledge is one of the contributory factors that affect customer's purchase intention. The source of information about takaful can be obtained through the intermediary, internet and reading materials.

Research Methodology

This study used primary data (questionnaire) and secondary data related to the study obtained from various types of journals and articles. A set of questionnaires was developed and categorized into four sections known as demographic profile, awareness, knowledge and customer purchase intention. A total of 249 questionnaires were distributed and analyzed using SPSS software and descriptive analysis is used to provide insightful information about the profile of the respondents and study.

Findings and Discussion

Profile of the Respondent

This section discusses the demographic background of the respondents such gender, age, religion, faculty, and highest education. The total of 249 students from various faculties involved in this study which consist of 62 males (24.9%) and 187 females (75.1%). As shown in Table 1, it illustrated the age of the respondents. Most of them, 71.1%, were from the age group of 18 to 20 years old, followed by the age range of 21 to 23 (28.1%), 24 to 26 (0.4%) and 27 to 29 is 0.4%. Majority of the respondents are Muslim (98.8%) and only 1.2% of them are non-Muslims. This study indicated that 191 of the respondents are from the Faculty of Business and Management (76.7%). Another 27 respondents are from the Faculty of Hotel and Tourism Management (10.8%), followed by the Faculty of Art and Design (6.4%), Faculty of Academy of Language Studies (5.6%) and only minority of them, that is, 0.4% are in the Faculty of Plantation and Agrotechnology. Majority of the respondents hold a diploma (66.7%), followed by undergraduate degree (21.3%), SPM (11.6%), and post graduate degree (0.4%).

Table 1

Profile of the Respondents

Item	Category	Frequency	Percent (%)
Gender	Male	62	24.9
	Female	187	75.1
	Total	249	100
Age	18 to 20	177	71.1
	21 to 23	70	28.1
	24 to 26	1	.4
	27 to 29	1	.4
	Total	249	100
Religion	Muslim	246	98.8
	Non-muslim	3	1.2
	Total	249	100
Faculty	Business and Management	191	76.7
	Art and Design	16	6.4
	Hotel and Tourism Management	27	10.8
	Plantation and Agrotechnology	1	.4
	Academy of Language studies	14	5.6
	Total	249	100
Highest Education	SPM	29	11.6
	Diploma	166	66.7
	Undergraduate degree	53	21.3
	Post graduate degree	1	.4
	Total	249	100

Awareness of Takaful

The following table represents frequency analysis pertaining to awareness of motor takaful. As indicated in the Table 2, of 249 respondents, 69.1% from the entire respondents are aware of Takaful products and 77 respondents representing 30.9% of them do not know about Takaful products. Most of the respondents are aware of Motor Takaful products (53.8%) and another (46.2%) of them are not aware. Majority of the respondents are aware of the Motor Takaful Operators (Insurance companies) 57.4% and another 42.6% of them are not aware about it. Surprisingly out of 249 respondents, 138 (55.4%) of them are not aware of the differences between conventional motor insurance and motor takaful. Only 111 of the respondents (44.6%) are aware of the differences between conventional motor insurance and motor takaful. Most of the respondents (45.4%) identified that internet is the sources of information that create awareness of motor takaful. Whereas 20.1% stated that seminar/talk /lecture are the sources of information that create awareness of motor takaful, followed by 14.5% (friends and relatives), 10.8% (insurance agent), 7.6% (TV and radio) and only 1.6% (newspaper and magazines). Majority of the respondents are not aware of Motor Takaful

products due to lack of promotional activities (40.6%), followed by insufficient information pertaining to motor takaful products (38.6%), do not know the meaning of the term (18.1%) and never heard about takaful is only (2.8%).

Table 2

Awareness of Takaful

Item	Category	Frequency	Percent (%)
Do you know about takaful products?	Yes	172	69.1
	No	77	30.9
	Total	249	100
I am aware of Motor Takaful products.	Yes	134	53.8
	No	115	46.2
	Total	249	100
I am aware of the Motor Takaful Operators (Insurance companies)	Yes	143	57.4
	No	106	42.6
	Total	249	100
I am aware of the differences between conventional motor insurance and motor takaful.	Yes	111	44.6
	No	138	55.4
	Total	249	100
The following are the sources of information that create awareness of motor takaful.	Seminar / Talk / Lecture	50	20.1
	Internet	113	45.4
	Friends and Relatives	36	14.5
	Insurance Agents	27	10.8
	TV and Radio	19	7.6
	Newspaper and Magazines	4	1.6
	Total	249	100
I am not aware of Motor Takaful products due to	I never heard about takaful	7	2.8
	I do not know the meaning of the term	45	18.1
	Insufficient information pertaining to motor takaful products	96	38.6
	Lack of promotional activities	101	40.6

	Total	249	100
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Knowledge of Takaful

Table 3

Knowledge of Takaful

Item	Category	Frequency	Percent (%)
Do you know that Takaful products comply with Shari'ah?	Yes	199	79.9
	No	50	20.1
	Total	249	100
Do you know that Takaful practice is ethical?	Yes	181	72.7
	No	68	27.3
	Total	249	100
Do you know that Takaful is suitable for anyone regardless of religion?	Yes	192	77.1
	No	57	22.9
	Total	249	100
Do you know that Takaful is free from interest (Riba)?	Yes	199	79.9
	No	50	20.1
	Total	249	100
Do you know that Takaful is free from uncertainty (Gharar)?	Yes	174	69.9
	No	75	30.1
	Total	249	100
Do you know that Takaful is free from gambling (Maysir)	Yes	178	71.5
	No	71	28.5
	Total	249	100
Do you know that Takaful does not involve in any prohibited business activities?	Yes	174	69.9
	No	75	30.1
	Total	249	100
Do you know that Takaful can provide the coverage and benefits similar to conventional insurance?	Yes	194	77.9
	No	55	22.1
	Total	249	100
Do you know that Takaful policy holders mutually share the risk?	Yes	149	59.8
	No	100	40.2
	Total	249	100

As shown in Table 3, it illustrated the knowledge of takaful. Surprisingly, majority of the respondents (79.9%) known that Takaful products comply with Shari'ah. However, (20.1%) of the respondents are still do not know that Takaful products comply with Shari'ah. Majority of the respondents (72.7%) are in the know that Takaful practice is ethical but only (27.3%) of them has lesser knowledge. Most of the respondents (77.1%) known that Takaful is suitable for anyone regardless of religion and (79.9%) of them known that Takaful is free from interest (Riba). Minority of the respondents (30.1%) do not know that Takaful is free from uncertainty (Gharar). However, majority of the respondents (69.9%) has knowledge that Takaful is free from uncertainty (Gharar). The analysis of the data in this table also indicated that (71.5%) in

the know that Takaful is free from gambling (Maysir) and (69.9%) of them known that Takaful does not involve in any prohibited business activities. Most of the respondents (77.9%) stated that they are in the know that Takaful can provide the coverage and benefits like conventional insurance but another (22.1%) of them has lesser knowledge. Only (59.8%) of the respondents known that Takaful policy holders mutually share the risk and whereas (40.2%) of them has lesser knowledge.

Customer Purchase Intention

Table 4

Customer Purchase Intention

Item	Category	Frequency	Percent (%)
In the future, I will buy motor takaful products due to the benefits offered by the product.	Yes	217	87.1
	No	32	12.9
	Total	249	100
I plan to buy motor takaful product due to the awareness of motor takaful products.	Yes	204	81.9
	No	45	18.1
	Total	249	100
I would advise others to buy motor takaful products.	Yes	218	87.6
	No	31	12.4
	Total	249	100
I am very likely to buy motor takaful products in the future.	Yes	214	85.9
	No	35	14.1
	Total	249	100

As revealed in the Table 4, it shows that most respondents seem to indicate that they are agree in the future, they will buy motor takaful products due to the benefits offered by the product (87.1%). However, (12.9%) of them are not agree. Evidence seems to suggest that the respondents seem to agree that they will plan to buy motor takaful product due to the awareness of motor takaful products (81.9%) and only (18.1%) of them said that they are not planning to buy it. Minority of the respondents which is (12.4%) stated that they would not advise others to buy motor takaful products. Whereas (87.6%) of the respondents indicated that they would advise others to buy motor takaful products. Majority of the respondents believed that they are very likely to buy motor takaful products in the future (85.9%) and only (14.1%) of them expressed rejection.

Conclusion and Suggestions

The purpose of this study is to examine the role of awareness and knowledge on motor takaful purchase intention. Based on the above results, four conclusions can be made. Firstly, even though young generation are aware of the takaful products, the level of awareness is not too encouraging. Approximately 42% of the entire respondents still do not aware of motor takaful products, motor takaful providers and the differences between conventional motor insurance and motor takaful policy. These findings show that the level of understanding the products had some impact on the customer's intention to purchase it. This is supported by previous research conducted by Liza et al (2011); Ahmad et al (2010) that have stressed on the same

thing. They believed that poor knowledge and understanding of takaful and insurance might affect the customer's intention to purchase the products.

Secondly, in this study, it was revealed that lack of promotional activities had an influence on the awareness of motor takaful. It is recommended to the takaful operator to do some innovation in their marketing channels and activities. In order to cope with technological changes, innovation should be done as it is a growing industry. Based on Husin and Rahman (2013), demographic characteristics might affect marketing strategies of the company in a form of identification of customer's needs and a way to measure customer's intentional behaviors.

Thirdly, although 79.9% of the respondents are aware of the Syariah compliance in motor takaful, their knowledge regarding on motor takaful is very limited. They did not have sufficient information pertaining to elements of motor takaful such as free of interest, uncertainty and gambling. Also, they had very little understanding about risk-sharing practice in motor takaful. The results of the present study had some similarity with previous findings from a study conducted by (Matsawali et al., 2012). According to the findings, majority of the respondents do not have a comprehensive understanding about takaful and one of the suggestions was to disseminate more information and to create more awareness among the public pertaining to takaful.

Lastly, majority of the respondents believed they would purchase motor takaful due to awareness about the products and the benefits offered in the motor takaful policy itself. This result concurrent with previous research that used product knowledge, awareness, advertising and benefits of the products as the variables in their study on level of acceptance of motor takaful products. In Aziz et al (2011), it was revealed that knowledge of the product is crucial to influence customer's intention.

The findings of this study will benefit the motor insurance operators particularly the motor takaful providers in many ways. Considering the use of social media in today's communication, the company should make use of this medium to reach their young age market segmentation. Understanding of the motor takaful product among young generation is vital as they are the potential of subscribers in the future. This study indicates that awareness on motor takaful and knowledge about the benefits of the takaful products will influence the customer purchase intention. However, the survey was conducted among the young generation in Malaysia. Thus, it is recommended for the future researcher to examine further the relationship between these variables, and add some other variables in the related study.

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