Chapter 33
An Analysis of Determinants to Choose Family Takaful

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ABSTRACT

This chapter examines the determinants that influence the customer’s adoption towards the use of family Takaful scheme by extending the diffusion of innovation (DOI) theory in the context of Pakistan. The published work allied to Takaful studies and DOI was reviewed. Total of 282 respondents who are non-users of family Takaful product were used for the purpose of primary data collection through convenience sampling. The customer’s adoption towards Islamic insurance is determined not only by perceived relative advantage and perceived compatibility but also by awareness and religious belief. Perceived complexity, on the contrary, turns not to be a predictor of family Takaful adoption. Further gender, age and education level do not moderate the family Takaful adoption by the customers. This research like others have limitations in terms of sampling method used and only covers one city of Pakistan, namely, Karachi. Further studies need to be conducted in other cities as well with a large population. Diffusion of innovation theory is not used in the context of Pakistan due to scarcity in the literature on empirical studies. Therefore, the author extends the diffusion theory of innovation in the current work. Further, this chapter will be a useful reference guide for the academicians, operators of Takaful business and future researchers.

DOI: 10.4018/978-1-7998-0218-1.ch033
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Table 1. The performance of general and family Takaful Industry

<table>
<thead>
<tr>
<th>Sector</th>
<th>Market share %</th>
<th>Estimated Revenue</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Takaful</td>
<td>83</td>
<td>US$ 12.3 bn</td>
<td>17</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>17</td>
<td>US$ 2.6 bn</td>
<td>1</td>
</tr>
<tr>
<td>Total Takaful</td>
<td>100</td>
<td>US$ 14.9 bn</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Milliman analysis of industry data (Ismail et al., 2017)

INTRODUCTION

*Takaful* means “joint guarantee”, which roots from *Kafalah* an Arabic word (Mohamed & Nor, 2013). In terms of interpretation, *Takaful* means Islamic insurance and comparatively, it is not as popular as conventional insurance. There are operators of *Takaful* in more than 20 countries worldwide (Abdul Wahab, Lewis, & Hassan, 2007). Table 1 below depicts that *Takaful* market is predominantly estimated with the US $14.9 billion industry as of 2015 with a total global *Takaful* contribution (Ismail et al., 2017).

According to Ismail et al. (2017), most of the *Takaful* business is dominated by Saudi Arabia, Malaysia and other Middle East countries. Furthermore, Malaysia dominates the family *Takaful* market globally. When compared to conventional insurance the share of *Takaful* (Islamic insurance) is lower, which makes up about EUR 3.6 trillion global insurance industry in 2016 (Weimann, 2017).

Moreover, this study focuses on the factors responsible for customer’s participation towards family *Takaful* product in Pakistan. In a similar vein, this study will use Roger’s DOI theory in order to test the model proposed for customer’s willingness to participate in family *Takaful* product.

BACKGROUND

In 2014, the Securities & Exchange Commission of Pakistan (SECP) also allowed other insurance providers to deal in Islamic insurance using specific *Takaful* windows. Doing so Pakistan is the next country to Indonesia in terms of formally providing *Takaful* operation permits to conventional insurance operators (Amer Hamzah & Vizcaino, 2014).

On the same note, the key players of *Takaful* business in Pakistan are; *Takaful* Pakistan Ltd, Dawood Family *Takaful*, the Pak-Qatar Family *Takaful*, the Pak-Kuwait *Takaful* Company. On the other hand, after SECP permitted conventional insurance companies to operate Islamic insurance window the new Islamic insurance providers given the license to run business were; EFU Life Insurance, United Insurance company, Jubilee Life Insurance Company and IGI Life Insurance.

In this study, the *Takaful* scheme is seen as a new innovative service which the customers are supposed to adopt. Further, in the existing literature a solid theoretical grounding, as well as constant empirical support for the DOI, is evident. However, Chau and Tam (1997) point out that despite the popularity of the DOI model it has received substantial criticism in many aspects. For this reason, the current study integrates selected constructs of DOI theory with two additional ones so as to reinforce the predictivity of the model to the factors which influence the customer’s adoption to use family *Takaful* scheme in Pakistan.
Ownership Structure and Firms’ Performance in the Period of Crisis. Evidence From the Listed Food and Beverage Firms in the Athens Stock Exchange