

## **Australian Muslim Consumers and Takaful Products: an Empirical Study Investigating Awareness, Perceptions and Purchase Intentions**

**Muhammad K. Abdulsater**

### **Abstract**

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**Purpose:** The aim of this research is to empirically investigate the relationship between levels of awareness, perceptions and purchase intentions towards Islamic insurance (Takaful) products amongst Australian Muslim consumers. We delineate between general and life insurance products and seek to examine possible relationships between three components of the consumer attitude as expounded by Rosenberg and Hovland (1960) in their tripartite attitudinal model and levels of religiosity. **Design/methodology:** We utilize responses gained from a convenience sample of 150 Australian Muslim consumers located across metropolitan Sydney. The study was administered online via Facebook invitations.

**Findings:** Perception plays no significant role in mediating the relationship between religiosity and purchase intentions. There was found to be a significant positive relationship awareness and perceptions of both Islamic general and life insurance and a significant negative relationship between religiosity and purchase intentions towards Islamic general insurance. Low to moderate levels of awareness were reported across general and life insurance.

**Limitations:** The convenience sample was drawn from a homogenous sample located within the same city. This may have affected the results and impacted generalisability of results.

**Implications & value:** The study highlights the importance of raising awareness of such products amongst Australian Muslim's and is a pioneering study within the context of a secular non-Muslim country.

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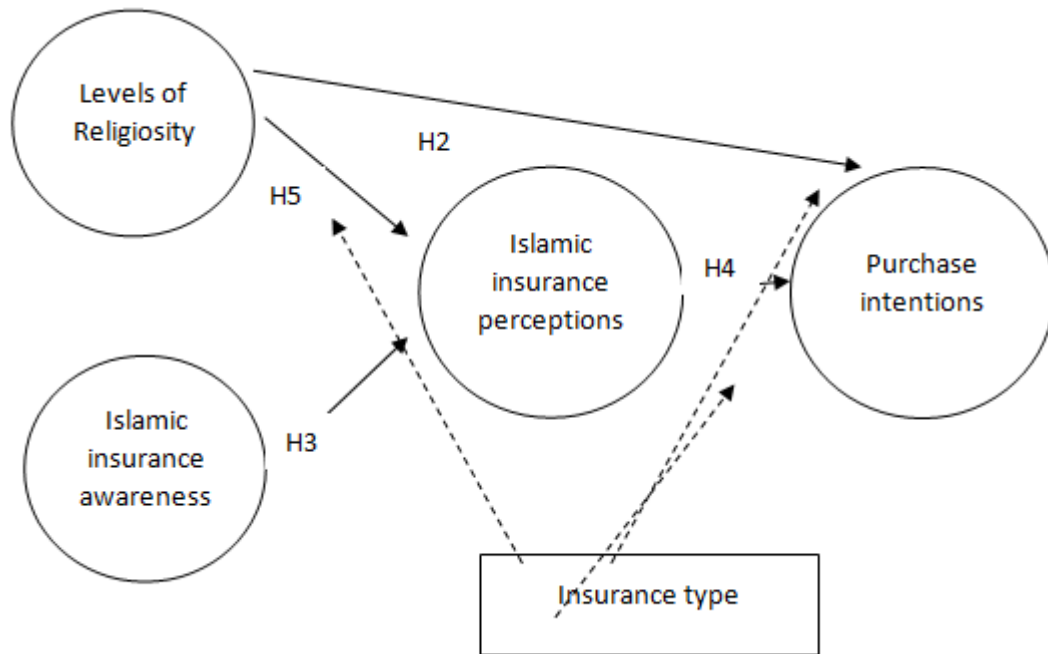
### **Background**

Islam is a complete code of life for Muslims. For everything they do, purchase, use or consume, Muslims seek to learn if their proposed action is permissible from the Islamic viewpoint. Purchasing a conventional insurance policy, a practice that is common in modern times has long been a contestable issue amongst Islamic scholars. Most scholars however deem it to be un-Islamic, but given the modern economic system, it is often mandatory for Muslims to purchase such products, particularly policies covering property, automobiles, home and contents and boats. There has been a latent demand for an Islamic type of insurance amongst new generation Muslims and consequently there have been efforts to 'Islamise' insurance which has resulted in the development of Takaful. Takaful is a cooperative system of reimbursing people and companies concerned about hazards when they incur loss out of a fund to which they agree to donate small regular contributions managed on behalf of members by an operator (Bhatti, 2011). Entrepreneurs claim these products are permissible according to Islamic tenets, however talking to the prospective buyers of such products, we believe there is a lack of understanding and knowledge surrounding these products which may have influence Muslim's perceptions and subsequent adoption. The purpose of this research is to gain an empirical understanding of knowledge, perceptions and attitudes of Australian Muslim consumers towards Islamic insurance products and to examine possible relationships between these constructs (i.e. awareness, perceptions and purchase intention) and the consumers level of religiosity.

Our research extends the literature as it deliberately distinguished between attitudes and subsequent purchase intention for general and life insurance. We measure consumer attitudes by adopting the tri-partite model of Rosenberg and Hovland (1960) that views attitude as a composite of a cognitive, affective and conative component. Levels of religiosity were measured using a religious commitment inventory scale adapted from Razzaque and Chaudhry (2013) to examine a possible link between higher levels of religiosity and willingness to consumer both Islamic general and life insurance products.

#### Research Themes And Model

**Figure 1. A conceptual model of the awareness, perceptions and purchase intention relationship**



The basic premise of the model is that intention to purchase Islamic insurance products is a function of four composite variables, namely levels of religiosity, awareness, perception and purchase intention. Levels of religiosity and awareness are the exogenous independent variables. Perception is the mediating variable and purchase intention is the endogenous dependent variable. The type of insurance (general or life) is the moderator variable between religiosity and perception, perception and purchase intention and levels of religiosity and purchase intention.

#### Data Sources and Method

A total of 150 Australian Muslim individuals over the age of 18 who were either born in Australia or Australian citizens were approached online via a Facebook invitation to participate in a self-administered questionnaire. 140 of those approached completed the survey however 15 of the responses were unusable as they were not completed properly. As such, the study was based on the responses of 125 valid respondents and represented a high responses rate of 83.3%. Item variables in the questionnaire scale were tested for validity and reliability against Cronbach (1951) and Fornell and Larcker (1981) criteria. Data in the scales was subjected to principal component factor analysis with direct oblimin rotation for data reduction purposes. A moderated mediation analysis was conducted through SPSS macro's made available by Preacher, Rucker and Hayes (2007) whereby a simple mediation analysis was performed with a Sobel (1982) significance test for indirect effect of the predictor variable on the outcome variable. A series of regressions and correlation analyses were also conducted to test the hypothesised relationships outlined in the conceptual model.

#### Findings

H1: *There will be a low to moderate level of awareness about Islamic insurance products amongst Australian Muslim consumers*

This first hypothesis was supported confirming a generally held speculation. Likert type statements were used to measure levels of awareness on a continuum ranging from strongly disagree (1) to strongly agree (5). The mean scores of each of the four statements on the awareness scale items were below 3.7 indicating a relatively low and moderate level of awareness leading to the acceptance of H1.

*H2: There is a negative relationship between religiosity and willingness to purchase Islamic general insurance products*

The second hypothesis which predicted a negative relationship between religiosity and purchase intentions towards Islamic general insurance was supported. This was an interesting finding in which the hypothesis was predicted due to the reasoning that regardless of whether the insurance is general or life, the more religious the consumer is, the more faith they have in God and thus are less likely to purchase these types of insurance products.

*H3: There is a positive relationship between awareness and perceptions towards both Islamic general and life insurance products*

This hypothesis was supported, the more aware the respondent is of Islamic insurance, the more positive their perceptions are of both Islamic general and life insurance. Considering the general averseness and negative penetration of life insurance in Muslim majority countries (Beck and Webb, 2003), this is an interesting result. This may be an outcome of acculturation which explains the process of cultural and psychological changes that result following the meeting of two cultures (Sam and Berry, 2010). Adjustments and adaptations made by minorities such as immigrants, refugees and indigenous people in response to their contact with the dominant majority have been well researched (Croucher, 2011). Perhaps, Muslims living in Australia have been influenced by Western culture and developed a liking for insurance, a common phenomenon in Western cultures.

*H4: There is a positive relationship between perceptions and increased willingness to purchase Islamic general insurance products*

*H5: There is a positive relationship between religiosity and perceptions towards Islamic general insurance products*

Hypothesis 4 and 5 lacked support. This is acceptable, perception need not necessarily translate into intention, perception may be independent of perception. In the same vein, religiosity may not necessarily be a factor in perception. In Australia, a highly religious Muslim motorist must purchase a third party car insurance policy even if he/she does not perceive insurance favourably. In the moderated mediation analysis, the results show there was no evidence of any mediating effect of perception on the relationship between religiosity and intention. This may explain the lack of significance in hypotheses 4 and 5.

## Conclusion

The strong positive relationship between awareness and perception highlights the importance of increasing awareness of Takaful products amongst Muslim consumers living in non-Muslim countries. It further points out the vital relationship between increasing the consumers level of awareness and the formation of positive perceptions towards Takaful. The study also reveals the importance on placing an emphasis on educational marketing campaigns by companies wishing to influenced Muslim consumer behaviour towards Takaful products. An interesting finding of this study with an important managerial implication is the fact that contrary to common belief, the relationship between religiosity and purchase intentions towards Islamic general insurance is negative. In this study, it seems as even though general insurance poses less of a theological dilemma as compared to life insurance, Australian Muslim consumers lean more towards certitude and less towards uncertainty. This finding indicates that's firms seeking to expand their Takaful operations into Muslim minority markets, depending on the levels of religiosity, the success of the products would vary. Furthermore, based on this finding, Takaful products would be more successful with less religious consumers. This research can be of practical significance to multinational organizations seeking to expand their Islamic finance products, particularly Takaful products into developed countries such as USA, Australia and the UK where there is a sizeable Muslim market. By providing insights into perceptions, awareness and attitudes of Muslim consumers towards the consumption of Islamic insurance products, this empirical research may provide some food for thought for managers seeking expansion into non-Muslim countries.

**Author's Note:** This dissertation was submitted for the degree of "Honours" in Marketing at the University of New South Wales Business School, Sydney Australia in 2014 and was supervised by Associate Professor Dr. Mohammed AbdurRazaque of the University of New South Wales. Muhammad Abdulsater is now a PhD student in Management at the University of Notre Dame, Sydney under the supervision of Dr. Alessandro Bressan. E-mail: 20174047@my.nd.edu.au

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