

CUSTOMERS' INTENTION TO USE SHARIA FAMILY INSURANCE

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ABSTRACT

Risk is unpredictable thing that people want to avoid or minimize it. Sharia family insurance is one of the alternatives that can be used to minimize risk. However, Indonesian people, known as the largest Muslim population, are selective in deciding whether to use the sharia or conventional one. Thus, this research aims to analyze the factors that influence customers' intention to use sharia family insurance. This study was conducted using quantitative approach with survey method and data was collected using questionnaire. The survey involved 180 respondents. Using judgment sampling, the respondents were married people who have sharia family insurance. Data was analyzed using SEM. There are four proposed factors (protection, investment, WOM referents, media referents) that influence intention to use sharia family insurance mediated by attitude or subjective norm. However, protection was not significant to influence that relationship. This study is expected to give a brief view and insight for parties involved in sharia insurance industry to give better service and to attract more customers.

Keywords: sharia family insurance, subjective norm, attitude, intention to use

Introduction

Insurance provided by organization offers a service to anticipate the risk of loss in the future which is unpredictable. In Indonesia, there are two types of insurance, conventional and sharia. In general, the difference between conventional and sharia is on how to manage the money. The conventional insurance bases on interest and the sharia insurance bases on *wakallah bil ujrah* (DSN, 2008). Indonesia has a big population of people and also population of Muslim (87.18%). Thus, sharia family insurance could be the main alternative to keep the future safe. Yazid *et al.* (2012) explained that sharia insurance is provided to fulfill the customers' need and want who not sure about the halal status of conventional insurance. However, Indonesian Financial Services Authority (Otoritas Jasa Keuangan) mentioned that the total customer of sharia financial in 2015 is only 18.75% out of total financial customers. It in line with Yazid *et al.* (2012) who stated that Takaful (sharia insurance) industry still lags behind its conventional counterparts in terms of total insurance market penetration and share.

Sharia insurance industry in Indonesia is younger than conventional insurance. It can be aligned with the issue of the small market share of sharia financial industry in Indonesia. It is predicted that sharia insurance industry in Indonesia will increase in the future. Besides that, study of sharia insurance is still rarely done in Indonesia. Factors behind the intention to engage in sharia insurance have not been examined deeply. There is a big challenge to study this topic more comprehensive. Therefore, this study aim to examine the influence of factors that forming the intention to use sharia family insurance.

Literature Review

Theory of Planned Behavior (TPB) was initiated from Theory of Reasoned Action (TRA). Both theories were developed by Fishbein and Ajzen (1975) and Ajzen (1991). This theory has a simple nature (parsimony) and flexibility. Therefore, it has been widely used for research in various fields of social science. TPB is one of the most widely used theories of attitude to study in a variety of behaviors. There have been many studies or behavioral and behavioral researches in psychology, economics, marketing, sociology, information technology using this theory. The difference between TRA and TPB is that there is an additional factor of individual perception of perceived behavioral control. This research is based on TPB theory which include WOM referents and media referents as the dimensions of subjective norm.

According to Fishbein and Ajzen (1975), intention is a good predictor of one's future behavior. Based on the various definitions, intention is an attempt for the individual to do something in the future (Bandura, 1986). Many scholars argue that intention suggests an important topic, especially in predicting behavioral predictions. According to Feldman (1995), intentions will only manifest in true behavior, if the individual has a good chance and the right opportunity to make it happen. The behavior that discussed in social psychology researches relate to the behavior of unconsciousness. This means the individual will do something behavior only if he/she really wants to do, thus he/she formed the intention. Based on previous studies, it can be concluded that intention is a plan to perform a certain action and it is an important factor that precedes one's behavior.

Attitude is a form of evaluation or reaction of feeling. Attitude toward the object is a favorable or favorable feeling or unfavorable feeling of the object (Berkowitz, 1972). Attitude is a disposition to respond favorably or unfavorably to objects, people, institutions or events (Ajzen, 2005). Attitudes are a tendency to evaluate an entity with agree or disagree, expressed in cognitive, affective and behavioral forms (Eagly and Chaiken, 1993). Thus, attitude is an individual disposition to behave which is essentially a belief and evaluation of an object,

person, or event, expressed in cognitive, affective and conative forms (Fishbein and Ajzen, 1975). Consumer attitudes toward an object are influenced by product attributes and one's view of the benefits to be gained (Chiou, 1998). Many studies proved that attitude has a positive and significant influence on the intention to behave (Husein and Rahman, 2013; Bonne *et al.*, 2007).

Hypothesis 1: Attitude towards sharia family insurance has positive influence on intention to engage in sharia family insurance

Subjective norm in the theory of reasoned action and planned behavior is one of the variables or factors that have an influence on intention (Fishbein and Ajzen 1975, Azjen 1991). Subjective norm is the individual's perception of whether others will support or not support the realization of a particular action (Baron *et al.*, 2006). Subjective norm are social pressure in carrying out certain behaviors (Feldman, 1995). Therefore, subjective norm is a norm that people get from his perceptions of the social environment that has enough influence to support or not to support the implementation of certain behaviors.

A person's intentions can be formed when there are people who have significant influence suggest whether a behavior is appropriate or not. People or parties that can shape perceptions and become a reference to have this behavioral intention can come from the family environment (family) such as husband, wife, father, child or relatives. The norm can also come from other people who become role in society or life of someone, for example community leaders, religious leaders, doctors, experts a certain field. The subjective norm that a person holds is generally supported by belief in the form of normative belief. Many researchers have documented that subjective norm have a significant positive effect on the interest to behave (Bonne *et al.*, 2007, Razak *et al.*, 2012).

Hypothesis 2: Subjective norm has positive influence on intention to engage in sharia family insurance

Self-efficacy is self-assessment of his/her ability, whether he/she can do a behavior in good or bad way, right or wrong. Self-efficacy is different from aspiration, because aspiration describes something ideal that should be achieved, while efficacy describes one's self-assessment ability (Awisol, 2009). According to Bandura (1977; 1982), self efficacy is one's belief that he can run a task at a certain level that affects personal activity.

Hypothesis 3: Self-efficacy has has positive influence on intention to engage in sharia family insurance

Protection is a system of protection in the form of compensation that is not in the form of rewards, either directly or indirectly from an institution to someone or institutions (Omar, 2007). This protection will provide a sense of security, both in terms of financial, health, and physical safety for the person. Meanwhile, risks are consequences that may occur due to an ongoing process or event to come. In the insurance industry, risk can be interpreted as a state of uncertainty, where in the event of an undesirable circumstance can cause a loss. Protection of unexpected risks is a dimension of one's attitudes and has an influence on one's attitude towards sharia insurance (Husen and Rahman, 2013).

Hypothesis 4: Protection has a positive influence on attitudes toward sharia family insurance

Investments are either investing or placing assets, either in the form of property or funds, on something that is expected to deliver income or increase its value in the future (Pontjowinoto, 2003). Investment in the form of money in accordance with Islamic sharia may relate to trade or business activities, in which the business activity may be in the form of business related to tangible product, asset or service business that directly related and can generate benefits or profit sharing. Investment has an influence on one's attitude in relation to sharia family insurance (Husen and Rahman, 2013).

Hypothesis 5: Investment has a positive influence on attitudes towards sharia family insurance
Word of Mouth Marketing is the communication of products and services between persons who are independent from the company, in a medium that is also independent from the company.

This communication could be a conversation, or just one-way testimonials. For example, speaking directly, by phone, e-mail, listgroup, or other medias of communication (Silverman, 2001). Word of mouth is a personal reference, such as family members and friends, that may affect a person's intention to the questionable behavior, and there is a positive and significant relationship between word of mouth and subjective norms (Zolaid and Sulaiman, 2009).

Hypothesis 6: Word of mouth referents has positive influence on subjective norm of sharia family insurance

Media references are public influence such as mass media that can affect a person's intention to a given behavior (Zolait and Sulaiman, 2009). There is a positive and significant relationship between media referents and subjective norm (Zolait and Sulaiman, 2009). Several studies have proven that public communication media is a consideration for consumers in buying products (Kotler and Keller, 2012).

Hypothesis 7: Media referents has positive influence on subjective norm of sharia family insurance.

Method

This research used the quantitative method using primary data from questionnaire with 5-point likert scale. This research selected married adults as the study population. The sample for this study using judgment sampling consisted of Muslim married adults in Indonesia. The targeted sample size was set at 250 respondents.

The research instrument provided 33 questions in total adopted from Husin and Rahman (2013), translated and modified to Indonesian language to facilitate the respondents in understanding. These questions relate to the tested variables consisted of four questions for variable "protection", four questions for variable "investment", six questions for variable "WOM referents", three questions for variable "Media referents", four questions for "Self-efficacy", four questions for variable "Attitude towards", four questions for variable "Subjective norm", and four questions for variable "Intention to use".

SPSS Amos 18 were used to summarize, examine, and analyze the data. The procedures that would be applied are reliability, validity, correlation, multiple regression, and mediation test.

Results

There were 180 returned questionnaires that indicate the overall response rate was 72%. About 41% respondents are male and 59% are female. The largest age group of respondents lies from

26 to 30 years old which has 22%. The least age group lies for age less than 20 - 25 years old which has only 8%. For the education background, 53% of the respondents have bachelor degree as their latest education. Based on marital status, most of the respondents are married, which are 87 %. About 40% of the respondents have monthly spending range from 2 - 4 million rupiahs.

Table 1 shows the result for validity and reliability test. The scores for items used for the eight variables meet the requirements. Therefore, it represents that all the items used in the research instrument are consistent and stable to measure each variable.

Table 1. Validity and reliability test

No	Items	Validity = 0.05			Reliability = 0.60	
		R pearso n	Sig.	Results	Alpha	Results
Protection					0.831	Reliable
1	Pr1	0.759	0.000	Valid		
2	Pr2	0.851	0.000	Valid		
3	Pr3	0.774	0.000	Valid		
4	Pr4	0.813	0.000	Valid	0.568	Reliable
Investment						
5	In5	0.783	0.000	Valid		
6	In6	0.584	0.001	Valid		
7	In7	0.652	0.000	Valid	0.854	Reliable
8	In8	0.631	0.000	Valid		
WOM Referents						
9	Wom9	0.703	0.000	Valid		
10	Wom10	0.743	0.000	Valid	0.724	Reliable
11	Wom11	0.821	0.000	Valid		
12	Wom12	0.615	0.000	Valid		
13	Wom13	0.822	0.000	Valid		
14	Wom14	0.859	0.000	Valid	0.676	Reliable
Media Referents						
15	Rf15	0.821	0.000	Valid		
16	Rf16	0.770	0.000	Valid		
17	Rf17	0.818	0.000	Valid	0.812	Reliable
Self-efficacy						
18	Ed18	0.772	0.000	Valid		
19	Ed19	0.601	0.000	Valid		
20	Ed20	0.758	0.000	Valid	0.859	Reliable
21	Ed21	0.706	0.000	Valid		
Attitude						
22	St22	0.802	0.000	Valid		
23	Sk23	0.688	0.000	Valid	0.859	Reliable
24	Sk24	0.896	0.000	Valid		
25	Sk25	0.819	0.000	Valid		
Subjective norm						
26	Ns26	0.921	0.000	Valid		
27	Ns27	0.894	0.000	Valid		
28	Ns28	0.807	0.000	Valid		
29	Ns29	0.737	0.000	Valid		

Intention					0.812	Reliable
30	Mn30	0.827	0.000	Valid		
31	Mn31	0.749	0.000	Valid		
32	Mn32	0.852	0.000	Valid		
33	Mn33	0.770	0.000	Valid		

After validity and reliability test, Confirmatory Factor Analysis (CFA) was done to test the goodness-of-fit for the variables. Table 2 shows that's all the variables meet the requirements.

Table 2. Goodness-of-fit test for each variable

Variables	χ^2	P (≥ 0.05)	CMIN/ DF ≤ 2	RM SEA ≤ 0.08	GFI ≥ 0.90	TLI ≥ 0.95	CFI ≥ 0.95	Result s
Protection								
Investment	0.280	0.597	0.280	0.000	0.999	1.021	1.000	Great
WOM	1.468	0.226	1.468	0.051	0.996	0.987	0.998	Great
Referents								
Media	8.849	0.182	1.475	0.052	0.985	0.992	0.997	Great
Referents								
Self Efficacy	1.000	0.980	1.000	0.001	0.980	0.975	0.990	Great
Attitude	2.923	0.087	2.923	0.104	0.992	0.941	0.990	Great
Subjective	0.768	0.381	0.768	0.000	0.998	1.003	1.000	Great
Norm								
Intention	1.092	0.296	1.092	0.023	0.997	0.998	1.000	Great
	0.842	0.655	0.423	0.000	0.998	1.018	1.000	Great
Variables								

Table 3. Goodness-of-fit test

<i>Goodness of Fit Index</i>	Score	Results
X^2 – Chi Square	909.337	Great
<i>Probability or p value(p)</i>	0.058	Great
<i>CMIN/DF</i>	1.927	Great
<i>RMSEA (The Roats Mean Square Error of Aproximation)</i>	0.072	Great
<i>GFI (Goodness of Fit Index)</i>	0.942	Great
<i>AGFI (Adjusted Goodnes of Fit Index)</i>	0.936	Great
<i>TLI (Tucker Lewis Index)</i>	0.921	Great
<i>CFI (Comparative Fit Index)</i>	0.879	Mediocre
<i>ECVI (Expected Cross Validation Index)</i>	Default :6.075	Great

Table 3 shows the result of Goodness-of-fit for all the 8 variables. The scores for χ^2 (Chi Square), p. value, RMSEA, GFI, AGFI, TLI, CFI and ECVI meet the cut off. Therefore, it supports the data to be tested on the hypothesis analysis.

Hypotheses Analysis

This research used linear regression to test the hypotheses. SPSS Amos 18 was used to do all the regressions. From the tabulation of 180 questionnaires, this section would elaborate the results for the values of coefficient, F-statistic, T-statistic, and regression coefficient. Table 4 and Figure 1 summarize the result for the hypotheses analysis.

Table 4. Summary of hypotheses analysis

Independent → Dependent	Coefficient	Critical Ratio (t_h)	Sig.	Results
INV → ATT	+ 0,492	+ 3,219	0,001	supported
PR → ATT	+ 0,161	+ 1,161	0,245	not supported
WOM → SN	+ 0,343	+ 2,517	0,012	supported
MR → SN	+ 0,349	+ 2,046	0,016	supported
ATT → PIT	+ 0,227	+ 3,006	0,003	supported
SN → PIT	+ 0,303	+ 3,348	0,000	supported
SE → PIT	+ 0,626	+ 5,676	0,000	supported

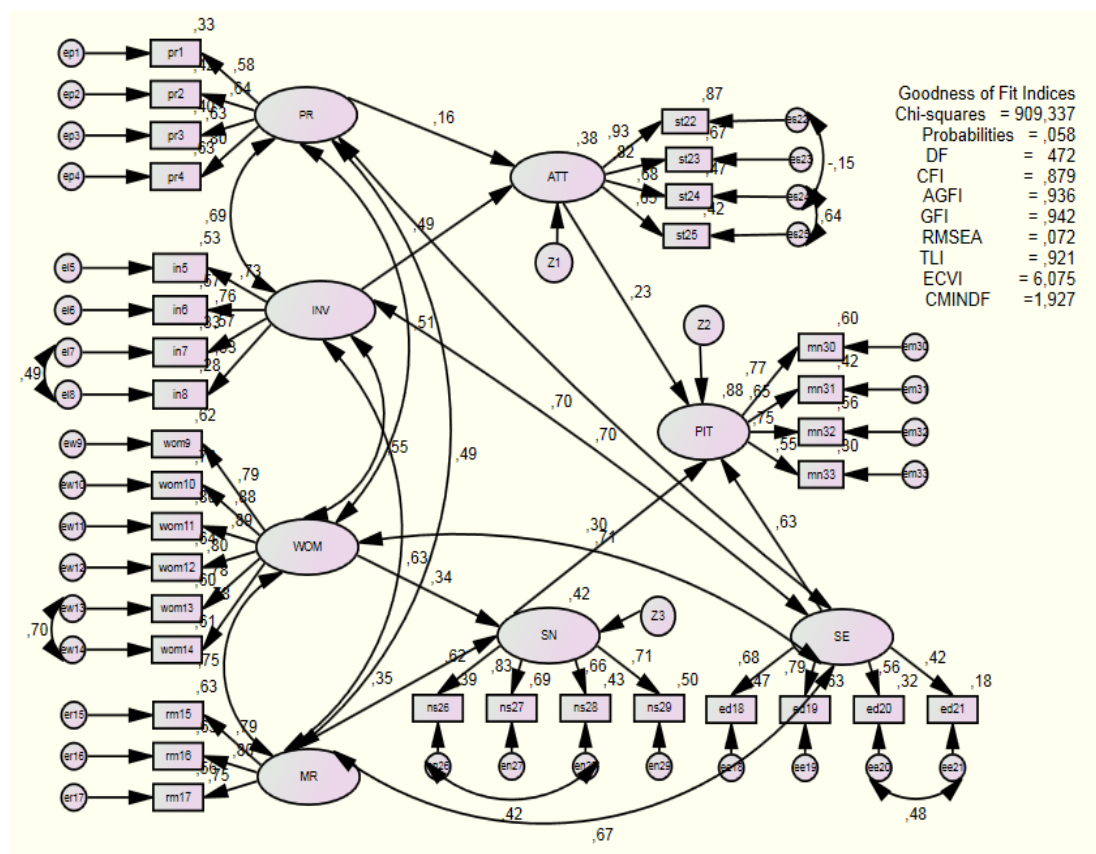


Figure 1. Diagram Path Model

It found that there is one hypothesis which is not supported in this research. It represents that protection don't have significant influence on attitude towards sharia family insurance.

Discussion

This research aims to examine the influence of factors that forming the intention to use sharia family insurance. Referring to Theory of Planned Behavior of Modified Ajzen (2005), there are two dimensions of attitude, namely protection and investments, while the dimensions of subjective norm are word of mouth referents and media referents (Husin and Rahman, 2013; Zolait and Sulaiman, 2009). Bandura (1977) found that self efficacy is one of the factors that influence customers' intention (Bandura, 1977). Therefore, this research considered to include the self efficacy variable into the model.

Previous studies support that attitude towards halal objects has positive influence on the intention (Lada *et al.*, 2009). This research also found that attitude towards sharia family insurance has the positive influence on the intention. It means that the more favorable customers' evaluation towards the products, the higher the customers' intention to engage with sharia family insurance. Attitude is the predictor of intention. This findings support the Modified of TPB.

There are two factors as the dimensions of attitude, those are protection and investment. Investment is the purchase of goods that are not consumed today but are used in the future to create wealth (Omar, 2007) and protection is the risk protection in form of compensation (Omar, 2007). Investment and protection are the factors that forming the customers' attitude (Husin and Rahman, 2013). Attitude formed from the attributes and benefits of the objects (Chang, 2006). This research found that there are positive influence between investment and attitude toward sharia family insurance, as well as protection and attitude toward sharia family insurance. This finding supports the statements from Husin and Rahman (2013) and Modified of TPB from Azjen (2005). However, protection does not significantly affect the attitude toward sharia family insurance.

Previous studies found that subjective norm affect the attitude. Subjective norm also have positive influence towards intention to use halal products (Lada *et al.*, 2009). This research found that subjective norm affect the attitude towards sharia family insurance and this subjective norm has two dimensions, WOM referents and media referents. It inline with Zolait and Sulaiman (2009); Husin and Rahman (2013) and also support the Modified TPB by Azjen (2005).

The last factor that influences the intention to engage in sharia family insurance is self efficacy. Self-efficacy is the internal perception to perform the specific behavior (Bandura, 1986). This research found that self-efficacy has positive influence to intention to engage in sharia family insurance. The higher customers' self efficacy, the more they intend to engage in sharia family insurance. It supports the statements from Husin and Rahman (2013) and Bandura (1977). From the explanation above, we can conclude that the proposed model of this research can be used as alternative to predict the intention to engage in sharia family insurance in Indonesia.

Research Implications, Limitations and Suggestion

This research also has few limitations that should be considered for future studies. First, this study took place in Indonesia and the sample size is quite limited. Therefore, the results cannot be generalized. Besides that, the respondents are Muslim adults although non-muslim actually could be the customers of sharia family insurance. Thus, future studies could conduct more comprehensive research to tackle this issue.

This study included protection and investment as dimensions of attitude towards sharia family insurance. However, Omar (2007) mentioned that saving is one of the dimensions of the

attitude. Wilson and Liu (2010, 2011) also found that religiosity could moderate the relationship between attitude and intention. Therefore, future researches should consider about the other variables to be introduced into the framework.

For practical implications, as insurance is service goods, marketers need to provide more education and communication to form customers' perception towards sharia family insurance. It would affect the variable WOM and media referents.

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