

Customer's preferences towards Takaful in Pakistan (A case of district Peshawar)

Imran Khan, Adnan Malik¹, Naeem Muzaffar²

Abstract

This study has been conducted based on explanatory research model with intend to explain the preferences of people of district Peshawar about "Takaful" which is Islamic ideology based insurance (i.e., free from interest, uncertainty and gambling). For this purpose, primary data were collected through self-administered questionnaire from 150 respondents by using the convenience sampling technique. For statistical analysis and data interpretation SPSS 17 was used. The overall result of the study suggested that most of the respondents were unaware about the term "Takaful". However, upon explaining the term "Takaful" to the respondents as compared to traditional insurance system it was found that greater number of people prefer the Islamic ideology based insurance e.g. 'Takaful' over traditional insurance systems.

I. Introduction

Background of the study

Muslims in situations like earthquakes, death, accidents, fire and other, believes in Qadha-o-Qadar and trust in the will of God. It is the part of Islamic Ideology to consider all sorts of unforeseen events from God said. But this is also a fact that Allah has blessed all humans with the gift of Aqal (mind) and Shaoor (reasoning). All humans must think how they can ensure their safety against various risks. But the way used for avoiding such risks must not exceed the boundaries of Shariah (Islamic law) (Hussain & Pasha, 2012).

Takaful in a true sense is a way to lessen the risk. Islamic Law bases Takaful operations on communal assistance and shared fortification of members of a group. The word Takaful is basically originated from the Arabic word "Kafala" and Kafala means sponsorship (Bakar, 2009). The idea of Islamic insurance or Takaful can be traced back to the Arab tribal customs and rituals which were practiced even earlier than the time of Holy Prophet Muhammad (Peace be upon Him). It was in the rituals of old Arabs that whenever someone killed another person, the entire tribe was then responsible for paying the blood money of that death. Therefore, to face such risks, the whole tribe came to an understanding to create a joint pool of fund through communal collaboration in a way to pay the blood money to the victim's family. Such arrangement of paying of blood money was termed as "Diat" and the fund was known as "Aqilah", (Klingmuller, 1969). Hussain & Pasha (2011) state that such arrangements were termed mandatory in the ruling of caliph Umar Farooq (R.A.A).

The first ever Islamic Insurance company was established in Sudan in 1979 and then Malaysia appeared to be second on the list to start Islamic Insurance in 1984 (Ali, 2006). Recently Takaful companies have got the fame and are being opened across the Islamic world and Europe (Alsalihi & Napier, 2012).

People used to make a pool of resources to assist one another on rainy days or in times of loss or damage to their assets in Arabia (Wahab, Lewis & Hassan, 2007). The term Takaful serves the same function of minimizing risk, similar to the conventional Insurance which also carries

¹ Industry Chair. CEIF. Institute of management sciences. Peshawar KPK email: adnan.malik@imsiences.edu.pk

² MBA. Institute of management sciences. Peshawar KPK. Email: naeemmuzaffar@gmail.com

out the same purpose; but the difference arises in the means and ways of taking protective measures against risks as it is not forbidden in Islam, to lower the risk, but this is forbidden to lower the risk by means which are termed as "Haram" in Islamic law. Conventional Insurance is not allowed due to the presence of elements which are forbidden in Islam to practice. Such elements are gambling, interest, uncertainty. Conventional Insurance is based on these elements while Takaful is free of these malfunctions (Hussain & Pasha, 2011).

Islam permits the protection of self and family by exploring ways to avoid or minimize the occurrence of losses either financial or non-financial from disasters like natural disasters, climates, unfortunates and accidents. Despite this permission and despite that Muslim population account at 25% of the global population, Takaful penetration among the Muslims remained a partly fraction of the entire insurance business. In history the maladjustment between insurance practices and basic concepts of the Islamic beliefs were significant barriers to raise the acceptance level for insurance "Takaful" among the Muslims.

The research objective is:

"To find out the determinants of customer preferences towards opting for Takaful services in Pakistan"

The study is mainly important because very rare research work has been performed in understanding the customers' preferences for Takaful companies in Pakistan. Hence, the proposed study will be a summation to the existing body of knowledge by filling this gap.

Following introduction chapter next literature review and gaps are presented. In the Methodology section the methods used for the data analysis along with the targeted sample size and details about the questionnaire to use in the data collection are explained.

Chapter 4 consists of results, discussion, conclusion and recommendation for future research.

II. Literature review

Historical background of Takaful

Human beings have always been exposed to the possibility of risks and preventions from such risks has remained the utmost objective of humans in past, present and will remain the same in future. The first insurance policy in the entire history was appeared in Babylonian times and was known as The Code of Hammurabi. This was prepared for the transportation industry of that time. Such insurance policy worked as prevention against the risk in the arrival of goods through caravans which were likely to face the risk of robbery in those times (The History Often, 2015). Romans people were said to be knowledgeable about the risks associated with their activities and were also aware of how to mitigate such risks, which is therefore some historians mention Burial Clubs as the origin of insurance in the ancient Rome.

According to Fischer (2009) the inhabitants of Roman society in a way to ensure their burial expenditures, made weekly payments to the burial clubs. Further to this the Roman government also needed to ensure the safety of their military supplies in front of different types of risks for example enemy attacks, and disasters etc. Fischer, (2009) further states the origin of modern Insurance practices to be initiated back in 1688 when an agreement was made by British merchants in Lloyd's coffeehouse in London to bear the losses and share

profit of sea voyages mutually. Many Insurance companies were started in 17th century throughout Europe as the phenomenon of Insurance was triggered by British Sea Trade Fischer, (2009).

It is also believed that practices same as insurance took place in ancient India. The old text of Rigveda points out to the perception of "Yogakshema", which means success, safekeeping, and good well of the inhabitants. These old writings of Indian history mention the gathering of resources and its redistribution at the times of unfortunate happenings i.e. fire, floods etc (Medindia, 2015)

Modern Insurance practices in the cities of old India were introduced during British Raj. In 1818 Oriental Life Insurance Company was established in Kolkata which is known as the first modern Insurance company in the Indian subcontinent. In 1870 British Insurance act was regulated in the Indian subcontinent and almost immediately, in 1871 Bombay Mutual, Oriental in 1874 and Empire of India in 1897 were also established and started their Insurance practices (Medindia,2015).

Overview of insurance industry in Pakistan

Similar to economies around the globe, Pakistan industry of Insurance has also been evolving in the face of opportunities and challenges. In order to bring reforms in the Insurance industry, many steps have been taken by the government of Pakistan. During the nationalization policy of the country, Mr. Zulfiqar Ali Bhutto initiated the State Life Insurance Corporation back in 1972. All the operating businesses of life insurance of those times were merged in State Life Insurance Corporation and the sole authority of providing financial protection to the citizens rested only with the state.

In 1992, when the Zulfiqar's strategy was failed, the state started issuing licenses in the life insurance industry to the local and foreign investors. Currently, there might be seen the existence of many foreign and local Insurance companies in Pakistan like Jubilee Life Insurance Ltd., EFU Insurance Ltd., Adamjee Insurance Ltd., American Life Insurance Ltd., etc. but, these are limited companies. In Pakistan, the regulator of Insurance companies is the Security and Exchange Commission of Pakistan (SECP). In order to cover a large portion of its population, the Pakistani government takes steps to regulate Insurance industry.

Takaful industry in Pakistan

Pakistan comes 7th on the list of most populous countries in the world. Pakistan is based on the ideology of Islam thus 97% of its people are Muslims (Deloitte, 2014). Takaful industry is still expanding in Pakistan with a growth expectation of 15-20% in the coming years. The matter of growth is subject to many challenges such as low per capita income of the people of Pakistan, Inflation, terrorism etc. (Khan, 2011). After the alliance with the U.S.-led war on terror, Pakistan has incurred around US 80 billion losses during 2003 to 2014 along with the human capital loss of around 50000 people of the country in terrorist attacks (The News, 5 December 2014).

At present, five fully dedicated takaful companies are operating in Pakistan among which two are family Takaful while the other three companies are rendering General Takaful services. According to the market experts, the economy of Pakistan has a great potential for Takaful services due to which a good Islamic Insurance system could be developed in the country which can further result in a developed system of Takaful services and play an active role in economic development and job creation (Dawood Family Takaful, 2014). A great potential lies in Pakistani economy for Takaful business because the total market covered by Insurance

company is just 0.8% in Pakistan. One of the reason of low tendency towards Insurance policies among the people of Pakistan is that insurance is forbidden in Islam (Dawood Takaful, 2014).

As compared with Pakistan, Takaful business is expanding at a faster rate in other Muslim countries in the world like Malaysia where Takaful was started in 1982 and has covered a long way in a short time. Malaysia has established a new regulatory framework by the Central Bank of Malaysia in 2012 further revised in 2013 and the Islamic Finance Act of 2013 (Deloitte, 2014).

Previous published papers

According to Browne & Khan (1993) the success of Insurance business is subject to different factors. They say that Law and order conditions, economic reforms, political situations, and societal development in a country play a vital role in the establishment of Insurance Operations by a company. According to these scholars Income greatly affects the tendency of opting for life insurance services, many other factors were also pointed out by the same authors which hinder the growth of insurance business in a country. These factors include unequal distribution of wealth, legal frameworks for the insurance sector, the level of education, spiritual association, and life anticipation in a society.

As far as the discourse of Takaful Life is concerned Masud, H. (2010) says that it is mandatory that the client and company both necessarily a joint contract with optimistic future expectations. As said by Chua (2000) poverty reduction could be handled using Islamic Insurance System.

Countries with stable law and order conditions along with a healthy creditworthiness would always optimistically impacts its Insurance industry Levine, Loyaza.& Bleck, (2000). Black & Skipper (2000) say that countries with high per capita income tend more to avail financial services especially insurance services.

In views of Ward & Zubruegg, (2002) political stability in a country has positive relations with the consumption of insurance services. According to Zou, Adams & Buckle (2003) life insurance demand in a country is widely affected by factors such as ownership system, geographical locations, and public or private ownerships. In their views potential for general insurance showed a positive relationship with Leverage and negatively related to the state ownership and a country's tax system. Moreover, demand the relationship between demand and general insurance was positive in relation to ownership and managerial system while it was noted as inversely related to the size of the property.

Expected non-payment rate, the rate of increased cost, and the business size were noted by Deniel & Paul (2003) as highly affecting factors in availing property insurance. other authors like Redzuan, (2004) noticed per capita income as a major factor in family Takaful in Malaysia at a huge scale. The same author indicates that performance of the stock exchange, interest rate, inflation, saving tendencies are also the factors which influence the use of insurance in a state.

The sale of Islamic Insurance products and services largely depends upon the knowledge and professionalism of the sales team of Takaful company, so the sales team of the company should have a comprehensive understanding about their products along with Shariah

knowledge in the same discourse Amin, (2011). Mehes & Staskova (2016) had a comparative study of both Takaful and Conventional insurance and customers tendency towards both the systems in Saudi Arabia and Europe and figured out that customers prefer Takaful services more than they preferred Insurance. According to Yar & Akhthar (2014). Takaful is an advantageous alternative to the conventional system of Insurance.

Ayinde & Echabi, (2012) conducted their study in Malaysia and noted that customers over there preferred Takaful services over conventional system of Insurance. To describe the scenario of Brunei in the context of client's preferences and information about Islamic system of Insurance noted that Islamic Insurance to be successful in Brunei depends largely on the fact that it should be transparently differentiated from the conventional Insurance as people in Brunei preferred Islamic system of Insurance just because of the Shariah forbids Conventional Insurance (Kaunain, & Akhtar, 2016).

In a study by Alsalihi and Napier (2012), consumer preferences were investigated regarding Takaful and the conventional insurance system so that the differences among the UK and Saudi Muslims could become clearer who held the insurance policies. Results showed that the customer's preference is highly influenced by the models of Takaful and conventional insurance and different other products which were offered within these models. A questionnaire structured for the specific purpose, based on mostly customer-oriented questions, was used in this study which highlighted three different issues i.e. perceptions, awareness and usage.

Rahim and Amin (2011) studied the various factors that affect the acceptance of Takaful among the customers of Malaysian Banks. Their study focused on certain relationships among the attitude, amount of information (AOI) and subjective norm for the Takaful acceptance. They used the current theory for this purpose in order to identify the factors that were of immense importance for the explanation of Takaful acceptance among the society. Attitude, AOI and subjective norm tend to be the most influential predictors of Takaful acceptance according to the results of their study. It also provides complete understanding of the factors that leads to the acceptance of Takaful by various customers.

A thorough research by Ayinde and Abdelghani Echchabi (2012) was undertaken in order to observe the willingness of Malaysian customers for the adoption of Islamic insurance services likewise the factors that might have an influence on their behavior. Randomly 200 questionnaires were distributed among the customers and the data was analysed via structural equation modeling and t-test. The results of this study showed that the Malaysian customers were more willing to adopt the insurance services provided according to the Islamic Laws. Compatibility and awareness came out to be the two factors which affected the customer's decision. These findings are helpful to the theory in general and to the practitioners, policy makers and regulations specifically

A great focus has been laid on Innovation of insurance/takaful (a proper name for the practice of insurance under the Islamic finance principles) by Masud (2010). He explored the foundations of modern Islamic financial system with respect to its influence on Takaful. Yet, one might face extraordinary challenges while adopting Islamic finance in the modern economy. There are some unique examples from US corporate and legal structures regarding the issues which organizations faced while offering these Islamic products. This study made a comparison of Takaful applications in Malaysia with the possibility of Takaful market in US. Takaful is thus presented as a significant and financially sound alternative to the conventional insurance. It is further made sure by the fact that it is operational in Middle East, Malaysia, UK and US currently. Takaful thus tends to be a socially responsible model for risk management as compared to the conventional approach of an opportunistic model that has

grabbed the global market. finally, the success of Islamic insurance will guarantee inquiry of new models that incorporate the principles of ethics and religion. Despite of the downturn in economy, the investment in the sound principles of Takaful (non-acceptance of interest) will lead to a growth of \$10 billion industry.

With the use of random sample of respondents from Malaysia, a research was conducted by Azak, Idrees, Jaapar and Ali (2013) to examine the factors influencing the acceptance of Takaful among Malaysian people. The illustration of study was that Takaful functions in the same manner as conventional insurance do, but the difference lies in their operations. It was to cut down the endless crashes that came across the different economic, financial, commodity, real estate, business and commercial sectors where they had no alternative remedy to rescue them from such an unstable mechanism of economic and commercial level. So, the world actually realized now that such crashes can be fought through a mechanism which provide asset base and risk sharing. It will thus enrich the entrepreneur's spirit with mutual cooperation with the enterprising based community and care and concern for them. The study examined different constituents, build upon independent variables of perception, product feature, advancement, well-being and standards of services. It is for them to make sure that the clients are consistently well pleased with their products and they must be in par to their expectations regarding Takaful and their products.

Takaful is considered to be widely accepted option instead of conventional insurance and is also in various Muslim states and non-Muslim states as discussed by Nu, Htley, Ahmad and Salman (2013) in their research dissertation. The distinct characteristic of Takaful is that it is able to be agreed on to anybody despite the prevailing circumstances of their religion but to our great surprise, it is still not introduced in India, being the third largest Muslim occupying country after Indonesia and Pakistan and is also the second populous state with respect to population after China. 6.3% is the GDP growth rate of India and it is expected to increase in the upcoming years which will result in making it among the developed states of the world in terms of economy. The practicability of Takaful was investigated in India using the SWOT analysis for which the questionnaires were distributed among the Muslim and non-Muslim communities. It was to find out the awareness, acceptability, challenges and prospects of Takaful and its products. Several interviews were conducted to take the opinion, regarding the challenges and prospects of introducing Takaful in India, of 10 insurance operators, 15 Sharia advisors and 5 consultants. 333 respondents participated in the questionnaires and results showed that the awareness was at minimal level. Nevertheless, if Takaful was introduced in India, the respondents were willing to take part and further the results of interviews showed that there is great potential for Takaful in India.

A dual-purpose study was conducted by Rehman, Yosaf and Bakar (2008) with a purpose to examine if there is any relationship between the macroeconomic variables and demand for family Takaful in Malaysia and also to investigate the positive social and economic impact of Takaful institutions in Malaysia as when measured with the economic indicators. Results of the study indicated that Takaful Malaysia and Takaful National had positive impact on socio-economy of the country in 1984 and 1994 respectively. This is further ensured by the impact of positive employment increase and its profit before any tax or zakat on economy. Malaysia is the pioneer in offering sharia compliant insurance products and thus its Takaful profit performance and capability to extend new businesses in form of premium or contribution is directly influenced by the macro-economic variables. they are measured by Malaysia's GDP, CPI and treasury bills or the short-term interest rates.

There are three constructs of relationship marketing that were proposed by a study of Salleh, Abdullah & Razali (2013) and tells about the customers' perception about agents' relationship marketing practices. These three constructs are their Islamic ethical behavior,

knowledge about the product and information communication. For this purpose, a self-administered questionnaire was developed for the survey in Klang Valley, Malaysia among the Takaful customers. Data was then analysed via SPSS and the results showed that in most of the rural areas, the public (particularly Muslims) do not agree with the relationship marketing practices of their Takaful agents. This contributes in channelizing the marketing strategies of the Takaful industry in order to compete with the conventional system and reach to the highest value.

According to Mastawali et al (2012) study examined the public preferences and understanding between takaful and conventional insurance in Brunei. Reasons and factors that make the conventional insurance contradicted with the shariah principles were identified. It was found that majority of the respondents were not aware about Takaful however upon explaining majority prefer Takaful over conventional insurance. Another study Bakar, M. D. (2009) recommends three constructs of relationship marketing and investigates the customers' opinions about the agents of Takaful entities. It also highlights their Islamic moral behavior, product information and understanding, and the way in which they inculcate information.

Ali (2007) in one of his research investigated the worldly demand for Takaful and its advancements by utilizing library based methodology. Ali (2007) states that Takaful currently, is assumed to be a subset of the global insurance business. The global Insurance business accounts for around \$2.5 trillion gross premium in 2005, as compared with this global Takaful business in the same year was counted as only \$3 billion. Despite the low market presence of Takaful as compared with Conventional Insurance Ali (2007) while exploring the rate at which Takaful is growing, states that Takaful Industry yearly growth was at 20% to 25% at that period as compared with the global growth rate of Insurance that is founded to be 5% to 6% per annum. The study infers that massive growth in Takaful Business is because of increased awareness in general public about Takaful models and practices. It is why the study recommended more awareness campaigns to be carried out in order to educate the masses about Takaful services and hence increase its market share even at a greater rate. In order to do so, Takaful business needs to be focused on its advertisement, marketing strategies along with keeping a strict eye on Shariah compliance.

Bashir et al (2011) in order to explore awareness and satisfaction level of people in Brunei Darussalam about Takaful services, gather information from 100 individuals through a survey questionnaire. His study indicates that about 71% of the entire sample space agreed on the fact that Takaful companies serves them better than a conventional insurance in serving them in their financial matters. The study also indicated that 88% of the sample space recommended more awareness programs for the people of Brunei in order to be more educated in Takaful discourses and its benefits.

Increased customer awareness about Takaful services was also noted by Hidayat and Rafeea (2014) as a factor, positively associated with increase in the use of Takaful services. These authors also contribute the massive growth in global Takaful business to the increased customers awareness as reflected in Bahrain during 2010-2011 where The compound annual growth rate (CAGR) of Takaful stood at 40% which was very larger than growth rate in other countries.

According to (MENA Insurance, 2013) massive spending on creating awareness about Takaful services among the residents of Bahrain in Bahrain resulted in huge growth of Takaful in Bahrain, that is from 3% growth rate in 2001 to 18% growth rate in 2010. The government of Bahrain made great expenditure on educating its residents on Insurance and

Takaful practices by operationalizing organizations such as Bahrain Insurance Association (BIA) and Gulf Insurance Institute (GII).

Akhter (2009) by using a survey questionnaire assessed customer perception about Takaful and their level of understanding about Takaful services in Pakistan. The questionnaire was filled by 150 respondents and inferred that 90.8% of the total respondents were unaware of Takaful services. He also finds out education as the basic cause behind the low usage of Takaful services in Pakistan.

In views of Yousaf et al (1996), there were many reason behind the origination of Takaful in Pakistan, right after gaining independence from India, the government of Pakistan felt to practice its religion each and every conduct of life. In this discourse, financial matters were also supposed to carried out under the teaching of Islam. So Islamic Banking was initiated for the said purpose. With initiation of Islamic Banking a strong need for Islamic Insurance was also felt by the government and public to complete the very aspects of financial needs of the people in the country. Eminent scholars of Islamic Finance generally concluded that the basis of Islamic Insurance should be mutual cooperation and shared responsibility. Muslim jurists agreed on the following features to be present in Takaful services.

1. Common good in the community will be resulted due to the spirit of mutual cooperation.
2. Those in need will be provided with assistance from contributors
3. That the accumulation of small sums are intended to divide losses and spread liabilities in accordance with community pooling system.
4. That due to the contribution and offered compensation the elements of Gharar, *maysir* and uncertainty will be eradicated.
5. That there will not be such a case of taking advantage of someone else's losses i.e. transparent system for all (Yousaf et al 1996)

Summary of literature review

The review of previous studies indicated that the preferences of customers have been largely researched in the Malaysia or gulf countries. While research in Pakistan on understanding customer choices for *Takaful Policies* is scarce. Keeping in view the the customer preferences, the study variables can be operationalized as affordability for the policies, awareness about the Takaful policies, customers willingness for opting different policies and religious reasons which may affect their selection criteria or preferences. It can be inferred that if any person or customer is not willing to purchase a Takaful policy then it might be one or combination of below mentioned reasons;

1. Lack of awareness or knowledge regarding insurance policy.
2. Customers might be aware but are not willing to purchase a policy offered by Takaful policy due to religious reasons.
3. Customers might be aware but are not willing to purchase a policy offered by Takaful due to affordability reasons.

Suggested model based on literature

Satisfaction = f (Islamic motives, accessibility, product, service, staffing, monetary aspects, and awareness) + .

Variables which will be analyzed by this study and their quantifications are discussed as under.

Dependent variable

Initially it will be analyzed that what factors played important role in the selection of the Takaful companies by the customers after that the impact of those factors on the satisfaction level of customer will be analyzed. Therefore, the customers' satisfaction for the Takaful companies will be used as a dependent variable in this model.

Independent variables

1. **Religious causes:** Religious satisfaction positively affect customers preferences towards Takaful services.
2. **Non Accessibility:** The non-accessibility and Satisfaction related conversely.
3. **Product services:** Better the product service is, the more is the level of satisfaction.
4. **Staff:** Satisfaction level of customers can also be affected positively by the knowledge and quantity of the staff of Takaful company.
5. **Financial aspects:** Financial aspects and satisfaction are noted to be positively related.
6. **Awareness:** The greater extent of awareness of customers is also noted to have positive effects on satisfaction.

2.7 Theoretical framework

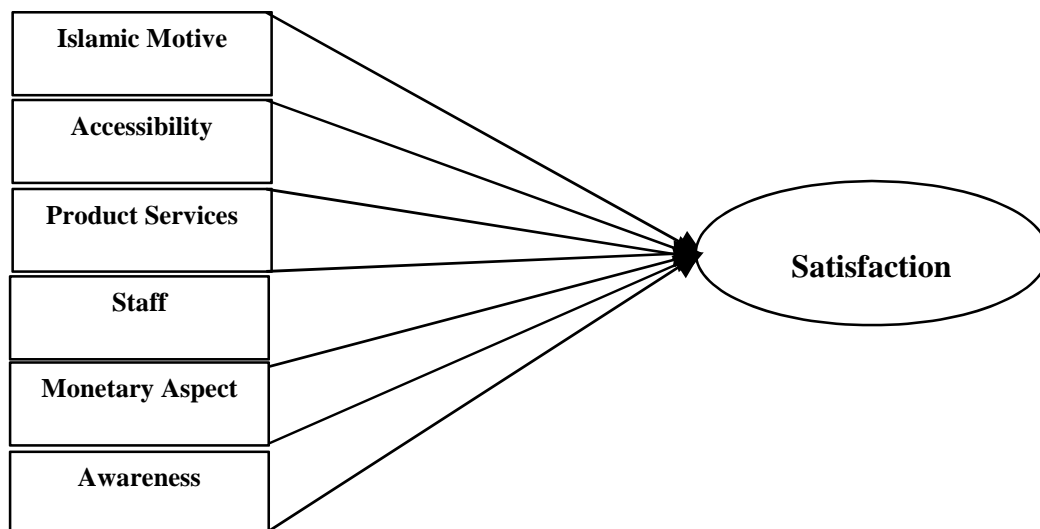


Figure 1: Conceptual framework

$$\text{Satisfaction} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

Where

X_1 = Islamic motives

X_2 = Accessibility

X_3 =Product services

X_4 =Lower staff

X_5 = Monetary aspects

X_6 =Awareness

β_0 is an intercept and the partial regression coefficients $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ & β_6 are unknown parameters.

III. Methodology

Scope of the study

The study is mainly focused on determining factors like awareness, willingness, affordability, and religious aspect of opting for Takaful services. The study has been carried out in District Peshawar of KPK province of Pakistan.

Sample size and sampling

The data for this study was collected from 150 respondents via self-administered questionnaires. Reason behind selection of 150 respondents is that in most of the previous studies (including, Hamid & Othman, 2009; Akhter, 2009; Al-Ajmi, 2005) the similar sample sizes were considered. In the current study convenient sampling technique, which is non-probability sampling technique, has been adopted. The reason for using non-probability sampling technique is that most of the companies keep their customer details confidential due to which the use of probability sampling technique for the data collection is difficult.

Moreover, to achieve the objectives of the current study, a questionnaire has been adopted from the previous studies (i.e., Kader, Adams and Hardwick, 2010; Manab, Rashid & Ibrahim, 2004; Hidayat and Rafeea, 2014; and Bashir & Mail, 2011).

Data analysis

Along with the descriptive analysis of the study to find the impact of independent variables on the dependent variable regression test has been used. Initially the mean for the operational variables was calculated for the subsequent analysis of the impact of independent variables on the dependent variables. The Statistical Package for Social Sciences 16 was used for the analysis of data collected from respondents.

IV. Results and discussion

Descriptive Analysis

From table 1 statistics, it can be inferred that Takaful are more preferred by 25 to 45 years of age group people, particularly male genders (i.e. 70%) with formal education graduate to postgraduate level. Furthermore, the results show that private sector employed people are more interested with around 21 to 40 thousand per month income class. These demographic statistic results provide guideline for the insurance companies to effectively target the segment for Takaful.

Table 1

Demographics

Measure	Scale	Percentage
Age	Less than 25 Years	4.7
	25 - 35 Years	36.0
	36-45 Years	46.0
	More than 45 Years	13.3
Gender	Male	70.0
	Female	29.3
Income level	Less than 10000	.7
	11000-20000	4.0
	21000-30000	30.2
	31000-40000	47.7
	More than 40000	17.4
Qualification	Intermediate or Equivalent	4.7
	Bachelor's or Equivalent	31.5
	Masters or Equivalent	53.0
	MS/PhD	10.7
Current Job	Governmental Employee	26.7
	Private Sector	54.0
	Retired	2.7
	Self Employed	13.3
	Others	3.3

From the table 2 statistics, it seems that majority (i.e., 80%) of the study sample consider purely Takaful due to its Islamic motive. It has also been observed that 60% of the study respondents were aware or user of traditional insurance due their relationship with insurance company's employees directly or indirectly.

As far the usages of insurance services are concerned, it depends on individual priorities. However, from table 2 statistics it has been revealed that 80% of the respondents mentioned that they are aware of 'share and care saving' policy offered by Takaful companies followed by investment plan (67%), salary saving plan (i.e. 60%), ABC Education (54.7%) and Shield decreasing term (54%.7), respectively.

Table 2

Previous history of Insurance, Usage and Awareness of Takaful

Questions		Responses	Percentage
Consider Takaful		Not Sure	1.3
		Somewhat Islamic	18.0
		Purely Islamic	80.7
Insurance relationship		Yes	60.0
		No	39.3
Usage	Share and care saving	Yes	80.0
		No	20.0
	ABC Education	Yes	54.7
		No	45.3
	Salary saving plan	Yes	60.0
		No	40.0
	Shield decreasing	Yes	54.7

	term	No	45.3
	Investment Shield	Yes	67.3
		No	32.7

Testing Multicollinearity

The results for checking multicollinearity are presented in table 3. The values of Variance inflation factor (VIF) show that there is no multicollinearity problem among variables as all the values are less than 10 or 5 which is used as a rule of thumb.

Table 3

Summarized p-values

<i>Explanatory variables</i>	<i>Tolerance</i>	<i>VIF</i>
<i>Islamic Motive</i>	<i>0.739</i>	<i>1.352</i>
<i>Accessibility</i>	<i>0.653</i>	<i>1.531</i>
<i>Products Service</i>	<i>0.599</i>	<i>1.669</i>
<i>Staff</i>	<i>0.501</i>	<i>1.995</i>
<i>Monetary</i>	<i>0.414</i>	<i>2.418</i>
<i>Awareness</i>	<i>0.696</i>	<i>1.436</i>

4.3 Regression results

As table 4 show that the model coefficient of determination(i.e., R^2) is equal to 0.59 means the explanatory variables explains nearly 60% variation in the satisfaction level which can be termed as a good fit.

Table 4

Regression Results

<i>Variable</i>	<i>Coefficient</i>	<i>Std Error</i>	<i>T-Statistic</i>	<i>Prob.</i>
<i>Intercept</i>	<i>0.26</i>	<i>0.534</i>	<i>0.494</i>	<i>0.622</i>
<i>Islamic Motive</i>	<i>0.54</i>	<i>0.116</i>	<i>4.619</i>	<i>0.000</i>
<i>Accessibility</i>	<i>-0.089</i>	<i>0.074</i>	<i>-1.210</i>	<i>0.229</i>
<i>Products Service</i>	<i>0.12</i>	<i>0.074</i>	<i>1.648</i>	<i>0.102</i>
<i>Staff</i>	<i>-0.12</i>	<i>0.089</i>	<i>-1.341</i>	<i>0.183</i>
<i>Monetary</i>	<i>0.42</i>	<i>0.126</i>	<i>3.320</i>	<i>0.001</i>
<i>Awareness</i>	<i>0.05</i>	<i>0.079</i>	<i>0.679</i>	<i>0.498</i>
<i>R-Square</i>			<i>0.59</i>	

Dependent variable satisfaction level of Islamic insurance customers -Takaful

The ANOVA test values (Table 5) are indicating that the overall ANOVA model is statistically significant (p value is equal to 0.000).

Table 5
ANOVA Model

<i>Model</i>	<i>Sum of Squares</i>	<i>Df</i>	<i>M Square</i>	<i>F</i>	<i>Sig.</i>
<i>Regression</i>	<i>12.054</i>	<i>6</i>	<i>2.009</i>	<i>11.466</i>	<i>00.000</i>
<i>Residual</i>	<i>21.550</i>	<i>123</i>	<i>0.175</i>		
<i>Total</i>	<i>33.603</i>	<i>129</i>			

a. Predictors: (Constant), Awareness, Staff, Accessibility, Islamic Motive, products Service, Monetary

b. Dependent Variable: Satisfaction Level

V. Discussions

The present study is an attempt to investigate the preferences of customers in Pakistan for Takaful. For this purpose, the impact of six independent variables of the study, which are; Islamic motives, accessibility, product services, lower staff and monetary aspects including awareness level on the satisfaction level of Takaful customer were tested.

The result of the analysis reveals significance of the ANOVA model (p-value: 0.00). However, among six independent variables of the study, only two variables (i.e., Islamic motives and monetary aspects) are statistically significant (see table 1) while rest of four independent variables (i.e., accessibility, product services, staff and awareness) are insignificant.

From statistical observation it can be inferred that customer's satisfaction is significantly dependent on Islamic motive(54%) which is positive and relevant to the Islamic paradigm of insurance (Takaful). Moreover, it is concurred with previous published papers that Islamic motive is top most reason for the customers to prefer Takaful. This investigation also reveals that monetary matters greatly influence the customer satisfaction in case of Islamic insurance. Thus, the second biggest care must be made with regard to monetary aspects of its products. Such products be designed that are affordable to customers, with greater possibility of return on purchasing Takaful policies. Among Some other independent variables of the study – awareness of the customers about the Takaful product and services were found to be insignificant. This signals that Takaful companies have not made enough efforts for creating awareness of its products. Takaful companies with a motive of increasing their customer base with satisfied service providers should develop strategies which will increase awareness level of their customers about Takaful products and services

This study also proposes that Islamic Insurance is also influenced by monetary issues. If a unit change in monetary variable occurs, it will bring about 41% change in the satisfaction level of its customers. Therefore, such products be designed that are affordable to customers, and greatly benefit the customers or should add value to their investments. Remaining variables (i.e., lower staff (LS) and product services (PS)) are found to have insignificant impact on the satisfaction level of customers. As explained earlier, that Islamic motive and monetary benefits explains the significant variations in the satisfaction level of customers, therefore the policy makers need to maintain such efforts which may not adversely impact the satisfaction level of its customers. This will also help them in the retention of its customers. Similarly, to for the satisfaction of its customers Takaful companies need to focus on the its accessibility perspective for its customer, product and services, staff and awareness. As these all were found to show insignificant relation with the satisfaction level of its customers.

The most likely explanation of the negative coefficient of the Accessibility variable is that because the number of firms that provide Takaful services in Pakistan are limited and their level of awareness or somewhat constrained due to the competition by traditional insurance companies. Therefore; the accessibility of customer to Islamic insurance can be increased by launching awareness campaigns and workshops including conferences and customer to customer models (C2C).

VI. Conclusion

This is the fact of life that everyone is possibly at risk to accidents and natural disasters. Despite of Muslims believe in fortune. But Islam teaches that its followers must seek protection to stay away from such troublesome and adversities, whenever such things are perceived, one must opt to minimize its effects. An easy way to face such inevitable circumstances is to cover oneself with an Islamic Insurance policy.

In addition, Pakistan has a population of around 200 million people, most of which are not aware of the terms Insurance and Takaful or rather relatively small part of the population has some knowledge about these services. Although the result of the study is showing positive impact of the Islamic motive variable, but it might be due to Islamic beliefs that a large part of the population prefers not to indulge in contracts where riba exists or they may have doubts about its Islamicity. The potential demand in Pakistan's economy for Takaful services can be best meted with the help of well-organized advertisement which clearly differentiates Takaful from Insurance, community leaders should be involved in campaigns for creating awareness about Takaful and how it is different from Insurance which makes Takaful Halal. Most of the Pakistani population resides in urban areas where most of the people even do not have bank accounts. The Islamic way of doing Insurance should step forward with a gross root level approach to meet the highly potential population of Pakistan's economy residing in the rural areas. Moreover, the Takaful companies need to train their staff and should offer better products and services along with the monetary benefits as these variables are found to have insignificant impact on the satisfaction level of its customers.

VII. Practical implications

This study is useful for Islamic Insurance entities in enhancing their promotional discourses in order to create and improve awareness as well as an understanding of the customers about Takaful policies. The concept of Takaful will be disseminated among the masses of Pakistan, this will further result in enlarging the customer base of Takaful companies in Pakistan.

VIII. Limitations of the study

Study has limitation to access the insurance company's actual customers' database and internal SOP of the organization to evaluate their internal financial operating models to the essence of their claim of Islamic finance or takaful.

References

Ab Rahim, F., & Amin, H. (2011). Determinants of Islamic insurance acceptance: an empirical analysis. *International Journal of Business and Society*, 12(2), 37.

- Abu-Hussin, M. F., Muhamad, N. H. N., & Hussin, M. Y. M. (2014). Takaful (Islamic Insurance) Industry in Malaysia and the Arab Gulf States: challenges and future direction. *Asian Social Science*, 10(21), 26.
- Akhter, W. (2009). Potential of Tak ful in Pakistan: operational and transformational paradigm. *A published thesis of (PhD). Department of management sciences National University of Modern Languages Islamabad.*
- Al-Salih, A., & Napier, C. J. (2012). Consumer preferences for takaful and conventional Insurance: A UK-Saudi Arabia comparison. *International Journal of Excellence in Islamic Banking and Finance*, 2(2), 1-25.
- Alsali, A., & Napier, C. J. (2012). Consumer preferences for takaful and conventional Insurance: A UK-Saudi Arabia comparison. *Available at SSRN 2431385.*
- Ayinde, L. O., & Echchabi, A. (2012). Perception and adoption of Islamic insurance in Malaysia: an empirical study. *World Applied Sciences Journal*, 20(3), 407-415.
- Ayinde, Lukman Olorogun, and Abdelghani Echchabi. (2012). Perception and adoption of Islamic insurance in Malaysia: an empirical study." *World Applied Sciences Journal* 20(3): 407-415.
- Bakar, M. D. (2009). Shari'ah Principles Governing Takaful Models. *Takaful Islamic Insurance: Concepts and Regulatory Issues*, 31-45.
- Bashir, M. S., & Mail, N. H. H. (2011). Consumer perceptions of Islamic insurance companies in Brunei Darussalam. *International Journal of Emerging Sciences*, 1(3), 285-306.
- Browne, M. J., & Kim, K. (1993). An international analysis of life insurance demand. *Journal of Risk and Insurance*, 616-634.
- Daniel, A. N., & Paul, E. (2003). Corporate Demand for Property Insurance. In *Seminar Paper of the First Swiss Doctoral Workshop in Ascona.*
- Hamid, M. A., & Othman, M. S. (2009). A study on the level of knowledge and understanding among Muslims towards the concepts, Arabic and Shariah terms in Islamic Insurance (takaful). *European Journal of social sciences*, 10(3), 468-478.
- Hidayat, S. E., & Rafeea, A. M. (2014). Public Awareness Towards Takaful Concept and Principles: A Survey in Bahrain. *International Journal of Excellence in Islamic Banking and Finance*, 4(2), 1-16.
- Hussain, M. M., & Pasha, A. T. (2011). Conceptual and operational differences between general takaful and conventional insurance. *Australian Journal of Business and Management Research*, 1(8), 23.
- Hussels, S., Ward, D., & Zurbruegg, R. (2005). Stimulating the demand for insurance. *Risk management and insurance review*, 8(2), 257-278.
- Islamic Finance News; 10(36), pp. 2013:

Islamic Finance News; 10(36), pp. 2013: 22

Ismail, N., Othman, A. A., Din, S. Z. M., bin Noh, M. K. A., Yousop, N. L. M., Bakar, N. A., & Shafi, R. H. M. (2012). An Investigation of the Awareness Level of Takaful Products among the Micro Enterprises in Malaysia. *San Francisco: Academia. edu*.

Kader, H. A., Adams, M., & Hardwick, P. (2010). The cost efficiency of Takaful insurance companies. *The Geneva Papers on Risk and Insurance Issues and Practice*, 35(1), 161-181.

Kaunain, F., & Akhtar, S. N. (2016). Economic Determinant of Family Takaful: Evidence from Pakistan. *Acta Islamica*, 2(4), 7-41.\

Manab, N. A., Rashid, R. A., & Ibrahim, Y. (2004). Awareness and Ownership of Family Takaful Scheme Among Muslim Community in Malaysia.

Masud, H. (2010). Takaful: an innovative approach to insurance and Islamic Finance. *U. Pa. J. Int'l L.*, 32, 1133.

Matsawali, M. S., Abdullah, M. F., Yeo, C. P., Abidin, S. Y., Zaini, M. M., Ali, H. M., & Yaacob, H. (2012). A study on takaful and conventional insurance preferences: The case of Brunei. *International Journal of Business and Social Science*, 3(22).

Mehes, M., & Staskova, S. (2016). Investigation on corporate demand for insurance. *Aktual'ni Problemy Ekonomiky= Actual Problems in Economics*, (182), 283.

Rahim, F., & Amin, H. (2011). Determinants of Islamic insurance acceptance: an empirical analysis. *International Journal of Business and Society*, 12(2), 37.

Rahman, Z. A., Yusof, R. M., & Bakar, F. A. (2008). Family takaful: it's role in social economic development and as a savings and investment instrument in Malaysia—an extension. *Syariah Journal*, 16(1), 89-105.

Razak, M. I. M., Yusof, R. I. M. M., & Ali, W. E. J. M. (2013). Acceptance determinants towards takaful products in Malaysia. *International Journal of Humanities and Social Science*, 3(17), Htay, S. N. N., & Salman, S. A. (2013). Viability of Islamic insurance (takaful) in India: SWOT analysis Approach. *Review of European studies*, 5(4), 145.

Redzuan, H., & Yaakop, R. (2004). Factors affecting the life insurance demand in Malaysia. In *Proceedings the Malaysian Finance Association, 6th Annual Symposium*.

Salleh, M., Abdullah, N. I., & Razali, S. S. (2013). Customer perception towards relationship marketing practices in Takaful industry.

Wahab, A. R. A., Lewis, M. K., & Hassan, M. K. (2007). Islamic takaful: Business models, Shariah concerns, and proposed solutions. *Thunderbird International Business Review*, 49(3), 371-396.

Yar, A., & Akhthar, S. (2014). Macroeconomic determinants of family takaful demand: Evidence from Pakistan.

Zou, H., Adams, M. B., & Buckle, M. J. (2003). Corporate risks and property insurance: Evidence from the People's Republic of China. *Journal of Risk and Insurance*, 70(2), 289-314.

Appendices

Appendix A: Questionnaire

Questionnaire

Customer preferences towards takaful in Pakistan

Research Survey

Dear Respondent,

The aim of this survey is to measure the customer preferences for Islamic Insurance/Takaful in District Peshawar. Please take a few minutes to answer the following survey questions by ticking (✓) the option provided. The findings from this survey will only be used for the academic purpose and the answers you provide will be kept confidential.

Section 1: Demographics

Age	Gender
1. Less than 25 years 2. 25-35 years 3. 36- 45 years 4. Above 45 years	1. Male 2. Female
What is your income level?	Qualification?
1. Below 10000 2. Rs. 11,000-20,000 3. Rs. 21,000-30,000	1. SSC or Equivalent 2. Intermediate or Equivalent 3. Bachelor's or Equivalent

4. Rs. 31,000-40,000 5. Above Rs. 40,000	4. Masters or Equivalent 5. MS/PhD
Current Job?	How you consider Islamic Insurances-Takaful in your Mind?
1. Governmental Employee 2. Private Sector 3. Retired 4. Self Employed 5. Other	1. Completely un-Islamic 2. Not Sure 3. Somewhat Islamic 4. Purely Islamic

Section 2: History of Banking Relationship

Any relationship with conventional Insurance Companies before?	Since how long you are the valued customer of Islamic Insurance?
1. Yes 2. No	1. 1-2 years 2. 3-4 years 3. 5-6 years 4. Above 6years

Section 3: Usage and Awareness of Products/Services.

Indicate your awareness and usage of the products/services by ‘Yes’ or ‘No’.

Type of product/service	Awareness		Usage	
	Yes	No	Yes	No
Share n care saving				
ABC Education				
Salary saving plan				
Shield decreasing term				
Investment Shield				

Section 4: Satisfaction with takaful Products/Services of Pak Qatar family Takaful. Indicate your satisfaction level with the following aspects of Takaful Companies?

	Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied
Employees Attitude	1	2	3	4	5
Physical facilities of the company	1	2	3	4	5
Location	1	2	3	4	5
Islamicity	1	2	3	4	5
Services	1	2	3	4	5
Products	1	2	3	4	5

Section 5: Company Selection Criteria

How much you agree with the following statements? Please tick (✓) the appropriate by using different scales.

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

		I choose Takaful company;					
1	Islamic	Because they follow Islamic principles	1	2	3	4	5
2	Islamic	Because of Fatawa (recommendation) by different Religious Scholars	1	2	3	4	5
3	Family	Because my family members and my friends recommended me	1	2	3	4	5
4	Accessibility	Because of its convenient location	1	2	3	4	5
5	Products	Because it Provides a big range of products as compared to conventional insurances companies	1	2	3	4	5
6	Islamic	Because of both religious and interest free modes of transactions	1	2	3	4	5
7	Monetary	Because of lower service charges	1	2	3	4	5
8	Services	Because of customer service quality (e.g. fast and efficient services)	1	2	3	4	5
9	Staff	Because of Knowledgeable and competent personnel	1	2	3	4	5
10	Staff	Because of staff friendliness	1	2	3	4	5
11	Accessibility	Because of its branches operating throughout the country	1	2	3	4	5
12	Islamic	Because of Islamic reputation and image	1	2	3	4	5
13	Monetary	Because of its low premium rates	1	2	3	4	5
14	Monetary	Benefits as compared to conventional	1	2	3	4	5

		insurances					
15	Islamic	Be16cause of its overall acceptances as shariah compliant mode of risk management.	1	2	3	4	5
16	Awareness	Do you agree that Islamic insurances companies are effectively doing enough for the awareness about its concept?	1	2	3	4	5
17	Awareness	Do you agree that Islamic insurances companies are effectively doing enough for the awareness about its products?	1	2	3	4	5
18	Awareness	Do you agree that staff working in insurances companies is adequately aware about the concepts & products?	1	2	3	4	5
19	Awareness	Are you satisfied with the role of regulatory body of Islamic insurances companies for the awareness of its concepts?	1	2	3	4	5
20	Awareness	Are you satisfied with the existing level of awareness about the <i>takaful</i> among the people?	1	2	3	4	5