



The Level of Acceptance and Awareness of Takaful in Nigeria

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Abstract

This study investigates the factors determining consumers' acceptance of takaful (Islamic insurance) in Nigeria. The main objective is to explore the Shariah view, price, service quality, attitude, awareness, subjective norm and perceived behavior control of Nigerian citizens towards the acceptance of takaful services in the country. One of the obstacles currently facing the takaful industry in Nigeria is the lack of awareness about takaful products. To examine the acceptance and awareness of takaful in Nigeria, 209 questionnaires were distributed to respondents in five states, including Lagos, Abuja, Kano, Kaduna, and Enugu; and the data collected were analyzed using SPSS, version 25. The results show that Shariah view, locality, consumer acceptance, service quality, attitude, awareness, subjective norm, and perceived behavior control are the factors influencing the awareness and acceptance level of takaful in Nigeria. The implication of this study is that the majority of respondents do not possess sufficient information to differentiate between conventional and Islamic insurance. As such, for proper implementation and development of takaful in Nigeria, it is important for the policymakers and other stakeholders to provide enough information about the takaful services, products, and operating system to the general public. The future of takaful industry in the country will be determined by a proper understanding of the operating system and the rights of participants as well as other stakeholders, including customers and insurance regulatory bodies.

Keywords: pricing, Shariah review, quality services, locality, social factors, customers' acceptance, and awareness

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1. Introduction

Takaful stands as an alternative for conventional insurance (Muhammad, 2018). The root word of takaful was derived from the Arabic word "kafala" which means to guarantee or responsibility. Takaful literally means mutual guarantee, brotherhood, and solidarity. Islamic law has called for the protection of certain specific objectives of Shariah for the survival of society as a whole and anything that will help in achieving these objectives will not be neglected by Islamic law. Wealth and life are included in these objectives that Shariah intends to protect. Since the prime objective of insurance is to protect individuals against any type of risk with respect to life, the system of insurance is within the concept of the Islamic framework in connection with the principles of Islamic law. The acceptability of Islamic insurance will help to achieve the general objectives of Islamic law concerning safety, since it serves to protect the property and the life of people in a mutual manner (Obaidullah, 2018).

Over some decades ago, the interest in insurance has been widely increasing and is well recognized as one of the important components of Islamic financial instruments devised to improve the lives of people. The poor households usually encounter some difficulties in earning regular and substantial income to survive and to save for the future. As such, a bit of reduction in their earnings or increment in their expenditures will have a devastating effect on their standard of living. For example, they will have limited access to adequate health care services, faced with high illiteracy levels, and poor living conditions. These issues could contribute to the reduction in their properties and other reproductive assets that are meant for future earnings and present livelihood. Therefore, it will be more difficult for the poor to bear losses, such as natural disasters, theft, and fire, that may occur at any point in life (Patel, 2017; Ahmed, 2016; Muye, 2016). These issues and several

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others have accelerated the need for takaful in Nigeria.

Despite the existence of favorable conditions for the development of takaful in Nigeria, the takaful industry is faced with some major challenges which may retard its growth. Nowadays, insurance is important to everyone's life. It is obvious that insurance can improve the standard of living of people, change society's psychological needs and have adequate protection for the future. Due to the apparent importance of takaful in society, it has recently been introduced in Nigeria. Apart from being identified as a social protection scheme in the country, regulators are also optimistic about the contribution of this industry to economic development. Nevertheless, takaful industry in Nigeria is still new with no insurance legislation and only two incorporated companies, which are Jaiz and Noor insurance PLC (AbdulRazzaq and Alao Esq, 2019; Momodu, 2018).

Even with the greater number of Muslim populations in the country, the awareness of this takaful products is still low among the citizens. Notwithstanding the low level of awareness of this industry, the current practice of the takaful in Nigeria is expected to provide protection for personal and family sustainability, particularly in meeting the contingency of life (Yusuf and Obalola, 2015). Despite the immense potential of takaful contribution to the Nigerian economy towards increasing insurance penetration and the financial inclusion of most inadequate Nigerians, the introduction of takaful insurance is experiencing some significant and unusual regulatory obstacles, particularly in a multi-religious country, such as Nigeria.

Takaful companies can be patronized by everyone, irrespective of faith due to its nature of commercial activities. Takaful plays a significant role in both Islamic and conventional finance industry, particularly in Nigeria. Takaful stands as an alternative for financial protection from unknown risk and it has more advantages than conventional insurance. Moreover, there is a need to investigate the acceptance and awareness levels of takaful in Nigeria in order to offer appropriate recommendations that will help to grow this industry beyond its current unacceptable level in the country. Thus, this study aims to examine Nigerian customers' acceptance and awareness of takaful in Nigeria.

2. Literature Review

This section discusses pertinent literature on the level of awareness and acceptance of takaful products in Nigeria; in addition, it also reviews previous studies on the perception of takaful. The discussion in this section starts with the historical background of takaful industry in Nigeria, followed by the development of takaful industry in the country. Moreover, the section proceeds with the review of previous studies on the perception of takaful and finally, the factors influencing the acceptance of takaful.

2.1 Historical Background of Takaful in Nigeria

Nigeria is the largest country in Africa in terms of population. According to the World Bank, the last estimation of Nigeria's population is approximately 201 million people. Out of the estimated population, about 50% are Muslims. International Monetary Fund (IMF) projection forecasted an increase of the Nigerian population to around 210 million inhabitants by 2021 (National Population Commission of Nigeria, 2018). Besides, considering its estimated GDP of 1.1 trillion US dollars, Nigeria has been regarded as the largest economy in the whole of Africa since 2015. Earlier, the Central Bank of Nigeria (CBN) had divulged its 2020 Financial System Strategy (FSS 2020) as the blueprint designed to reposition the country in order to actualize the aim of being the Africa's major International Finance Centre (IFC) by the year 2020 (Central Bank of Nigeria, 2019; Noor Takaful Plc, 2018).

In addition, Nigeria has been optimistically prophesized, by Goldman Sachs, as one of the 11 countries in the world with great potential to possibly rival the G7 countries in the future. It should be noted at this juncture that there is a need for a robust financial system to support Nigeria's endeavors to actualize a vibrant economy. To achieve a vibrant economy, the insurance industry has experienced a recapitalization exercise in 2007 with the intent of repositioning the sector for greater efficiency and effectiveness. Being an integral part of the Islamic financial system, takaful is an important component in this development. The Central Bank of Nigeria, in its projection for 2012, initiated the so-called 'National Financial Inclusion Strategy' to pave the way towards the accomplishment of a significant increase in the access and use of financial services by the year 2020 as a result of the realization of severe financial exclusion, particularly in the Muslim dominated Northern region (Central Bank of Nigeria, 2017). Therefore, the National Insurance Commission of Nigeria (NAICOM) issued Takaful-Insurance operational guidelines in 2013 so that the development of the takaful industry can be

facilitated and to ensure the enhancement of financial inclusion.

However, despite the growing potentials of this market and the government commitment to achieve this end, the growth of takaful operations in Nigeria has not been really impressive (Ardo and Saiti, 2017). Concerning Takaful Legislation in Nigeria, it is important to note that takaful operations in Nigeria are regulated by the 2013 Operational Guidelines for Takaful Insurance Operators, which became enforceable before it was launched in March 2013 by the National Insurance Commission (NAICOM). This document provides detailed and comprehensive structure for all matters concerning takaful operations in the country. As part of the information in the guidelines, Section 1 features a general overview covering the introduction, objectives, scope, implementation, and the concepts of Takaful-Insurance. Basically, the guidelines aim to increase insurance penetration and financial inclusion in Nigeria. It provides a framework within which takaful operators shall successfully carry out their business efficiently and effectively. The scope of the guidelines covers the regulation of commercial takaful activities and other related operations conducted in Nigeria (National Insurance Commission of Nigeria, 2013). Section 2 of the guidelines present general provisions and procedures for adopting an operating model by the prospective takaful operators in either of the two classes of business: family takaful or general takaful. Furthermore, this section specifies three operating models: *Mudharabah* based, *Wakala* based, and Hybrid *Wakalah Mudharabah* model comprises both *Wakala* and *Mudharabah*. Documentation and disclosure requirements relating to the operating model adopted by the takaful operators are also contained in this section of the guidelines. In section 3, the guidelines present governance standards for takaful operators. This entails the requirements for takaful operators to have an Advisory Council of Experts (ACE) as well as their required competency and code of conducts. Similarly, it includes the duties and responsibilities of the Advisory Council of Experts (ACE) and the takaful operators, including the ACE opinion in the annual report, disclosure requirements by the takaful operators, accessibility of the ACE to the public, the regulator's Takaful Advisory Council (TAC), Shariah compliance, and other relevant requirements (National Insurance Commission of Nigeria, 2013). The 2013 Takaful-Insurance operational guidelines provide three business models for Takaful operators. These include the *Mudharabah* contract (profit sharing), *Wakala* contract (agency), and Hybrid *Wakalah-Mudharabah* contract (agency-profit sharing). For effective oversight, takaful operators must obtain approval from the NAICOM after the approval of their ACEs and Board of Directors for the business model they intend to adopt. To promote innovation and product development, takaful operators may propose to adopt a different model apart from the three models provided subject to final approval by the NAICOM.

2.2 Development of Takaful in Nigeria

African Alliance insurance is the first company to introduce takaful products in Nigeria in 2015. The company is known as the country's early expert in life assurance and offers family takaful products that are similar to life insurance (conventional) that consist of both savings and protection components. Another insurance company, Niger insurance, came into the takaful market shortly after the African alliance. The company developed and introduced products that are in line with Shariah principles of savings and investment plan. Following this, cornerstone insurance came to the market by introducing halal takaful Nigeria; this company is a traditional insurer with a takaful window. In 2013, it became the first licensed composite operator in the country, offering both general and family takaful as well as a traditional product to the public in Nigeria. The operational guideline for takaful insurance was issued by NAICOM in the same year (2013), which was the first national guideline for Nigeria's takaful insurance market with the establishment of Shariah compliant framework. This is to improve the transition of traditional insurance into the takaful operator to improve performance based on Shariah principles and corporate governance. These guidelines outline and clarify the duties and responsibilities of the operators and as such, they influence the operational and disclosure requirement standard. There are three models of operating system: *Mudarabah* (profit-sharing), *wakala* (agency), and both *wakala* and *mudarabah* (hybrid). These guidelines make it compulsory for all the operators to provide a Shariah advisory council expert that will be responsible and accountable for any Shariah related matters in making decisions, judgement, sharing opinions and views. Due to the shortage of Shariah experts in the country at the initial stage of offering takaful, the stipulated guidelines allowed the NAICOM's takaful advisory council to be involved in the decision making of Shariah matters regarding takaful in the country. Since then, five insurance companies have sought approval to establish takaful business in the country. Furthermore, NAICOM is currently considering how to permit foreign participants in the provision of takaful services to accelerate the growth of takaful and conventional insurance in Nigeria.

2.3 Review of Previous Studies on the Perception of Takaful

Echchabi et al. (2014) examine the willingness of Tunisian banking customers to adopt the Islamic insurance activities, known as takaful and to determine the factors influencing their decisions. Over some decades of the emergence of Islamic banking in the world, Tunisians have had inadequate experience with its services due to the allegedly antagonistic attitude of the government towards such practices that are based on Islamic principles. Therefore, conventional banking has been the full-fledged financial authority to provide insurance services, while only one Islamic bank has thrived in the country for the past four decades. Based on this study, the researchers found that the Tunisian customers are willing to adopt Islamic insurance services (Takaful), and that compatibility of these services is the motivating factor towards their decision.

Moreover, (IFSB, 2010) conducted research to identify the effectiveness of operational and transformational standards raised by a joint working group of the Islamic Financial Services Board (IFSB) and International Association of Insurance Supervisors (IAIS) as well as peoples' perceptions about takaful practices. Mohamed and Hussnain (2017) also conducted a study to investigate the driving forces, be it economic and/or socio-demographic, which affect the demand for family takaful in the Middle East and North African regions. The researchers focused on 15 countries from the Middle East and North Africa. Based on this study, the researchers found that the reporting standards and internal controls have a low level of observance among takaful operators in Pakistan. The survey of insurance customers also indicated that most of the respondents (91 percent) are ignorant regarding the concept of takaful. Also, education was found to be the main factor which affects the respondents' income, their perceptions and level of takaful awareness.

Coolen-Maturi (2013) empirically examines the extent to which there is a real demand for takaful products among Muslims in the United Kingdom and to evaluate the level of awareness about takaful insurance and its main principles among the UK Muslim community. The result shows that the respondents are likely to opt for buying a car, health, home and home contents insurance provided the same cover is offered as conventional insurance and if prices are competitive. It was also found that Muslim communities in the UK do not have awareness about takaful insurance and its underlying principles, and that most of the respondents are only accustomed to the concepts of *riba* and *maysir*. Specifically, almost half of the sample used are uncertain as to whether takaful is in line with Islamic principles. In addition, most of the respondents prefer the obtainment of takaful products through banking channels rather than from independent takaful institutions. Not surprisingly, most of the respondents agreed to the use of Arabic terms for the takaful to show that these are Islamic products and to differentiate them from conventional alternatives in order to attract more Muslim participants.

Moreover, the study of Mohammed and Mat Nor (2014), intends to identify the factors influencing the Malaysians in their choice to choose takaful over conventional insurance. To adequately obtain necessary information to answer their research questions, the researchers employed a qualitative research approach by conducting four intensive interviews with customers and takaful operators from the Klang Valley, Malaysia. Their findings indicate that takaful customers have a clear understanding of the takaful concept and all that are involved to make an insurance Shariah-compliant. It was also discovered that takaful is necessary for Muslims as a substitute for conventional insurance; takaful customers are aware of the relationship between the insurance and religion in the contemporary business era; they know the roles of takaful agents in explaining the concept of takaful and its benefits as acts of worship (*Ibadah*); they know that promoting takaful products to Muslims by takaful agents is acts of *da'wah*; and that the growth of takaful businesses remains slow compared to conventional insurance in the Klang Valley area in Malaysia. Based on their study, several implications of the research were further discussed.

Ringim (2014) examines the perception of Muslims who have bank accounts in conventional banks towards Islamic banking products, as well as to determine the relationship between the perception levels of Nigerian account holders and their decisions to patronize Islamic banking in Kano, Nigerian. To accomplish the objectives, the researcher conducted a field survey and used proportionate stratified simple random sampling techniques to draw the sample for the research. Out of 500 questionnaires distributed to the Nigerian account holders in conventional banks, only 304 responses were received and out of these, 286 duly completed questionnaires were analyzed for this study. Having analyzed the data using appropriate software, the researcher finds positive perceptions towards the Islamic banks' products in Nigeria. Moreover, the respondents' level of decision to patronize the Islamic banks' products and services were also found satisfactory.

Wan Abdul Aziz et al. (2011) examines the civil servants' perceptions towards Islamic Motor Takaful in Malaysia, and whether there are relationships between the following four factors (i.e. product knowledge, awareness, advertisement, and the derivable benefits from the product) and their perceptions. The researchers employed a questionnaire to obtain data from civil servants who are using motor insurance in Malaysia. Having analyzed the obtained data through multiple regression and Pearson correlation analysis, the results indicate that knowledge, awareness, advertisement, and benefits of the product are the major factors influencing the civil servants' perceptions towards Islamic motor insurance. Based on their findings, the respondents show a very good perception of Islamic motor insurance. The findings also reveal that customers' perception level is positive towards Islamic motor insurance.

With the above reviewed studies, it becomes apparent that customers from different parts of the world have positive perceptions towards takaful services even though most of them lack proper awareness and understanding of how it works. As important as this area of study, very few studies, if any, have been conducted in this area from the Nigerian context investigating the perceptions of Nigerian customers towards Islamic insurance services (takaful). Therefore, this study investigates the perception of Nigerian customers towards takaful services in Nigeria. By conducting this study, it is envisaged that the present study will enrich the field of Islamic banking and finance with new information concerning Nigeria. Besides, it will also help to improve the understanding of takaful customers and Muslims in Nigeria about the benefits of takaful.

2.4 Theoretical Framework and Theory of Reasoned Action

The current study aims to determine the level of acceptance of takaful products by Nigerian citizens. To achieve the study's objective, the Theory of Reason Action of Fishbein and Ajzen (2010), Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980) is employed. The main strength of this theory is in its ability to determine or predict behavior through several external and internal factors. The behavioral intention of Nigerian citizens towards the acceptance of takaful products and services can be determined by many factors, such as attitude, subjective norms, and perceived values. In relation to academic discussion regarding the new theoretical approach has discussed that the differentiation between the customer and the company is no longer considered (Saarijarvi and Kannan 2013). According to Abduh and Idrisov (2014) and Obeid and Kaabachi (2016), awareness has a positive correlation or relationship with attitude, which is hypothesized and proven by their research. This model of awareness can be regarded as an external variable. Most of the existing studies have adopted the aforementioned model and as such, the awareness of Nigerian citizens towards takaful products and services is investigated through external factors and discussed in the subsequent section.

2.5 Factors Influencing the Acceptance of Takaful

The social factor can be described as people's opinions that are influenced by custom, values, civilization, socialization, sale, advertisement, and marketing. These factors are the examples in which social factors can take place when someone's ideology is influenced by others (Lent, 2007). It has been stressed in the literature that informational social factors take place when people lack confidence in a specific situation; thus, they can get information from others as advice in making their choices or decisions (Kelman, 2006; Maiyaki and Ayub, 2015). Such behavior can influence individual acceptance level in each situation. Hence, the factors considered to have influence on the acceptance of Nigerian takaful products are discussed as follows:

- Price

Price is the total amount of money being charged or in exchange for a specific product or service (Lew and Sulaiman, 2014). The acceptability of customers to purchase a product can be prescribed as the highest price which a purchaser is willing to pay for the product. Regarding the takaful, the price offer for a particular product and service plays a significant role in decision making for enrollment and post purchase too, as customers are ready to pay for a particular products or services that satisfy his or her needs. After completing a transaction, if the participant later realized that the price being paid for the specific service or product is higher than the service or product offered to him, the customer will be dissatisfied. The higher the level of satisfaction that the consumer is willing to acquire, the higher the price the consumer will be willing to offer for the product or service.

- Locality

Porter (2000) are of the opinion that locality is mainly connected with acceptance. Several studies have indicated how products, services, market, and customers can reflect on the locality factor. However, the nature of business is also considered to be an integral part of achieving the sustainability of the business environment.

According to (Clouse, 2017), a good selection of business environments is an important aspect in ensuring continuity of competition with other businesses and remain sustainable in the future. Thus, suppose the market prospect is controlled by the public's support, the importance of locality in business cannot be neglected and any other related factors of location are regarded as compulsory and priority for business development (Kotler and Armstrong, 2010; Shepherd, 2016).

- Services quality

Some researchers have opined that service quality theory focuses on customer satisfaction and quality of product or service (Sundbo, 2015; Cho and Hwang, 2020). The dimension of service quality has different perspectives relating to several service sectors (Deshwal, 2016; Song, 2019; Shaffe and Pollack, 2009; Haron et al., 2021). However, the proportion of service quality will assist managers to know the main problem and to improve the service efficiency to suit customers desires. The perception of service quality has been studied since some decades ago. Ledikwe et. al. (2019), Haron et al. (2020) and Zeithaml (1988) describe service quality as an evaluation of customers perception towards the performance of services received from the company. In some years back, several models have been developed to evaluate service quality. Zeithaml (1988) notes that technical quality is the result of the performance of service, and functional quality as the subjective perception of service delivery. Haron et al. (2020) indicate SERVQUAL as the most acceptable model to study service quality. For the first instance, ten dimensions were suggested for the service quality, but after some previous studies in 1988, it was reduced to five dimensions for the service quality model (Zeithaml, 1988).

- Shariah View

As Shariah is the backbone of Islamic financial industries, Islamic insurance is subjected to several Shariah views relating to its entire framework. As stated, *riba* (interest) is prohibited in Islam, but The Almighty Allah has permitted trade as indicated in the Quran (2:275). This Quranic verse clearly stated that interest is prohibited in both commercial and financial transactions, irrespective of faith. In this research, Shariah is included as another focal point affecting takaful among the citizens in the country. Furthermore, it has been noted in the literature that Shariah has a positive impact on the customers' acceptance level of takaful.

3. Methodology

The researchers adopted a quantitative research design for this study using primary data. In this case, information was gathered from the public through the survey by using a self-administered questionnaire to examine the acceptance and awareness level of Islamic insurance among the Nigerian citizens. The data used for this study were collected from the Nigerian takaful customers.

When a researcher is faced with financial and time constraints, the most suitable sampling design to be used is non-probability. Hence, the non-probability sampling technique used to collect data for this study are convenience and snowball techniques. Regarding the data collection, out of 320 questionnaires distributed to the customers in Lagos, Abuja, Kano, Kaduna, and Enugu, 209 duly completed questionnaires received from the participants were used by the researchers. To achieve the stated objective, both the descriptive and inferential statistics were performed on the data collected. The analyses performed in this case are linear multiple regression, normality test and skewness using SPSS version 25.

Performing normality, kurtosis, and skewness tests on the data collected are necessary to fulfill the assumption of multiple regression. The results of skewness and kurtosis are reported in Table 1 and they show that the data is symmetric. The skewness values are less than plus 1 for all the 7 constructs, which show the normality of the data. If skewness is less than -1 or greater than 1, it indicates that the distribution is highly skewed. Most of the constructs have positive kurtosis more than one plus by using the peak of the score value as clustering in the center with a long thin tail.

Nigeria is the largest country in Africa in terms of population with the highest population of Muslims in the West African countries. According to the World Bank, the last estimation of Nigeria's population is approximately 201 million. Out of the estimated population, about 50% are Muslims (Central Intelligence Agency, 2018). The International Monetary Fund (IMF) has forecasted an increase in the Nigerian population to around 210 million by 2021 (National Population Commission of Nigeria, 2018). Lagos is the largest city in Africa and the most populous city in Nigeria. The state has an estimated population of 21 million with 13.25 million of the Muslims population in 2019. Kano state was the second populous state in Nigeria. Out of its 9.38 million population, about 9.196 million are Muslims. Kaduna was the third place with a population of 6.07

million and of which, 4.85 million are Muslims. Abuja has a population of 50% of Muslims out of 1,405 million. Most of the Muslims in the state are predominantly Sunni in the Maliki school and are also practicing Shariah. While the population of Muslim in Enugu is just about 5% of total population.

4. Summary of the Finding and Discussion

4.1 Demographic Profile of the Respondents

The data used for this study were collected from customers of takaful operators in Nigeria using the developed survey questionnaire. As mentioned, the respondents were drawn from five different states, which are Lagos, Abuja, Kaduna, Kano, and Enugu. The duly completed questionnaires used for this study were 209. As reported in Table 2, out of 209 respondents, 127 (60.8%) are males and 82 (39.2%) are females. The respondents who are within the age bracket of 20-30 are 32 (15.3%), those between the age bracket of 31-40 are 93 (44.5%), those between the age bracket of 41-50 are 58 (27.8%), those between in the age group 51-60 are 23 (11.0%), and those above the 60 are 3 (1.4%). The majority of the respondents are Muslims 193 (92.3%), while non-Muslims respondents are 15 (7.2%) out of the overall respondents.

Moving to the educational level, most of the respondents are degrees (above) holders with 81.1%. This is followed by secondary school certificate holders 7.7%; followed by primary school certificate holders with 0.5%; while the rest of the respondents did not indicate their educational level. As for the respondents' occupation, government employees are 38 (18.2%), students are 2.9 (2.9%), private companies' employee are 125 (59.8%), housewife are 7 (3.3%), self-employee are 22 (12.9), and other are 6 (2.9%). Regarding their marriage status, 170 (81.3%) are married, while 39 (18.7%) are single.

Table 1: Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	SE	Statistic	Std. Error
Pricing construct	209	3.8010	.70315	-.584	.168	.510	.335
Shariah View constructs	209	4.3809	.60892	-1.301	.168	2.936	.335
Social Factor constructs	209	3.3359	.96989	.022	.168	-.832	.335
Customer acceptance	209	4.1826	.78617	-1.346	.168	1.509	.335
Service Quality	209	4.2057	.65071	-1.297	.168	2.536	.335
Locality	209	3.7879	.69621	-.564	.168	.218	.335
Awareness of Islamic Insurance	209	4.4179	.59604	-1.173	.168	1.148	.335
Valid N (listwise)	209						

Table 2: Demographic

Demographic Profile	Percentage	Frequency
Gender	Male 127	127
	Female 82	82
	Total 209	209
Age	20-30	32
	30-40	93
	40-50	58
	50-60	23
	60 above	3
	Total	209
Marital status	Single	39
	Married	170
	Total	209
Religion	Muslims	193
	Non-Muslims	15
	No response	1
	Total	209
Average monthly income in naira	Below 100,000	154
	Above 100,000	55
	Total	209
Education	Primary	1

	Secondary	16	7.7	
	Degree\above	170	81.3	
	Other	22	10.5	
	Total	209	100.0	
Occupation	Students	6	2.9	
	Government	38	18.2	
	Private	125	59.8	
	Housewife	7	3.3	
	Self-employed	27	12.9	
	Other	6	2.9	
	Total	209	100.0	
	Period of using takaful	1-3 years	104	49.8
		4-5 years	65	31.1
6-9 years		26	12.4	
10years above		13	6.2	
No response		1	.5	
	Total	209	100.0	
State\branch	Lagos	83	39.7	
	Abuja	26	12.4	
	Kano	50	23.9	
	Kaduna	48	23.0	
	Enugu	2	1.0	
	Total	209	100.0	

5. Reliability Tests

Cronbach’s Alpha, which is commonly used to measure reliability, has been used to evaluate the internal consistency of the questionnaires used in this study. The two independent variables contained in the questionnaire were tested and the outcome show that all the items in the questionnaire reliably measured the respective constructs as reported in Table 3.

Table 3: Reliability Tests

Construct	Cronbach Alpha	Standardize items	No of item
Pricing	0.624	0.632	5
Shariah View	0.751	0.761	5
Social Factors	0.806	0.805	5
Customer Acceptance	0.846	0.842	6
Service Quality	0.850	0.851	7
Locality	0.722	0.727	6
Awareness of Participants towards Islamic Insurance	0.851	0.853	6

Table 3 shows the reliability statistics for pricing, Shariah review, quality services, locality, social factors, customers’ acceptance, and awareness. Based on the results in Table 3, Cronbach’s Alpha coefficient for the above variables are: 0.624, 0.751, 0.805, 0.842, 0.851, 0.727 and 0.853, respectively. These results are all above the 0.7 minimum threshold, according to (Plummer and Tanis, 2015) except pricing which is 0.632. This indicates higher internal consistency and the indication that the questionnaire used is reliable in measuring many constructs. The Cronbach alpha for the locality in this study is higher than that of (Hair and Brunsveld, 2019) where 0.738 was reported.

Table 4: Customer Acceptance Level

Variables	SD	D	U	A	SA	Total	Mean	STD
	Frq %	Frq %	Frq %	Frq %	Frq %			
I am pleased with the existing Islamic insurance	20	10	16	88	75	209	3.90	1.219
	9.6	4.8	7.7	42.1	35.9	100.0		
I fully accept Islamic insurance as one of the most convenient methods of financing	10	13	19	68	99	209	4.11	1.112
	4.8	6.2	9.1	32.5	47.4	100.0		
Islamic insurance offers right products and services to both Muslims and non-Muslims	12	12	15	74	96	209	4.10	1.128
	5.7	5.7	7.2	35.4	45.9	100.0		
I am proud to tell others that I am using or have used Islamic insurance services	6	6	15	68	114	209	4.31	.916
	2.9	2.9	7.2	32.5	54.5	100.0		
I am excited when using Islamic insurance services at the first time.	5	7	14	76	107	209	4.34	.923
	2.4	3.3	6.7	36.4	51.2	100.0		
I am willing to patronize Islamic finance business in the future.	7	5	8	78	111	209	4.26	.951
	3.3	2.4	3.8	37.3	53.1	100.0		

Table 4 presents the results of the acceptance level of takaful. Based on the responses received from the participants, about 163 (78%) of them strongly agreed or agreed to the existence of takaful in Nigeria; 30 (14.4%) of the participants disagreed or strongly disagreed to the existence of takaful, while 16 (7.7%) of the participants are neutral to the existence of takaful's questions asked. Similarly, 167 (79.9%) of the participants agreed or strongly agreed to the acceptance of takaful as an alternative to the convenient methods of financing; 23 (11%) of the participants disagreed or strongly disagreed to the acceptance of takaful as an alternative to the convenient methods of financing; while 19 (9.1%) of the participants are undecided regarding the acceptance of takaful as an alternative to the convenient methods of financing.

Furthermore, 24 (11.4%) of the participants disagreed or strongly disagreed that the products and services provided by takaful are the right products and services for both Muslims and non-Muslims alike; 170 (90.3%) of the participants agreed or strongly agreed that the products and services provided by takaful are the right products and services for both Muslim and non-Muslims; while 15 (7.2%) of the participant are undecided regarding this question. Similarly, 12 (5.8%) of the participants disagreed or strongly disagreed to recommend takaful products and services to other people; 182 (87%) of the participants agreed or strongly agreed to recommend takaful products and services to other people; while 15 (7.2%) are undecided regarding this question. Similarly, 12 (5.7%) of the participants disagreed and strongly disagreed to patronize takaful in future; 189 (90.4%) of the participants agreed or strongly agreed to patronize takaful; while 8 (3.8%) of the participants are undecided regarding this question.

5.1 Philosophical Stance and Hypotheses

This study adopts a positivist approach that depends on reality and quantitative data in an objective manner. It stresses on applying scientific methods to derive the fact and quantifiable result. So, the role of the researchers in this study will be limited to data collection and interpretation based on data analysis used. This suggests the independence of the researchers from this research as they will be focused on reality obtained from the sample with minimal interaction with the respondents to obtain objective findings (Hothersall, 2019). This study will rely on a deductive process to explore the validity of the hypotheses contained in the Theory of Reasoned Action (TRA) in the circumstance of the factors that determine the level of awareness and acceptance among the Nigerian citizens. Base on this, hypotheses extracted from the TRA, hypotheses 1 to 4 will be tested through statistical analysis to know the outcome result that will be confirmed or reject the hypotheses.

Table 5: Statement of Hypothesis

Statement of hypothesis	Remark
H1: Service quality has a significant influence on the behavior of consumers towards takaful services.	supported
H2: Customer acceptance has a significant influence on the behavior of consumers towards takaful services.	supported
H3: Shariah view has a significant influence on the behavior of consumers towards takaful services.	supported
H4: Subjective Norms have significant influence on the behavior of consumers towards takaful services.	supported
H5: Perceived Behavioural Control (PRICE) has no significant effect on consumer behavior towards takaful services.	rejected

Hypothesis (1) states that there is a significant relationship between service quality of takaful and behavioral intention to accept takaful products in Nigeria. This hypothesis is not rejected because of its significant contribution in explaining service quality with $\beta = 0.285$, $t = 4.753$, $p = 0.000$. Also, the Pearson correlation between service quality and consumer behavior towards the acceptance of takaful is 0.515. This shows that higher service quality will guarantee the acceptance of takaful. If people are not aware of the service quality of the operations and products of takaful, they may not support them.

Hypothesis (2) states that there is a significant relationship between customer acceptance and customer perceived behavioral control towards acceptance of takaful in Nigeria. This hypothesis is not rejected because it significantly contributed to customer acceptance of takaful with $B = 0.306$, $t = 4.753$, $p = 0.000$. The Pearson correlation of 0.535 suggests that people will use takaful services based on positive perception towards them.

Hypothesis (3) states that price has a significant influence on customers' acceptance level of takaful. This hypothesis is rejected because of its insignificant contribution in explaining the acceptance of takaful with $B = 0.006$, $t = 0.114$, $p = 0.910$. This finding suggests that demand is not necessarily enough to make a justification that a person will accept or reject takaful service. The outcome shows that price is not the factor that can contribute to the acceptance of takaful in Nigeria, but other factors are more significant in consumers' decisions to accept takaful. Such factors could be cost of borrowing, risk, and expected return. [Yu and Tseng \(2016\)](#) discover that economic factors, like cost and service quality, are more significant than the price in the consumers' choice to accept takaful. Though price can also influence customers' choice to accept takaful together with the other factors as discussed earlier.

Hypothesis (4) states that subject norms have insignificant influence on the locality towards acceptance of takaful. This hypothesis is not rejected because it has insignificant contribution to locality of takaful with $B = 0.95$, $t = 1.655$. This shows that locality is very important in deciding the product to be chosen. As indicated in [Shehu et al. \(2011\)](#) study, moving closer to other people does not mean that customers can disseminate their financial position, talk-less of affecting their decision. Also, the findings of ([Karjaluoto et al., 2012](#); [Khan, 2020](#)), show insignificant influence of evidence opinion and group leaders in consumer behavior on financial issues.

Hypothesis (5) states that there is a significant relationship between the Shariah view and customers' behavior towards acceptance of takaful. This hypothesis is not rejected because of its significant contribution to behavior with $B = 267$, $t = 4.131$, $p = 0.000$. This suggests that being associated with a particular religion is not enough to determine whether someone will accept takaful or not. This result shows that not religion alone, but other factors also contribute to the decisions to accept takaful or not in Nigeria.

Among the five research hypotheses formulated for this study, only one was rejected; the remaining four were not rejected. Therefore, consumers' behavior towards acceptance of takaful is significantly influenced only by awareness and attitudes.

6. Limitation of the Research

This study has attempted to investigate the awareness and factors affecting the level of acceptance of takaful in Nigeria by using the Theory of Reasoned Action (TRA). It is necessary to note the importance of this research in the context of takaful in the country. A significant limitation of this research is that the sample was only

drawn from four different takaful operators: Jaiz Insurance plc, Cornerstone, African Alliance, and Sterling Bank. The collection of data from the customers of the above takaful operators may not be enough to accurately represent the entire customers of takaful in the country. Moreover, other factors that are not covered in this research in the TRA may be important in selecting takaful services. Hence, future research may consider covering a wider sample to investigate the acceptance of the customers of the four takaful operators and to also incorporate more variables that may be important in the choice of takaful services among the customers in the country. This research has many limitations and needs further examination by future researchers. This study focuses on the level of awareness and acceptance of takaful in Nigeria. Further research is required to compare the entire operating system of the takaful industry in the country. Secondly, since the study focuses on awareness and acceptance, the analytical result can be generalized on both private and public enterprises as well as the individual that offer takaful business within their organization or community in Nigeria. Finally, since the data for this research were mainly collected from populous states (Lagos, Kano, Kaduna, Abuja and Enugu) in Nigeria, generalizing the findings of this study to other states must be done with caution, owing to the difference in culture and other tribal factors in addressing and maintaining customers' relationship along with management issues concerning customers' loyalty and satisfaction.

7. Conclusion and Suggestions

Based on the findings, about 90% of respondents are informed about takaful; though only 13%-17% of respondents are used to the contracts in takaful and investment in the halal industry. This research was conducted using a survey questionnaire to collect data from the Federal Republic of Nigeria. The respondents for this study were selected from different states and cities across the country: Lagos, Abuja, Kaduna, Kano, and Enugu. The total number of questionnaires duly completed and used for the current research are 209 questionnaires.

The implication of this is that the majority of the respondents do not possess sufficient information to differentiate between conventional and takaful. Thus, this does assure that people will demand for takaful services rather than that of conventional insurance should they have sufficient information about takaful. Therefore, improving awareness about takaful in this regard will enhance the implementation of takaful and its development in Nigeria, particularly the Shariah board within the operating system of the takaful industry in Nigeria. It is therefore recommended that policymakers and other stakeholders should work vigorously in providing enough information about the takaful services and products to the general public.

Although the attitude towards the takaful industry is a significant determinant, which indicates a significant effect on the intention to patronize takaful services and products in the country, there is a need to increase awareness about takaful among the general public in Nigeria. There is a positive relationship between acceptance and subjective norms, suggesting that subjective norms are the main factor for the intention to patronize takaful service and products in the country. Takaful industry still needs more advertisements to increase awareness about takaful among the Nigerian citizens.

Regardless of the ethnics group, race and location, tribe, and recommendation by the family and friends, Nigerian takaful operators need to work hard to get proper recognition by improving their quality services and providing good services to the customers. The operators must know what customers want and their needs to satisfy them in giving good services to them. Moreover, based on the finding of the survey, improving awareness will increase the level of acceptance as well as the Shariah board in the operational strategies of takaful in the country. It has also been noted that perceive values do play crucial role in behavioral intention in supporting takaful services and products, and services in Nigerian' perceived values' is prescribed as to how services and products offered by insurance industry, especially takaful, are more on the product's ability to satisfy people needs or requirements. Hence, it can be finalized that such expectations or extra requirements do not play a role for the people to accept takaful services and products. Similarly, the results show that perceptions and awareness of takaful as well as quality services play significant roles in poverty eradication for the low-income earners in Nigeria, or it will satisfy the financial needs of both Muslims and non-Muslims in Nigeria. With behavioral intention to use takaful services and products in Nigeria, it is recommended for the takaful industry in the country to concentrate on the provision of experts in the field of Shariah-compliant review services, which will be emulated by conventional counterparts.

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