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Effat University

Jeddah, Saudi Arabia

Deanship of Graduate Studies and Research

This thesis, written by Ruba Hassan Makki, under the direction of his/her thesis supervisor and approved by his/her thesis committee, has been presented to and accepted by the Dean of Graduate Studies and Research on Islamic Life Insurance (Family Takaful):

The Relationship between Agents Ethical Behaviour and Customers Attitude, Satisfaction Trust and Commitment, in partial fulfilment of the requirements for the degree of MASTER OF SCIENCE in Islamic Finance Management .

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**Islamic Life Insurance (Family Takaful):
The Relationship between Agents Ethical Behavior and Customers
Attitude, Satisfaction Trust and Commitment**

A Thesis Submitted in Partial Fulfillment of the
Requirements for the Master Degree in

MIFM

By

Ruba Makki

Supervisor

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(1436 / 2015)

Jeddah, Saudi Arabia

Deanship of Graduate Studies and Research

This thesis, written by Ruba Hassan Makki, under the direction of his/her thesis supervisor and approved by his/her thesis committee, has been presented to and accepted by the Dean of Graduate Studies and Research on....., in partial fulfillment of the requirements for the degree of MASTER OF SCIENCE in.....

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جدة ، المملكة العربية السعودية

عمادة الدراسات العليا و البحث العلمي

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.....:التوقيع:التوقيع

Abstract

The aim of this quantitative, cross-sectional, survey research was to determine the relationship between agents' ethical behavior and customers' attitude, satisfaction, trust and commitment. An online questionnaire was used to collect quantifiable data from bank customers in Jeddah, KSA, who were subscribed to the Takaful insurance plan. A total of 52 validly completed questionnaires was garnered and data analyzed using SPSS version 21 to address four objectives.

The findings showed no statistically significant correlation between Takaful agents' ethical behavior and customer attitude towards Takaful insurance companies ($r=.240$, $p=.086$). Similarly, no statistically significant relationship was found between Takaful agent's ethical behavior and customer commitment towards Takaful insurance companies ($r=.172$, $p=.224$). However, a statistically significant positive correlation between Takaful agents' ethical behavior and customer satisfaction with Takaful was established ($r=.463$, $p=.001$). Likewise, a comparatively stronger, statistically significant relationship was reported between

Takaful agent's ethical behavior and customer trust in Takaful insurance companies
($r=.822$, $p=.000$).

**Keywords: Takaful, Islamic Insurance, Saudi Arabia, Ethical Behavior, Takaful
Agents**

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CHAPTER 1: INTRODUCTION

1.1 Background

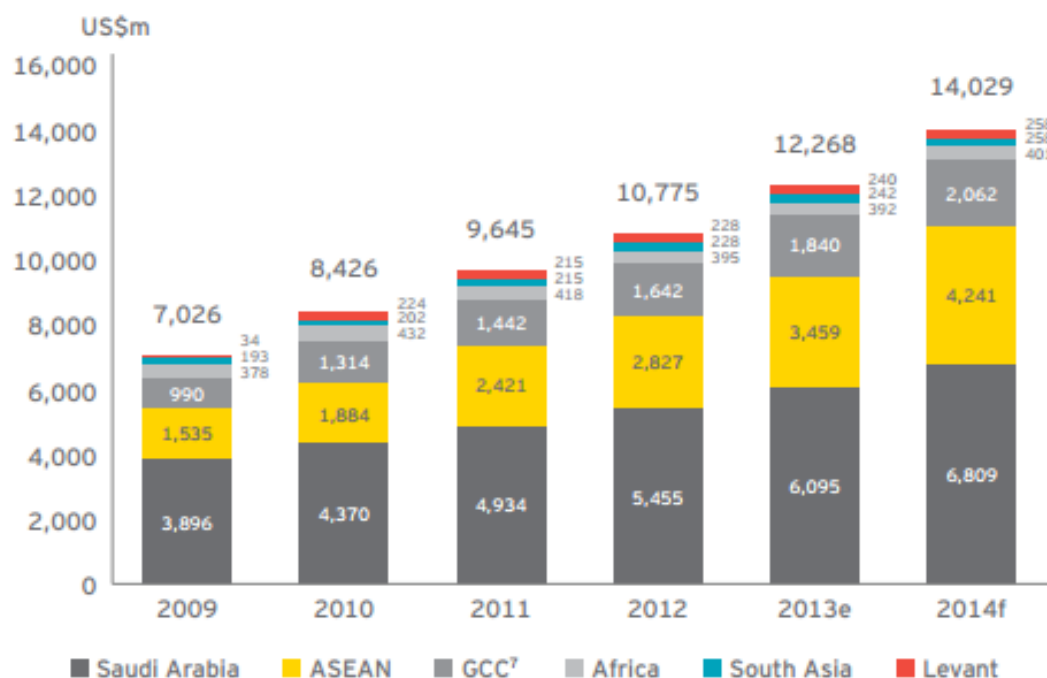
In 1976, the first Takaful firm was established in Sudan. Since then, the world has been witnessing tremendous growth in the number and quality of services in the Takaful industry around the world (Salleh & Ramli, 2013). All GCC countries, sections of the African continent, the Indian subcontinent, and countries in the South East of Asia, support and practice Takaful. In most cases, Takaful agents are the main channel of distribution for Takaful operators to access the public and deliver messages and products associated with Takaful (Salleh & Ramli, 2013). Since Takaful agents are the face of Islamic insurance companies, the roles they play are beyond promotion of the Takaful products. Their roles entail behavior on the basis of Islamic norms in the provision of services to Takaful customers (Salleh & Ramli, 2013). Thus, Takaful agents are crucial role players in the decision by consumers to acknowledge Takaful as the most preferred Islamic solution for both financial management and insurance.

The Takaful agent, referred to as *wakeel* in Arabic, features in the Holy “Qur’an as the representation of a person on behalf of another person in certain dispositions” (Salleh, Abdullah, & Razali, 2013, p. 77). Hairul, Saiful, and Majdi (2004) argued that this representation could imply *hifz*, which means to defend or preserve, as dictated in verses 4:132 and 3:173 of the Qur’an. Based on verses 12:67 and 3:160 of the Qur’an, *wakala* also denotes *tawfid* with the latter meaning to entrust and being responsible for the arrangement of another’s affairs according to verse 6:107 and 6:66. Use of agents in Islam has been endorsed by the Prophet Muhammad’s hadith in Qur’an, al-Kahf: 19 (Salleh, Abdullah, & Razali, 2013).

1.2 Problem Statement

Overall, Ernst & Young (2014) reported that the gross Takaful contribution for 2014 was estimated to reach USD 14 billion, which was a figure higher than the previous year's USD 12.3 billion. Between 2007 and 2011, a high year-on-year growth rate was registered, moderated by an impressive Compound Annual Growth Rate (CAGR) of 22 per cent. However, this slowed down to 14 per cent for the period 2012 through 2014. Due to young demographics and strong economic dynamics, ASEAN countries (i.e. Indonesia, Malaysia, Singapore, Thailand, and Brunei) achieved buoyant growth of approximately 22 percent for the period 2009 through 2014 although 2013 and 2014 were estimated and forecasts respectively. The GCC countries with the exemption of Saudi Arabia recorded an approximate growth of 12 per cent (Ernst & Young, 2014). The worldwide gross Takaful contributions for 2009 through 2014 (forecast) appear in Figure 1.2 below).

Figure 1.2. Worldwide gross Takaful contributions for 2009 through 2014 (forecast).



Adapted from

Ernst & Young (2014), *Global Takaful insights 2014: Market updates - Growth momentum continues*. Retrieved from [http://www.ey.com/Publication/vwLUAssets/EY_Global_Takaful_Insights_2014/\\$FILE/EY-global-takaful-insights-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EY_Global_Takaful_Insights_2014/$FILE/EY-global-takaful-insights-2014.pdf)

The problem addressed in this study is the scarcity of empirical evidence concerning the relationship between agents' ethical behavior and customers' attitude, satisfaction trust and commitment. This is despite the impressive statistics on the growth and adoption of Takaful Insurance services around the world and the acknowledged role of Takaful agents in influencing customer willingness to purchase Takaful products.

1.3 Research Aim, Objectives and Questions

The aim of this research study is to determine the relationship between agents' ethical behavior and customers' attitude, satisfaction, trust and commitment. In order to accomplish this aim, the following were the research objectives addressed in this study:

1. To investigate the relationship between Takaful agents' ethical behavior and customer attitude towards Takaful insurance companies
2. To examine the relationship between Takaful agents' ethical behavior and customer satisfaction with Takaful insurance companies
3. To explore the relationship between Takaful agent's ethical behavior and customer trust in Takaful insurance companies
4. To investigate the relationship between Takaful agent's ethical behavior and customer commitment towards Takaful insurance companies

In accordance with the research objectives listed above, the following complementary research questions were adopted as guides for further empirical investigation:

1. What is the relationship between Takaful agents' ethical behavior and customer attitude towards Takaful?
2. What is the relationship between Takaful agents' ethical behavior and customer satisfaction with Takaful?
3. What is the relationship between Takaful agent's ethical behavior and customer trust in Takaful?
4. What is the relationship between Takaful agent's ethical behavior and customer commitment towards Takaful insurance companies?

1.4 Structure of Thesis

This thesis comprises five chapters, starting with the introduction chapter where the background, problem statement, research aim, objectives, and questions, and the structure of thesis feature. The second chapter contains the review of previous literature relevant to Takaful, agents' ethical behavior, and customer attitude, satisfaction trust and commitment. The research design and methodology appear in the third chapter, while the fourth chapter features the results of this study. The final chapter contains the conclusions and recommendations based on the findings of this study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Islamic insurance has a long history and can be traced back to the practice of shared responsibility in the cities of Mecca and Medina more than 1000 years ago. However, despite the long history, Islamic insurance, which is a subset of what is now commonly known as Islamic finance has only gained prominence in the modern economy in the last decade or two (Swartz and Coetzer, 2010). The latest entry of Islamic finance into the modern economy is based on two key factors. The first one which is also the most important is the fact that the modern economy has mainly been based on economic models and business practices developed in the West, which is largely secular (Hussain and Pasha, 2011). Any other approach has therefore had to fight much for acceptance and space. The second factor is that even in Muslim countries and communities, Islamic finance was not developed enough to offer a viable alternative and is still developing (Khan et al., 2010). Despite its late entry into the scene, Islamic finance is proving to be an important aspect of the modern economy, given the core differences it has from conventional finance and the potential for growth, which is based on the populations and the economies falling under the Muslim faith.

Islamic finance as the name suggests, is based on the provisions of the Muslim faith and the Quran is the source of all the principles of Islamic finance. In short therefore Islamic insurance is insurance that complies with the teachings of Prophet Muhammad and recorded in the religious book and other Islamic literature (Matsawali et al., 2012). As is expected in all faiths, there are many different interpretations of the teachings of the Quran. While most of the principles that support Islamic banking and Islamic insurance are generally agreed among Muslims, the principles that are the basis of Islamic life insurance are still hotly debated (Ajani, 2013). There are significant groups of Muslim scholars and communities who believe that the practice of life insurance goes outside of the principles

of shared responsibility found in the Quran. On the other hand, there are also significant Muslim scholars and communities who believe that life insurance can be practiced in a way that meets the principles of shared responsibility anchored in the Quran (Billah, 1993). Since this form of debate is common in all developing fields of practice, it does not minimize the importance of the need to develop a better understanding of Islamic life insurance.

2.2 Scope

The literature review focuses on the relationship between ethical behavior of the agents who are the sales people and the attitude, perception, satisfaction, trust and commitment to the customers of Islamic life insurance. Islamic life insurance is a subset of Islamic insurance, which is a subset of Islamic finance as the introduction has already established. An important point to note from the outset is that the area of Islamic life insurance has not received a lot of attention from researchers compared to conventional life insurance (Esman, 2008). This can be linked to two factors. One, is that the area of Islamic finance is still growing and under Islamic finance, the area that has drawn the attention of most of the researchers has been Islamic banking (Siddiqi, 2006). This is because Islamic banking accounts for most of the resources under Islamic finance. Two, is that there are not as many researchers versed on the intricacies of Islamic Law and principles as there are verses in conventional insurance law and practices (El-Gamal, 2007). For the literature review to address the research topic reliably, however, it must focus on all the aspects that can lead to a better understanding of the research area considering the limitations in previous studies. Three areas have been identified that form the scope of the review.

The first area is in the nature of Islamic life insurance. As the introduction highlighted, Islamic life insurance differs from conventional life insurance. The unique aspects of Islamic life insurance are expected to have some bearing on the way the customers relate with the sales agents and the way ethics may be interpreted. It is therefore important that the nature of Islamic life insurance and the context in which it is practiced are well understood.

The second area that the literature review will focus on is on the implications of the ethical behavior of insurance agents. It is a common practice all over the world for insurance to be sold by agents under conventional and Islamic insurance. Given the limited information on Islamic life insurance, it is expected that there will even be more limited information on the ethical behavior of Islamic insurance agents. A critical analysis will be done on how the ethical behavior of life insurance agents impact on the attitudes, perceptions, satisfaction and trust of the customers in general.

The third area that the literature review focuses on is on the perceptions, attitude, satisfaction, trust and commitment of the Islamic life insurance customers. The analysis will cover the factors that have been found to affect these aspects of the customers so that they can be related to the implications of the ethical behavior of agents investigated.

The focus on the three areas will ensure that the research area is investigated comprehensively and the study is well anchored in the existing literature.

2.3 Nature of Islamic Life Insurance

Islamic life insurance just like conventional life insurance seeks to provide relief for those who are left when a person dies through a compensation that ideally, prevents those left from suffering given the interest they had in the life insured; the beneficiaries therefore must have some insurable interest in the life assured (Kettell, 2011). The uniqueness of Islamic life insurance is based on the justifications for its practice in the modern sense of the word through companies that are separate from the contributors of premium. The practitioners of Islamic life insurance have quoted many different verses in the Quran as supported *Takaful*, or insurance and forming a basis for the practice of life insurance. Three key aspects that are elaborated severally in the Quran are the most commonly cited as follows:

Mutual Cooperation: The Quran advocates for mutual cooperation in doing what is good; it requires Muslims to cooperate with any person in doing what is considered good such as helping the poor, engaging in public projects and also helping those that have been afflicted by disaster (Manjoo, 2011). Death is a common disaster to those with interest in the life of the deceased. Helping the dependents of the deceased has been a common practice in Muslim communities. Those basing their support for Islamic life insurance on this principle, arguing that, life insurance makes mutual cooperation more effective and more efficient. By members of the fund contributing to a pool of resources regularly, the pool can be managed to provide support to those with insurance interest when a life is lost. Instead of waiting for disaster, to strike, and at such times, there may not even be enough savings to provide help; it argued it is better to save regularly and in advance (Ayinde and Echchabi, 2012). This principle is highly popular in Islamic insurance.

Shared Responsibility: In addition to mutual cooperation, the Quran also requires Muslims to share responsibilities in building a strong community (Al-Ghadyan, 1999). Shared responsibility directly addresses the area of risks. The Quran requires that every Muslim participates in addressing the problems that are faced in their community. Such problems include fires, damage to property and even the loss of human life. According to the principles in the Quran, Muslims should operate like one body, when one part of the body is in distress, all the other parts do not operate well (Salleh et al., 2013). The principle of shared responsibility is often quoted as the basis for insurance even with conventional insurance. For those using this principle to support Islamic life insurance, they argue that by pooling resources together that are then used to address the problems arising from the death of one of their members, Muslims fulfil the principle of shared responsibility (Razak et al., 2013).

Helping: Helping others is a requirement that is anchored on many verses in the Quran (Hussain and Pasha, 2011). Basically, helping others is one of the conditions that are set for a Muslim to enter into Paradise (Olorogun, 2013). Every Muslim is therefore expected to offer whatever it is that they have to help those in distress within their community. Death is one of the major causes of distress and where the deceased has dependents, the distress on the dependents can be significant. Those using this principle to promote life insurance, arguing that by contributing to life insurance, Muslims can be able to help those in distress as a result of death (Kamil and Mat Nor, 2014). The main challenge in using this principle to promote life insurance is that, in the Quran, help is not expected to be given only when there is the expectation of reciprocity and benefit (Bhatty, 2010). In Islamic life insurance, however, the purchasers of the policy help others while at the same time demanding to be helped if death strikes them. The concept of efficiency, can however be used to justify the existence of an Islamic life insurance company that signs people in for a policy to ensure everyone is covered.

Another important aspect of the Nature of Islamic life insurance is the debates that still exist on its legitimacy under Islamic Law and principles. The division among Muslim scholars is limiting

the growth of the product since it leaves significant portions of the population undecided (Yazid et al., 2012). Those arguing that life insurance does legitimate under Islamic principles, not usually have no objections to the three principles of mutual cooperation, shared responsibility and helping of others. The objection to Islamic life insurance is usually based on three key attributes of life insurance.

The first one is the benefit that the insurance company makes on the basis of uncertainty and risk or what is known as *Gharar* in Islam (Sherif and Azlina, 2013). Death involves a lot of uncertainty and risk, since no one can predict for sure when it is likely to happen. Life insurance companies benefit from this uncertainty by making the policy holders pay a premium in the present for the insurance company to assume the uncertainty. Benefiting from uncertainty is prohibited in Islam and the Quran forbids Muslims from making profits on such basis. This requirement clearly rules out conventional life insurance from application in Muslim circles. The supporters of Islamic life insurance on the other hand, argue that the benefit arising from uncertainty can be excluded from making sure that the profits realized by the insurance company are used for the benefit of the policy holders (Rahim and Amin, 2011). There are however, no guarantees that private profits cannot be made by such companies.

The second point is the prohibition of gambling in Islam, or what is known as *Maysir Md* (Husin and Ab Rahman, 2013). Gambling is prohibited in the Quran and no Muslim is expected to participate in it. Life insurance on the other hand, involves some element of gambling since the insurance company bets on the fact that all the lives assured cannot be lost at the same time. If such an event was to happen, the company would suffer massive losses. Gambling in life insurance is reflected by the large payoffs that the insurance companies promise compared to the total premium contributed. This point is very hard for supporters of Islamic life insurance to argue against since the elimination of the gambling idea, would involve payment of very small payoff in the event of loss or asking for very high premiums.

The third point that is often quoted to argue against Islamic life insurance is not trusting in Allah to provide. The Quran states that Allah is the provider of all things and people should trust in

him to provide (Alhumoudi, 2013). Insurance on the other hand, involves saving to ensure that in the event of loss, there are resources that can be utilized. This to some Muslims is simply not having enough trust in Allah to provide in the event of such loss.

While the three objectives above are hard to dispel, another common objection is the investment of the insurance fund in prohibited businesses. This objection is however easily dispelled by the Islamic insurance companies, since they can select the businesses to invest their money in and avoiding prohibited businesses such as the sale of pork or alcohol and cigarettes.

Another important aspect of Islamic life insurance is that at the moment it accounts for a very small proportion of the market. Some estimates have put the resources under Islamic finance at about \$2 trillion; of this amount only about \$20 billion are Islamic insurance; and in Islamic insurance, life insurance is just a small proportion (Mohieldin, 2012). These figures reflect the fact that growth in Islamic finance has followed similar patterns with conventional finance where insurance accounts for only a small proportion of the total assets. The small proportion of the life insurance market should however not mask the potential for growth. In Muslim economies mainly in the Middle East and South East Asia, growth has been registered at rates of about 14 % per year since 2008 (Earnest & Young, 2014). This is a very high growth rate given that conventional finance has experienced some shrinking in some of the years since then. The high rate of growth indicates that the industry is going to occupy a very strategic position in the global economy in the next few years.

2.4 Implications of the Ethical Behavior of Insurance Agents

By nature and tradition, insurance is usually sold by agents. These are sales representatives who interact with the customers directly, explain the nature of the product and signs up the customers under the various policies. In Islamic insurance, the process is still the same. Unethical behavior among insurance agents has been of major concern in conventional life insurance due to the direct interaction that agents have with the customers and the almost non-existent interaction that the customer has with

the insurance company (Salleh and Kamaruddin, 2011). This process is replicated in Islamic life insurance. However, in Islamic life insurance, there are very limited data on the implications of the ethical behavior of the agent to the customer due to the relative newness of the industry. A major factor that is often pointed out as creative incentives for agents to act unethically is the commission based compensation system (Salleh et al., 2013).

Annur (2005) as well as Salleh and Kamaruddin (2011) observe that the ethical behavior of the agent is highly critical in determining the response of the customer. This is mainly due to the direct contact the agent has with the customer. In selling insurance, the agent has to interview the customer on a variety of highly personal matters and make recommendations based on how they judge the customer. This implies that the customer and the agent get very close, where the relationship they develop is the main determinant of how the customer is to respond. Salleh and Kamaruddin (2011) also observed that regardless of the other factors pointed out, the most important determinant of whether a customer responded positively to life insurance sales agents was the trust they had in them. This is a clear indicator that the ethical behavior of the agent has significant implications for the customers.

Loyalty and commitment:

There are several aspects of the customers' response that have been investigated; however, the current review focuses on personal attributes and related elements. Unethical behavior among agents has been found to affect personal attributes. A loyalty which is the level of commitment that a customer has to the agent and by extension, to the insurance company is one of the attributes that have been found to be affected (Marhanum et al., 2012). The sale of insurance is usually a very aggressive

process and loyalty and commitment are important. When the customers have rated the agent as unethical, they have been more likely to shift to another agent and another company. An interesting observation that has been made on loyalty is that customer loyalty has been found to be stronger towards the agent than towards the insurance company (Aiman, 2009).

Satisfaction:

Satisfaction has also been related to the ethical behavior of insurance agents. Heron et al (2011) observed that the level of satisfaction reported by the customers of life insurance was in line with the reported levels of ethical behavior regardless of the quality of the products being offered. The implication of this observation is that the personality of the person presenting the insurance product played a critical role in the level of satisfaction of the customer. This is a highly important observation in the understanding of the relationship between agents and customers because it means that instead of focusing on the products too much, life insurance companies can do better in improving the level of satisfaction of the customers by training the agents on how to handle the customers ethically.

Trust:

In insurance, trust is important since the benefits that the insurance customers expected to get are usually in the form of a promise. Purchase of insurance is therefore to a large extent based on the trust that the customer has on the insurance company. However, the insurance company is rarely seen and the agent is the direct representative of the company. This therefore means that it is the trust that the insurance agent can inspire that determines the purchase behavior of the customer. Noor and Muhamad (2005) observed that just like in the case of satisfaction, the higher the level of trust

customers of life insurance had, the more likely they were to purchase. It was also observed that trust was basically based on how ethical the customers thought the insurance agents were. Any element that affected the agents' ethical standing also affected the trust given to them by the customers.

Perception:

Perception on product suitability is one of the elements that have also been linked to the ethical standards of the insurance agent. The life insurance product requires that the agent explains in detail how it suits the customer, many of its aspects are not easily understood by customers. The suitability of the product as reported by the customer is therefore to a large extent dependent on how well the agent explains it to them. Bashir and Hafizah (2011) observed that when the agent was described as highly professional and being highly ethical, reported product suitability was very high. When the customer had issues with the ethical standing of the agent, the perception on product suitability was low.

The evaluation in this section has shown that the ethical behavior of the agent has significant implications on the customers' loyalty and commitment, level of satisfaction, trust and perception on product suitability regardless of any other factors. While this sheds light on the relationship between the ethical behavior of the agent and the trust, perception, satisfaction of the Islamic life insurance products, it is important to understand these aspects of the customer better. The following section focuses on this area.

2.5 Perceptions and Attitude of Islamic Life Insurance Customers

The perceptions, attitude and related elements of Islamic life insurance customers has been investigated in a number of places in studies mainly trying to establish why it still has very low penetration.

One of the most important observations about the perceptions of the Islamic life insurance products is that they have shown limited awareness of Islamic insurance products and by extension

Islamic life insurance products (Mohamad and Mohd Sukki, 2009). This is surprising, since it would be expected that due to the religious basis, Islamic life insurance would be well known among Muslims. In largely Muslim countries where Islamic finance is more prominent such as Malaysia, UAE and Saudi Arabia, the level of awareness has been found to be higher than in other regions where Islamic finance is not as prominent (Salman, 2014). The low level of awareness implies that the perceptions and attitude of the customer of Islamic life insurance are dependent on the agent more than in conventional insurance.

Religion is expected to play an important role in the way customers of Islamic life insurance respond to insurance agents and their perception of the products; however, this is not supported by evidence. Most studies have found that religion plays an almost insignificant role in the choice of the life insurance product (Alan et al., 2011). This implies that regardless of the fact that Islamic life insurance products are promoted through core principles found in the Quran, the purchasing decision is to a large extent influenced by the same principles as the conventional insurance i.e. the relationship between the agent and the customer (Arham, 2010). This observation begs the question, if the purchase decisions of the Islamic insurance product are not significantly based on religion, what are the factors that attitude and perception and related ailments?

The perception, attitude, satisfaction and loyalty of the customer have been found to be based on a number of key features of the presentations and the products. The first one is efficiency. Kamaruddin and Kamaruddin (2009) as well as Naser et al., (1999) found that Islamic insurance customers were highly concerned with the efficiency of the insurance company. With efficiency, they meant how fast the agents were able to process their queries, payments and claims. High levels of efficiency were associated with high levels of satisfaction. The level of efficiency with which the agents were able to process the queries and claims of the customers depends on the professionalism of the agent and also

the systems of the insurance company. A highly ethical agent operates with a lot of professionalism and is therefore expected to inspire a lot of trust.

The other factor that has been found to impact on the responses of the customer in the Islamic life insurance is reputation. The reputation of the company is usually inferred from the behaviors of the agent and also the corporate communications. Siddiqi (1980) observed that Islamic insurance clients put a lot of emphasis on the reputation of the agent. A strong reputation, which is associated with high ethical behavior, has been linked to a positive attitude and favorable perceptions on product suitability (Yaacob et al., 2012). Reputation is built over time and through references which is only possible when there is a strong ethical behavior.

Communication skills are another element that has been investigated with regard to how it influences the response of the customer of Islamic life insurance. With life insurance products being ordinarily complex and the level of awareness being low among Muslims on the available Islamic life insurance products, communication skills matters a lot in how the customer responds (Yaacob et al., 2012). To the customers, communication skills are weighed on the basis of how well the agent articulates the features and importance of the life insurance products and their appreciation of the Islamic principles backing it. When communication was clear and respectful, Mohamad and Nik Mutasim, (2011) found that the level of loyalty was high as well as perception favorable. Unethical agents have been found to use convoluted explanations which negatively affect the attitude of the customer. Any form of conflict in the explanations given by sales agents significantly lowers the level of trust that they are accorded.

Size has also been found to influence the attitude and the commitment of the customer to the agent for Islamic life insurance customers. Size is mainly judged from the size of the insurance company in terms of reach and assets controlled and the agents' facilities. Agents and companies giving the impression of a large size inspired more confidence among the customers and were described as more reliable (Bashir and Hafizah, 2011). This was also related to the aspect of trust and

commitment. An important point to note is that the size of the organization or the agency has little to do with the ethical behavior of the agent. This implies that there are other factors that may affect the attitude, trust, satisfaction and commitment of the Islamic life insurance customers in addition to the ethical behavior of the agents.

2.6 Relationship between Ethical Behavior of Insurance Agents and Islamic Life

Insurance Customers

The literature review aimed at evaluating the relationship between the ethical behavior of agents and the attitude, commitment, satisfaction, trust and perception of the customers of Islamic life insurance products. The previous sections have evaluated this relationship from two different perspectives; first from the perspective of the implications of the agent's ethical behavior to the attitude and perceptions of the customer and then from the perspective of the factors that affect the attitude, and perceptions of the Islamic life insurance products. From these two perspectives, relationships can be established between the ethical behavior of the agent and the perception and attitude of the customer.

In perception, it has been observed that the ethical behavior of the agent has a direct effect. This is through the way communication is handled and the knowledge about the product and its appropriateness that the agent portrays. A highly ethical agent is expected to communicate effectively and with respect and take time to understand the circumstances of the customer before trying to pitch for the product (Aiman, 2009). Unethical agents have been found to hide some aspects of the product that increases the cost of the product or even disregard some aspects of the customer that would make the product inappropriate for them (Haron et al., 2011). It is therefore clear that the ethics of the agent have a direct relationship with perception of the customer.

The level of satisfaction is always a major concern for insurance companies since it facilitates the selling of more products to the customer and generation of referrals. Satisfaction can be linked

directly to the ethical behavior of the agent through efficiency in handling the customers' queries and professionalism in the presentation of the product (Marhanum et al 2012). A reliable level of due diligence before recommending the product is also common with highly ethical agents and this has also been found to promote the level of satisfaction. The efficiency of the insurance company, however, can affect the level of satisfaction of the customers in ways that the ethical behavior of the agent cannot.

A loyalty which is similar to commitment has also been linked directly to the ethical behavior of the agent. Loyalty has been observed to be affected by the ethical behavior of the agent through honesty, and reliability (Mohamad and Nik Mutasim, 2011). Honesty and reliability are values that the agent adopt depending on their ethical inclinations. For the Islamic life insurance product customers, these values are highly important and they are the basis of a long term relationship (Farah, 2011). The commission incentive, however can influence the agents to become unethical and as a consequence affect the loyalty they are given by the clients. Due to the high importance that the customers attach to honesty and reliability, the loyalty given to agents has been witnessed to even influence the customers to shift with them to new companies when agents become independent (Hassan et al., 2014).

Trust is closely related to honesty and is an element of the customers' response that has been found to be closely linked to the ethical behavior of the agents. The challenge with trust is that there are no obvious behavioral attributes apart from honesty that can be pointed as the determinants of the level of trust that agents receive (Aris et al., 2009). Trust is developed over time through a highly intuitive process according to; customers of Islamic life insurance products have often pointed to the time they have been working together with an agent in determining how much they can trust them (Yusuf, 2010).

Despite the strong relationship that has been found between the ethical behavior of the agent and the perceptions, attitude, satisfaction and commitment to the customer, these same attributes have also been found to be affected by conventional factors such as, efficiency, reputation, communication strategies and size of the firm. The implication is that while the behavioral attributes of the agent with

regard to ethics are important in determining the responses of the customer, conventional factors cannot be ignored and must be taken into account if a comprehensive view of the Islamic life insurance customers' perception and attitude is to be developed.

2.7 Key Observations

The literature review has focused in detail on the nature of Islamic life insurance, the implications of the ethical behavior of agents on the perception and attitudes of the customers and the factors affecting the perceptions and attitudes of the customers. From this review, three key observations have been made.

The first one is that, the level of awareness of Islamic life insurance products remains very low, even in countries with prominent Islamic finance systems. However, the industry is growing at considerably higher rates and has tremendous potential. This observation highlights the need for a better understanding of the relationship between agents and the customers of life insurance. It also points to the high importance of the agents in the increased penetration of Islamic life insurance products.

The second key observation is that the ethical behavior of agents in Islamic life insurance as well as the nature of the industry remains largely unexplored compared with conventional insurance. This observation implies much more research needs to be done in the area for better models to be developed. Due to the basis of the industry on religious practices and rules, the area requires much more attention to the ethical implications than the conventional insurance industry.

The third key observation is that, customers of Islamic life insurance responses are to a large extent similar to those of the conventional life insurance customers. This was established through the insignificant role that religion was found to play in the customer decision making for Islamic life insurance products and the set of factors that were found to have an effect on the customers' level of trust, satisfaction and loyalty to the agent. This observation implies that the models that have been

developed for the conventional insurance industry can still be applied in the Islamic insurance industry. Their application of such models, however has to always take into consideration the unique features of the Islamic principles on finance. In the next chapter, the research design and methodology appear.

CHAPTER 3:RESEARCH DESIGN AND METHODOLOGY

In this chapter, the research design and methodology are presented and justified. The chapter contains three major sections. These cover information about the research design, sampling and data collection respectively.

3.1 Research Design

Quantitative methods were used in this study because as the nature of the research questions required the measuring of relationships (correlations) and the strengths of such relationships between different variables. Cross-sectional and web-based survey research designs were utilized and this complemented the application of the quantitative research methods. A cross-sectional research design has been described as involving data collected from and about more than one case at any given instance in a particular time period (Bryman & Bell, 2015). Furthermore, a cross-section research design allows the researcher to retain the objective of collecting data that are either quantifiable or quantitative with regards to over two variables at the specified time period (Bryman & Bell, 2015).

The survey research design also consists of a facet that is closely related to the cross-sectional research design, which involves the domineering collection of data through structured interviews or questionnaires (Saunders, Lewis, & Thornhill, 2009; Hair, Money, & Chichester, 2007). In addition, Hair, Money, and Chichester (2007) contended that the survey research design deals with more than one particular case at any given point with a view to garnering quantitative or quantifiable data, which implicates multiple variables. Combining the cross-sectional, and web survey research design allowed for data collection online, which compensated for the limitations encumbering this research such as time and financial constraints.

3.2 Sampling

The target population in this study comprised of all Takaful customers from the Kingdom of Saudi Arabia (KSA). Non-probability judgmental or purposive sampling, which includes the selection of study participants considered to be most relevant to the study objectives (Bryman, 2012). In the case of the proposed research, a total of 100 questionnaires were distributed 52 was returned suitable for the analyses. Boolean type questions (yes/no) were included in the design to investigate the attitude and perception of the family Takaful plan customers. Prompts concerning customers' satisfaction, trust and commitment to the Takaful plan were 5-point Likert scale where 1= "Very Dissatisfied" and 5= "Very Satisfied".

3.3 Data collection

Facts that are collected through numerical encoding must be analyzable statistically in their natural forms, as the focus regions of a particular research as stated by Hair, Money, and Chichester (2007). Conversely, qualitative data collection instruments usually collect data, which necessitates and favors descriptive analyses without the need for direct assignment of numerical values to the target regions of a research (Hair, Money, & Chichester, 2007). Due to the fact that the achievement of the research objectives in the current research required the application of statistical operations of data that represent otherwise non-statistically analyzable items of data, the use of a questionnaire was most ideal for relevant collection of data.

The data were collected from bank customers in Jeddah, KSA, who were subscribed to the Takaful insurance plan. The data of this research were collected by a designed online questionnaire. The first section of the questionnaire focused on the demographic variables and age, gender and other personal information. The second section of the questionnaire focused on questions about the dependent and independent variables proposed in the research model. The questionnaire also contained questions to investigate the awareness, knowledge and understanding of the concepts of Takaful plan, beside the satisfaction, attitude, perception, trust and commitment to the customers.

CHAPTER 4:Results

This chapter is organized under five major sections. The first section provides the demographic results. Sections two through five address the respective research questions in the order they appear in at Section 1.3 of this document.

4.1 Demographic Results

There were more female (n= 35, 67.3%) than male (n= 17, 32.7%) respondents taking part in the current study. Most of these respondents were aged between 31 and 50 years (n= 25, 48.1%), whereas those aged 51 and over (n= 2, 3.8%) were the least in the county. The highest number of respondents was Saudi nationals (n= 46, 88.5%). Concerning education, most respondents had bachelors' degrees (n= 23, 44.2%) while respondents with master's degrees were the fewest (n= 3, 5.8%). The highest frequency in terms of occupation was registered from employees (33, 63.5%) while retirees (n= 2, 3.8) were the fewest. There were more respondents working in the private sector (n= 25, 48.1%) than those in the government (n= 20, 38.5%), and those dabbling in both the government and private sectors (n= 7, 13.5%). Respondents with monthly incomes of between 3,000 and 10,000 Saudi Riyals recorded the highest frequency (n= 34, 65.4%) while only one respondent (n= 1, 1.9%) had a monthly income of between 25001 and 40000 Saudi Riyals. Finally, married respondents (n= 38, 73.1%) were more than the single ones (n= 14, 26.9%). For more details concerning the demographic details of the respondents taking part in this study, see Table 4.1 below.

Table 4.1. Demographic details of the respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	17	32.7	32.7	32.7
	Female	35	67.3	67.3	100.0
	Total	52	100.0	100.0	
Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-20	4	7.7	7.7	7.7
	21-30	16	30.8	30.8	38.5
	31-40	25	48.1	48.1	86.5
	41-50	5	9.6	9.6	96.2
	51 and over	2	3.8	3.8	100.0
	Total	52	100.0	100.0	
Nationality					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Saudi	46	88.5	88.5	88.5
	Non Saudi	6	11.5	11.5	100.0
	Total	52	100.0	100.0	
Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	20	38.5	38.5	38.5
	Diploma	6	11.5	11.5	50.0
	Bachelors	23	44.2	44.2	94.2
	Masters	3	5.8	5.8	100.0
	Total	52	100.0	100.0	
Occupation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee	33	63.5	63.5	63.5
	Student	4	7.7	7.7	71.2
	House Wife	13	25.0	25.0	96.2
	Retired	2	3.8	3.8	100.0
	Total	52	100.0	100.0	
Employer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	20	38.5	38.5	38.5
	Private Sector	25	48.1	48.1	86.5
	Both Government and Private Sector	7	13.5	13.5	100.0
	Total	52	100.0	100.0	
Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 3000	11	21.2	21.2	21.2
	3000-10000	34	65.4	65.4	86.5
	15001-25000	4	7.7	7.7	94.2
	25001-40000	1	1.9	1.9	96.2
	45001 and above	2	3.8	3.8	100.0
	Total	52	100.0	100.0	
Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	38	73.1	73.1	73.1
	Single	14	26.9	26.9	100.0
	Total	52	100.0	100.0	

4.2 Takaful Agents' Ethical Behavior and Customer Attitude Towards Takaful

To determine the relationship between Takaful agents' ethical behavior and customer attitude towards Takaful, a bivariate Pearson correlation test was performed between the means of the attitude prompts and perceived agents' ethical behavior. The first step was to compute new variables for the respective means. The results revealed a Pearson correlation coefficient ($r=.240$) that were in excess of the significance threshold value of 0.05 at 0.086. The implication of this result is that there exists no statistically significant relationship between Takaful agents' ethical behavior and customer attitude towards Takaful. Table 4.2 below shows these correlation results.

Table 4.2. *Takaful agents' ethical behavior and customer attitude towards Takaful correlation*

		Attitude (Mean)	Agents' Ethical Behavior (Mean)
Attitude (Mean)	Pearson Correlation	1	.240
	Sig. (2-tailed)		.086
	N	52	52
Agents' Ethical Behavior (Mean)	Pearson Correlation	.240	1
	Sig. (2-tailed)	.086	
	N	52	52

4.3 Takaful Agents' Ethical Behavior and Customer Satisfaction

A Pearson, bivariate correlation tests was performed between the computed variable on agents' consumer behavior and the data obtained from the satisfaction with Takaful questionnaire prompt. The correlation test yielded a positive Pearson correlation coefficient ($r=.463$), that was statistically significant ($p= 0.001$). This is because the p-value was below the 0.05 statistical significance threshold based on a 95% confidence interval. This led to the inference that there exists a statistically significant positive correlation between Takaful agents' ethical behavior and customer satisfaction with Takaful. Thus, the better the Takaful agents' ethical behavior, the higher the satisfaction level of Takaful customers. Table 4.3 below demonstrates the results discussed in this paragraph.

Table 4.3. Takaful agents' ethical behavior and customer satisfaction correlation

		Agents' Ethical Behavior (Mean)	Satisfaction of Takaful
Agents' Ethical Behavior (Mean)	Pearson Correlation	1	.463**
	Sig. (2-tailed)		.001
Satisfaction of Takaful	Pearson Correlation	.463**	1
	Sig. (2-tailed)	.001	

** . Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=52

4.4 Takaful Agents' Ethical Behavior and Customer Trust in Takaful

To examine any potentially underlying relationship between Takaful agents' ethical behavior and customer trust in Takaful, a bivariate Pearson correlation test was undertaken involving the mean on all reflective indicators of Takaful agents' ethical behavior and customer trust based on their evaluation of honesty as implicated in Takaful. The results (Table 4.4 below) revealed a considerably strong, positive Pearson correlation coefficient ($r=.822$) that was statistically significant ($p=.000$). This result confirms that there exists a strong, positive, statistically significant correlation between Takaful agents' ethical behavior and customer trust towards Takaful. In other words, the more customers perceive Takaful agents to be ethical, the more they trust Takaful.

Table 4.4. Takaful agents' ethical behavior and customer trust towards Takaful correlation

		Agents' Ethical Behavior (Mean)	Trust in Takaful Based on Honesty
Agents' Ethical Behavior (Mean)	Pearson Correlation	1	.822**
	Sig. (2-tailed)		.000
Trust in Takaful Based on Honesty	Pearson Correlation	.822**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

b. Listwise N=52

4.5 Takaful Agents' Ethical Behavior and Customer Commitment

A bivariate Pearson correlation test was performed between the computed mean variable for Takaful agent's ethical behavior and commitment. Commitment was measured using one questionnaire item, which prompted respondents to indicate their intention to continue with their Takaful insurance plans. The results revealed a weak, positive Pearson correlation coefficient ($r=.172$). However, the Pearson correlation coefficient had a significance value ($p=.224$) that was in excess of the .05 significance threshold. Effectively, this meant that there did not exist a statistically significant correlation between Takaful agents' ethical behavior and customer commitment towards Takaful insurance plans. Simply put, the ethical behavior of Takaful agents or otherwise unethical behavior has no direct impact on customer commitment to Takaful insurance plans. See Table 4.5 for these results.

Table 4.5. Takaful agent's ethical behavior and commitment correlation results

		Agents' Ethical Behavior (Mean)	Preference to continue?
Agents' Ethical Behavior (Mean)	Pearson Correlation	1	.172
	Sig. (2-tailed)		.224
Preference to continue? (Commitment)	Pearson Correlation	.172	1
	Sig. (2-tailed)	.224	

a. Listwise N=52

CHAPTER 5: Conclusion

The aim of this quantitative, cross-sectional, survey research was to determine the relationship between agents' ethical behavior and customers' attitude, satisfaction, trust and commitment. An online questionnaire was used to collect quantifiable data from bank customers in Jeddah, KSA, who were subscribed to the Takaful insurance plan. Data were analyzed using SPSS version 21 to address the following four objectives:

1. To investigate the relationship between Takaful agents' ethical behavior and customer attitude towards Takaful insurance companies
2. To examine the relationship between Takaful agents' ethical behavior and customer satisfaction with Takaful insurance companies
3. To explore the relationship between Takaful agent's ethical behavior and customer trust in Takaful insurance companies
4. To investigate the relationship between Takaful agent's ethical behavior and customer commitment towards Takaful insurance companies

The findings related to the first objective revealed that there does not exist a statistically significant correlation between Takaful agents' ethical behavior and customer attitude towards Takaful insurance companies. Similarly, no statistically significant relationship was found for Takaful agent's ethical behavior and customer commitment towards Takaful insurance companies. However, the findings of this study showed that there exists a statistically significant positive correlation between Takaful agents' ethical behavior and customer satisfaction with Takaful. Likewise, a comparatively stronger, statistically significant relationship was reported between Takaful agent's ethical behavior and customer trust in Takaful insurance companies.

5.1 Recommendations

Pursuant to the findings and conclusions obtained and made in this study, the following recommendations are made:

1. Takaful insurance providers must ensure that the agents acting on their behalf exhibit reputable and sound ethical behavior, especially when interacting with potential and prospective customers to ensure that they influence customer satisfaction positively.
2. It is important that Takaful agents present with highly ethical behavior in the form of informative disclosure of information concerning Takaful including its positive and negative aspects so that consumers can trust and have faith in Takaful
3. There is a need for Takaful insurance providers to work diligently towards determining the factors that influence consumer attitude and commitment towards Takaful since no direct correlation was found between Takaful agents' ethical behavior and customer attitude and commitment to Takaful

5.2 Implications

The findings of this study showed that there is a relationship between Takaful agents' ethical behavior and customer satisfaction and customer trust. The managerial implication of these findings is that Takaful managers responsible for supervising and leading teams of Takaful agents would need to ensure the highest levels of agency ethics in order to guarantee customer satisfaction and customer trust. For Takaful insurance firms with problems concerning customer dissatisfaction and trust issues, these findings point to a critical area of concern (agents' ethical behavior). This implies that customers are likely to express dissatisfaction and mistrust for Takaful regardless of the quality of policies and compliance with the teachings of Islam.

The findings showing the lack of direct influence on customer attitude and commitment to Takaful by agents' ethical behavior in no way totally refute the possibility of the latter as a mediator variable in customer attitude and commitment. In other words, the implication of these findings for academicians and managers is that a new research avenue is in the offing for them to investigate other ways through which Takaful agents' ethical behavior may be implicated in influencing customer attitude and commitment towards Takaful. Thus, managers working with Takaful insurance providers that have problems with customer attitude and commitment should not completely overlook agents' ethical behavior when attempting to remedy such attitude and commitment issues.

Questionnaire

1	gender	<ul style="list-style-type: none"> • Male • female
2	nationality	<ul style="list-style-type: none"> • Saudi • Non saudi
3	Age	<ul style="list-style-type: none"> • 20 – 25 • 26-30 • 31-40 • 40-50
4	Marital status	<ul style="list-style-type: none"> • Single • Married
5	Work status	<ul style="list-style-type: none"> • Employee • house wife • Student
6	Salary	<ul style="list-style-type: none"> • 3000-6000 • 6000-10000 • 10000-20000 • 20000-40000 • 45000- more
7	Occupation	<ul style="list-style-type: none"> • Government • Private • Semi-government
8	Children	<ul style="list-style-type: none"> • 0 • 1-2 • 3-4 • 4-more
9	Do you have Takaful plan?	<ul style="list-style-type: none"> • Yes • No
10	Why did you join Takaful plan?	<ul style="list-style-type: none"> • Insurance • Investment • Saving
11	Are you satisfied with the plan?	<ul style="list-style-type: none"> • 1 • 2 • 3 • 4 • 5
12	Did the agent provide all the information needed about the Takaful plan?	<ul style="list-style-type: none"> • 1 • 2 • 3 • 4 • 5

13	Do you want to continue with the plan?	<ul style="list-style-type: none"> • Yes • No • Maybe
14	Do you encourage your friends and family to join Takaful plan?	<ul style="list-style-type: none"> • Yes • No
17	Do you think Takaful is sharia compliant product?	<ul style="list-style-type: none"> • Yes • No • Don't know
18	Do you think that the insurance halal?	<ul style="list-style-type: none"> • Yes • No • Don't know
19	Do you believe in Islamic insurance (if its halal or haram)?	<ul style="list-style-type: none"> • Yes • No • Don't know
20	Do you have any other kind of insurance policy?	<ul style="list-style-type: none"> • Yes • No
21	If yes, what kind is it?	<ul style="list-style-type: none"> • Car • House • Health • Fire • Other
22	Which part inside the policy you wish to understand more?	<ul style="list-style-type: none"> • The product • The investing process • Fees • Takaful terms • Other
23	Is it important to have insurance?	<ul style="list-style-type: none"> • Yes • No
24	Takaful plan is better than conventional insurance?	<ul style="list-style-type: none"> • Yes • No • Don't know
25	Takaful is easy and simple to understand?	<ul style="list-style-type: none"> • Yes • No
26	The employees are polite and respectful?	<ul style="list-style-type: none"> • Yes • No
27	Employees of Takaful company are well trained and can clearly explain the product?	<ul style="list-style-type: none"> • Yes • No
28	Takaful company need to have up-dated Information website that can be easily accessed By the customers?	<ul style="list-style-type: none"> • Yes • No
29	Takaful company needs to advertise more on Their product?	<ul style="list-style-type: none"> • Yes • No
30	Takaful is useful to protect life and family?	<ul style="list-style-type: none"> • Yes • No

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