

## A Study of Contributing Factors in Islamic Motor Insurance

Wan Asri Wan Abdul Aziz\*, Azman Che Mat \* and  
Engku Ahmad Mustafa Engku Wok Zin \*  
Universiti Teknologi MARA

### Abstract

This study examines the government servant's perception toward Islamic Motor Insurance named as *takaful*. The product based on syariah rules for general insurance provided by Insurance Company in Malaysia. This study emphasizes on four factors, which product knowledge, awareness, advertising and benefit of the product. The purpose of this study is to measure the level of perception of Islamic Motor insurance and to identify whether there is a relationship between the independent variables (four factors) with the dependent variable (perception). The respondents are the government servants who are using Motor insurance. This research is carried out through the finding of multiple regression and Pearson correlation analysis where the relationship between knowledge, awareness, advertising and benefit of the product toward perception of Islamic Motor Insurance among government servants. From the findings, the respondents show very good perception toward Islamic Motor Insurance. The findings showed customers' perception levels are very positive towards Islamic Motor insurance.

**Keywords:** Perception; Government servants; Islamic Motor Insurance

### I. INTRODUCTION

*Takaful* business is moving beyond its formative years and as Muslims seek to claim back their heritage, it is likely to have an impact on the global insurance industry in the years to come with the potential of growing rapidly from being a regional business to a global movement. According to the 2005 Global *Takaful*

---

\*Senior Lecturer, Faculty of Business Management, Universiti Teknologi MARA, Dungun Campus, Malaysia. [Wanasri@tganu.uitm.edu.my](mailto:Wanasri@tganu.uitm.edu.my)

\*(Ph.D) Senior Lecturer, Academy of Language Studies, Universiti Teknologi MARA, Dungun Campus, Malaysia. [Azman531@tganu.uitm.edu.my](mailto:Azman531@tganu.uitm.edu.my) (correspondence email).

\* Associate Professor, Centre for Islamic Thought & Understanding, Universiti Teknologi MARA, Dungun Campus, Malaysia. [EngkuAhmad@tganu.uitm.edu.my](mailto:EngkuAhmad@tganu.uitm.edu.my)

Review, the *takaful* industry is projected to grow at 20 per cent per annum during the next decade. Total worldwide *takaful* premiums covering both non-life and life insurance are expected to reach \$7.4bn by 2015. Global insurance statistics indicate that the insurance penetration and per capita premium density in the Muslim world is comparatively low and this would suggest that there is a huge market for Islamic products among Muslim clients provided the industry is prepared to offer consumers a wider range of products and services that is more affordable and simple to understand as an alternative to conventional insurance products.

## II. PROBLEM STATEMENT

The year 2006 was seeing resurgence in the drive for *takaful* (Islamic insurance) business in the various segments of the *takaful* industry in Muslim countries, in particular non-general business, which is still in a nascent stage compared to its more mature Islamic banking counterpart. *Takaful* is still facing some fundamental questions about its performance and future. There also remains the perception among many Muslims on whether insurance is permissible under Islam. There are also the key issues of Shariah compliance and purification. Nonetheless, *takaful* offers the only alternative for Muslims reluctant to look at conventional insurance on account of their strong religious belief.

*Takaful* as manifested in its present form is something of a recent phenomenon. Despite the thriving rate of growth as witnessed in Malaysia over recent times, the concept of *takaful* is still alien to some and vague to many. After thirteen years of existence, there are still many in Malaysia asking the question, "What is the difference between *takaful* and insurance?"

As mentioned earlier, even though the growth of the *takaful* business had been somewhat dramatic, the concept of *takaful* is still hazy to many people. Why is this so? Is the target segmentation of *takaful* products skewed towards a certain sector of the market or being Islamic, *takaful* is only accepted by the Muslims? Are the marketing strategies adopted presently open enough to the general public? Are there constraints prohibited other than Muslims to participate? Does *takaful* entail universal features?

To achieve sustained growth there is a greater need for collective effort and commitment by the industry to reach consensus on key areas such as: the common perception of what is a *takaful* product, better educated sales force, public awareness, consistent rules and practices, extensively researched products, limited documentation, simplicity and affordability, and professional expertise to manage the risks.

The researcher has always believed that *takaful* has enormous potential, largely untapped, among the vast Muslim population. Its benefits for savings to the people and the nation as well as a means to alleviate poverty in countries with vast Muslim population are long lasting. Once people understand about *takaful* they would

support it. That would apply equally to non-Muslims attracted by *takaful*'s ethical values and considerations.

A clear understanding of consumer's needs is important to help the operator Islamic insurance industry to be proactive in providing customer with reliable information. In this study, the researcher will focus on Islamic motor insurance to investigate their perception.

### III. OBJECTIVE OF THE STUDY

The objectives of this study are to find out the following:

1. To measure the level of perception of Motor Islamic insurance among the government servants in Dungun, Terengganu<sup>1</sup>
2. To identify the major determinants of significant variables towards the perceptions of Motor Islamic Insurance among the government servants in Dungun, Terengganu
3. To examine the relationship between awareness, advertising, knowledge and benefit with the perception of Motor Islamic Insurance.
4. To identify which of the independent variables has the most significant level in determining the perception of Motor Islamic Insurance by government servants in Dungun area.

### IV. SCOPE OF THE STUDY

This research is conducted at Government department in Dungun, Terengganu. In relations to this research, the researcher has focusing to the government servants which are selected to be respondents in completing this research. The purpose is to study the level of perception of government servants and factors that have given an impact on the perception of Motor Islamic Insurance, such as awareness, knowledge, advertising and benefit of the product.

### V. LITERATURE REVIEW

#### *Insurance*

According to Syed Waseem Ahmad (1991), insurance has been described as a device to over losses when they occur by distributing them over a community or group. "It is the community (or groups) pooling and the spirit of cooperation which has been described as essence of insurance". The aim of insurance is to make provision against the dangers to which a group of persons are equally subjected. Insurance is thus a mutual coverage of accidental loss, by a group of persons subject to a common danger. In the present forms of insurance, losses are not distributed but funds are created to cover the losses calculated in advance with the aid of past

---

<sup>1</sup> To know where Dungun takes place, please link to: <http://mpd.terengganu.gov.my/web/guest/home>

experience. Thus, we see that insurance involves the spirit of mutuality and co-operation. The importance of insurance in modern life can only be gauged by the fact that each and every facet of the normal activity of human life contains all types of risks and uncertainties. Life in the present modern world has become very complicated and is full of risks and uncertainties and the financial loss resulting from them is not dependant on one's voluntary actions. The economic and social progress of the human society will be hampered if no system is devised to offset, to compensate and to reduce, at least partly if not wholly, the financial loss resulting from these risks and uncertainties. Referring to Chaudhry (1995) Sosial solidarity (*Takaful*) is based on the concept of trusteeship (*mudharaba*) and co-operation inspired by the Muslim's beliefs regarding the conduct of day-to day affairs in the community.

### ***Islamic Insurance***

Islamic insurance, as the name implies, is insurance that is "Islamic" i.e. it conforms to Islamic laws (*shariah*). Insurance that is *shariah* compliance must necessarily follow the sources of *shariah*. The four fundamental sources of *shariah* are the *Quran*, *Sunnah*, *Ijma'* (consensus) and *Qiyas* (analogy) respectively. In other words, should there be a problem; one must look to the *Quran* first for the solution. If there exists a rule, then it is taken. If not, one then searches the *Sunnah*. Both the *Quran* and the *Sunnah* are divinely inspired. If no ruling is found in the *Quran* or the *Sunnah*, the *ijma'* of the *imam mujtahids* (those who do *ijtihad*) is referred to. If there is none, then one does *ijtihad* (independent judgment) to come up with a ruling based on *qiyas*.

### ***The Concept of Takaful***

*Takaful* is a term that can be defined as „joint guarantee“. This concept includes the principles of Mutual help, shared responsibility and cooperation. Thus, it can be viewed as a solemn agreement among of group of participants who agreed to jointly guarantee among themselves against loss and damage that may occur upon any of them. In other words, the basic objective of *Takaful* is to pay for a defined fund.

*Takaful* insurance refers to an Islamic way of joint guarantee in which a group of societal members pool their financial resources together against certain loss exposures. Motor *Takaful* Scheme works more like a joint guarantee in which all participants contribute their own shares of premium into pool and mutually agree to indemnity those participants who suffer from an insured peril.

### ***Perception***

There are a lot of definitions of perception given by previous researchers and writers who are also interested to make researches about perception. Referring to Schiffman and Kanuk (1997), perception is defined as „the process by which an individual selects, organizes and interpret stimuli into meaningful and coherent

picture of the world". In other words, perception is a process where the individuals interpret what they see or feel into meaningful words. Two individuals may interpret a situation in different ways as that two individuals may be subject to the same stimuli under apparently the same condition, but how they recognize, select, organize and interpret them is highly individual. The process is based on each person's own needs, values and expectation and the like. Meaning that, they will interpret a situation based on their perception and expectation.

Kotler (1996) mentioned, perception is a process by which people select, organize and interpret information to form a meaningful picture of the world. People can form different perceptions of the same stimulus because of three perception processes, which are selective attention, selective distortion and selective retention.

A study of these perceptions will reveal their preferences, their knowledge, and motivations. The study here pertains to consumer's perceptions as well as retailer perceptions regarding sales promotion. Some past researches have suggested that promotion itself has an effect on the perceived value of the brand, Jones and Zufryden (1980). This is because promotions provide utilitarian benefits such as monetary savings, added value, increased quality and convenience as well as hedonic benefits such as entertainment, exploration and self-expression said buyer's perceptions and attitude toward product influence their behavior. According to Tom et al (1987) attribute covariance perceptions are important to the marketer because a consumer's perceptions of product, no objective reality can determine how a product will be evaluated and whether it will be bought.

James F.Engel et al. (1993) gave their opinion that useful illustration of the role consumer knowledge can play in determining consumer behavior. Indeed, what consumers buy, where they buy, and when they buy depends on the knowledge they possess about these basic decisions. Consequently, it is important for companies to acquire a thorough understanding of what consumer knowledge which, when filled in, will increase the likelihood of product purchased. In addition, to identify the gaps in what consumers know, marketers must also be on the lookout for errors in consumer's knowledge. It is not at all uncommon to discover that a hefty number of consumers are misinformed and thus hold inaccurate knowledge. This inaccurate knowledge, typically referred to as misperception, may pose significant barriers to the success of a business. A retailer that charges the same prices as competitor, but is misperceived as being more expensive, is at a disadvantage.

Peter and Olson (1999) stated, consumers can think about the positive and negative consequences of product use as possible benefit or potential risks. Benefits are the desirable consequences consumers seek when buying and using products and brands. Henry Assael (1995) stated that benefit criteria are the factors consumers consider important in deciding on one brand or another. Marketers identify segment by consumers that emphasize on some benefits criteria. Identifying consumer segments who emphasize benefits such as economy, performance and style,

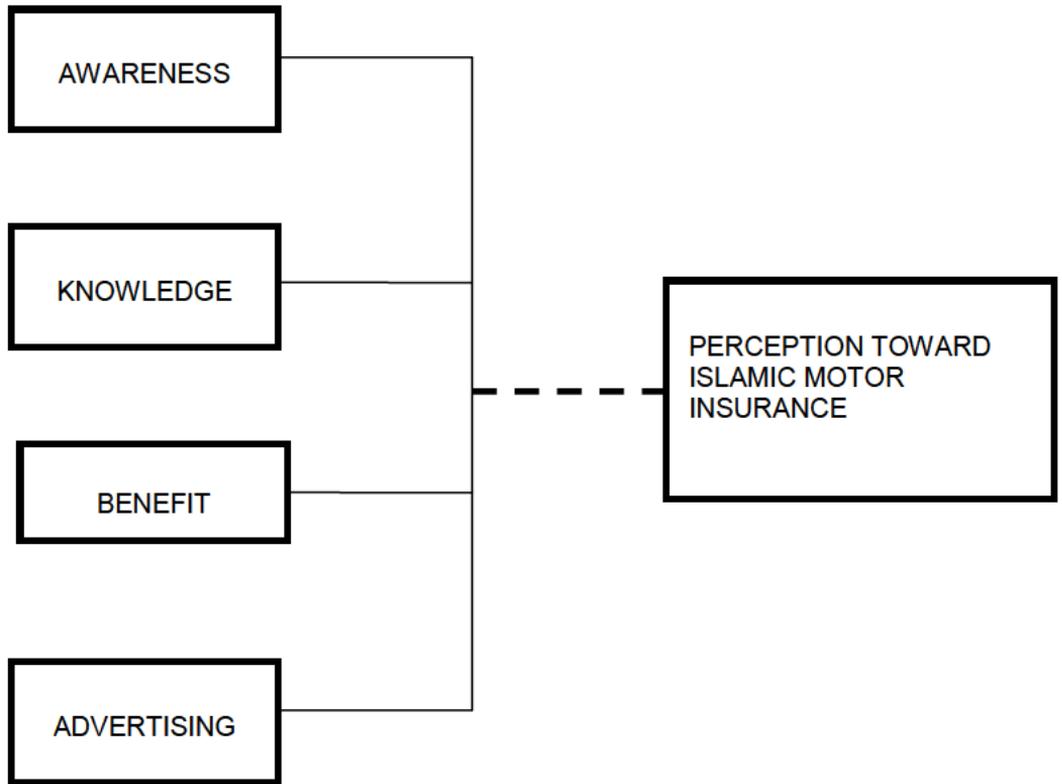
marketers try to develop product characteristics that satisfy these benefits. Consumers regard product characteristics as goal objects that may or may not satisfy desired benefit.

According to Barry (1987), for the vast majority of the hierarchy of effect „life“ the single dominating focus has been that audience must first be „aware“ of the information from advertisers, then „comprehend“ the message being transmitted, next develops an „interest“ resulting from the awareness and comprehension stages, then transition into a „desire“ stage and finally reaches a behavior or „action“ (positive/negative) towards the advertiser’s product or service as a result of the message. It is this classic Awareness arrow right action hierarchy, which served as the theoretical framework for this analysis.

Very little literature has focused on sales promotion perceptions. This study is an attempt to address the gap in literature by providing empirical support through exploration. In the U.S. context several aspects of consumer perceptions of deal frequency and deal prices have been studied (Aradhna Krishna, Imran S. Curriun and Robert W. Shoemaker 1991). Whereas Moreau, Aradhana Krishna, Bari Harlam (2001) studied differing perceptions with respect to price promotion from the point of manufacturers, retailer and consumers. Effects of promotions on variety seeking and reinforcement behaviour have also been studied. (Barbara Khan and Jagmohan Raju, 1991).

## **VI. RESEARCH DESIGN AND METHODOLOGY**

The theoretical framework of this research is to show the relationship between dependent and independent variables. It also suggest to hypothesis of the research. The measurement of variables and research methodology will also be discussed. The figure below shows the relationship between independent variables and dependent variables.



*Figure 1: The relationship between dependent variable and independent variables*

From figure1, the dependent variable for the research is perception of Motor Islamic Insurance. It can be defined as the government servant perception towards the Motor Islamic Insurance. While the independent variables are awareness, knowledge, benefit of product and advertising.

### ***Survey***

For the purpose of the survey on the perceptions of the respondents on the use of simple cognitive strategies in their reading comprehensions exercises, a 5-point likert scale was used. The questionnaire comprised 60 statements pertaining to the variables of perception and four independent variables to which the subjects responded by choosing options between strongly disagreed to strongly agree. Besides, the questionnaire also sought to identify other demography information such as the respondents' their gender, age, education, income, job position and marital status.

***Sample***

The sample for the survey comprised the entire 300 respondent or staff selected through a convenience sampling procedure.

**VII. FINDING AND ANALYSIS**

To measure the reliability test, Cronbach's alpha will be employed.

*Table 1: Reliability Analysis*

<i>Section</i>	<i>Item</i>	<i>Alpha</i>
Knowledge (independent variable)	12	0.8692
Awareness (independent variable)	12	0.8561
Advertising (independent variable)	12	0.5652
Benefit of product (independent variable)	12	0.9065
Perception (dependent variable)	12	0.7607

According to Table 1, it shows that the results of the reliability test where the Cronbach's alpha reliability coefficient of the 4 independent variables and the dependent variable were obtained. In this research, the questionnaire distributed to the respondents consists of five sections. All of questions are measured through multiple items on a five point Likert-type scale. Section B is about knowledge which is referred to as independent variable question consisting of 12 questions. Cronbach's alpha result is higher than 0.500 which is 0.8692. The items had factorial validity.

*Table 2: Demography with perception*

<i>Variable</i>	<i>Frequency</i>	<i>Percentage</i>
<u>Race</u>		
Malay	299	99.7
Indian	1	0.3
<u>Gender</u>		
Male	139	46.3
Female	161	53.7
<u>Marital Status</u>		
Single	56	18.7
Married	241	80.3
Others	3	1.0
<u>Age</u>		
18 – 25	25	8.3
26 – 30	47	15.7
31 – 40	131	43.7
41 – 45	59	19.7
46 above	38	12.7

<u>Income</u>		
< RM500		4
RM500- RM1000		106
RM1001- RM2000		105
RM2001- RM3000		65
RM3001 above		20
<b>Currency</b>	<b>Rate:</b>	
<b>USD1=RM3.30</b>		
<u>Education</u>		
SRP(Lower	Cert.	42
Education)		80
SPM(Malaysian	Cert.	18
Education)		71
STPM(Malaysian	High	72
Cert. Ed.)		17
Diploma		
Degree		
Master/PHD		
<u>Job Position</u>		
Management		153
Support Group		147
<u>Own Vehicle</u>		
Yes		263
No		37
<b>Islamic motor Insurance</b>		
<b>Yes</b>		77
<b>No</b>		223

Referring to the table above, it shows that the gender of respondents include male and female. It shows that most of the respondents are male which is represented by 46.3% or 139 persons from 300 people. The female respondents are 53.7% or 161 people.

From the table, it shows that there are 5 ranges of age consisting 18-25 year old, 26-30 year old, 31-40 year old, 41-45 year old and 46 year old and above. From this result, we can see that most of the respondents are in the range of 31-40 year old. This is about 131 people or representing 43.7%. The second highest is in the range of 41-45 year old which is represented by 19.7% or about 59 people. Then it is followed by range of 26-30 year old of about 47 people or 15.7%. Then the range of 46 year old and above that is about 38 people or 12.7%. The lowest respondents are in the range of 18-25 year old representing about 14 people or 13.7%.

From the table, it shows that the status of respondents include single, married and others. The others category may consist of widows or widowers. It shows that most of respondents consist of married which represents 80.3% or 241 people. Then

followed by single which is represented by 18.7% or 56 people and 1.0% or 3 people for others.

The table shows the educational level of respondents. Majority of the respondents have SPM qualification which is 80 people or 26.7%, then followed by degree holders which is represented by 24.0% or 72 people, the third is Diploma holders which is represented by 23.7% or 71 people, SRP qualification by 14.0% or 42 people and STPM qualification which represents 6.0% or 18 people and lastly the PhD holders which is represented by 5.7% or 17 people.

The table also shows the income per month of the respondents. It consists of 5 ranges. The majority of the respondents are in the range of RM500-RM1000 income group which is represented by 35.3% or 106 people; this range is the highest percentage compared to other ranges, then followed by RM1001-RM2000 which is represented by 35.0% or 105 people, then the third highest in RM2001-RM3000 income group which represented by 21.7% or 65 people, then followed by RM3000 and above with 6.7% or 20 people and the lowest percentage is in the range under RM500 which is represented by 1.3% or 4 people

The table shows that majority of the respondents are Malays with 299 people (99.7%) and 1 person (0.3%) for an Indian. As for the Job Position of the respondents, we can see that under the management group is 153 (51.0%) respondents while 147 (49.0%) respondents are for the support group.

The table also shows the percentage of the respondents who have ever or not involved in motor insurance. We can see that most of them are involved in motor insurance with 263 (87.7%) respondents while 37 (12.3%) respondents have not been involved in motor insurance.

Based on the table, it shows that most of respondents are involved in the conventional insurance scheme. It amounted to 223 (74.3%) of the respondents from the total of respondents. The other 77 (25.7%) of the respondents are involved in the Islamic motor insurance.

*Table 3: Respondents Perception with Mean and Standard Deviation for demography*

<b><i>Variable</i></b>	<b><i>Mean</i></b>	<b><i>SD</i></b>
<u>Race</u>		
Malay	3.7673	0.4137
Indian	3.5833	
<u>Gender</u>		
Male	3.8082	0.3945
Female	3.7308	0.4266
<u>Marital Status</u>		

Single		3.6280	0.4144
Married		3.7960	0.4038
Others		4.0000	0.7120
<u>Age</u>			
18 – 25		3.4800	0.4210
26 – 30		3.7447	0.3708
31 – 40		3.7714	0.3846
41 – 45		3.7825	0.4717
46 above		3.9211	0.3791
<u>Income</u>			
< RM500		3.3750	0.25
RM500- RM1000		3.7272	0.3407
RM1001- RM2000		3.8278	0.4620
RM2001- RM3000		3.6897	0.3995
RM3001 above		3.9833	0.4448
<b>Currency</b>	<b>Rate:</b>		
<b>USD1=RM3.30</b>			
<u>Education</u>			
SRP(Lower Education)	Cert.	3.8730	0.9222
SPM(Malaysian Education)	Cert.	3.7573	0.4029
STPM (Malaysian Cert. Ed.)	High	3.6667	0.4842
Diploma		3.7488	0.4052
Degree		3.7674	0.4800
Master/PHD		3.7255	0.3533
<u>Job Position</u>			
Management		3.8208	0.4437
Support Group		3.7103	0.3720
<u>Own Vehicle</u>			
Yes		3.7795	0.4260
No		3.6757	0.2958
<b>Islamic motor Insurance</b>			
<b>Yes</b>		4.0238	0.4111
<b>No</b>		3.6779	0.3758

From Table 3 shows the average or mean score and standard deviation for the demography of the respondents' perception based on score scales of 1 to 5, with 5 as the highest and 1 as the lowest score of perception. As for gender, the mean score for male respondents is higher as compared to the females towards the perception of Islamic Motor Insurance. As for marital status, those under the married and others category show a higher mean as compared to those unmarried or singles. As for the age factor, it shows that the older the respondents, the higher are the mean. Based on the income factor, those with more than RM3000 category has a higher mean

score of 3.9333 and followed by the income group of RM1000 – RM2000. Similarly, that respondent with low education level, that is those with SRP, shows a higher perception of 3.8730 as compared to those with the higher level of education. As for the level of post held by the respondents, it shows that those under the management group has a higher mean score of 3.8202 as compared to the supporting group with the mean score of 3.7103. Those respondents who have their own vehicles have a higher mean score as compared to those without any vehicles. The table also shows that those who have the Islamic Motor Insurance have a higher mean score of 4.0238 as compared to 3.6779 for those without the Islamic Motor Insurance.

*Table 4: The respondents' perception toward Islamic motor Insurance*

Item	Totally Disagree	Disagree	Not sure	Agreed	Totally agreed
I think this scheme is very suitable for every vehicle owners.	1 (0.3%)	0	74 (24.7%)	155 (51.7%)	70 (23.3%)
I think any other Motor Insurance Scheme is the same and there is no difference.	38 (12.7%)	64 (21.3%)	122 (40.7%)	63 (21.0%)	13 (4.3%)
I hope all vehicle owners would use and support this Islamic Motor Insurance scheme.	5 (1.7%)	0	68 (22.7%)	182 (60.7%)	45 (15.0%)
As a Muslim, I will definitely take up this scheme.	7 (2.3%)	0	80 (26.7%)	129 (43.04%)	84 (28.0%)
In fact, all insurance companies should provide Islamic Motor Insurance Scheme.	3 (1.0%)	0	38 (12.7%)	174 (58.0%)	85 (28.3%)
This scheme should be let known to all Muslims and Non-Muslim vehicle users.	4 (1.3%)	8 (2.7%)	37 (12.3%)	147 (49.0%)	104 (34.7%)
This scheme is suitable for Muslims only.	50 (16.7%)	105 (35.0%)	82 (27.3%)	43 (14.3%)	20 (6.7%)
The economy of Muslims with be strengthened through this scheme.	2 (0.7%)	0	92 (30.7%)	153 (51.0%)	53 (17.7%)
I feel overjoyed when this Islamic Motor Insurance is available in the market.	0	0	27 (9.0%)	180 (60.0%)	93 (31.0%)

The Islamic Motor Insurance is the best.	1 (0.3%)	0	107 (35.7%)	121 (40.3%)	71 (23.7%)
I feel proud when many insurance companies in Malaysia have provided Islamic Motor Insurance.	0	0	76 (25.3%)	160 (53.3%)	64 (21.3%)
I feel very satisfied with this Islamic Motor Insurance.	3 (1.0%)	0	108 (36.0%)	145 (48.3%)	44 (14.7%)

Based on the table 4, 225 respondents or 80% agreed and totally agreed that this scheme is suitable for all vehicle owners. 122 respondents or 40.7% not sure and 102 (34%) not agreed for Motor Insurance Scheme is the same and there is no difference with Islamic motor insurance. 213 (71%) respondents agreed and totally agreed to take up this Islamic scheme. 259 (76.3%) respondents agreed and totally agreed the insurance companies should provide Islamic Motor Insurance Scheme. 155 (51.7%) respondents not agreed this scheme is suitable for Muslims only. 206 (68.7%) respondents agreed and totally agreed the economy of Muslims with be strengthened through this scheme. 273 (91%) respondents feel overjoyed when this Islamic Motor Insurance is available in the market. 192 (64%) respondents agreed and totally agreed the Islamic Motor Insurance is the best and 189 (63%) respondents feel very satisfied with this Islamic Motor Insurance.

*Table 5: Respondents Perception with Mean and Standard Deviation toward Islamic Motor Insurance*

	Items	Mean	Standard Deviation
1	I think this scheme is very suitable for every vehicle owners.	3.98	0.715
2	I think any other Motor Insurance Scheme is the same and there is no difference.	2.83	1.038
3	I hope all vehicle owners would use and support this Islamic Motor Insurance scheme.	3.89	0.658
4	As a Muslim, I will definitely take up this scheme.	3.97	0.801
5	In fact, all insurance companies should provide Islamic Motor Insurance Scheme.	4.14	0.658
6	This scheme should be let known to all Muslims and Non-Muslim vehicle users.	4.13	0.826
7	This scheme is suitable for Muslims only.	2.59	1.125
8	The economy of Muslims with be strengthened through this scheme.	3.86	0.701
9	I feel overjoyed when this Islamic Motor Insurance is available in the market.	4.22	0.594
10	The Islamic Motor Insurance is the best.	3.87	0.770
11	I feel proud when many insurance companies in	3.96	0.683

	Malaysia have provided Islamic Motor Insurance.		
12	I feel very satisfied with this Islamic Motor Insurance.	3.77	0.703

From Table 5 shows the average or mean score and standard deviation for the 12 items measured respondents' perception toward Islamic motor insurance based on score scales of 1 to 5, with 5 as the highest and 1 as the lowest score of perception. Item no 9, 5 and 6 shows very good perception with mean score 4.22, 4.14 and 4.13. For item 1,4,11,10,8, 3 and 12 shows mean score in range 3.98 to 3.77 also to look good perception for respondents. Item 2 and 7 shows low perceptions because the items are negative questions. So the researcher can conclude the whole items in high good perception among of the respondent toward Islamic motor insurance.

After getting the result from SPSS analysis, Pearson Coefficient of correlation obtained five-interval scaled variables as shown in Table 4.4 below. A typical guideline says that to be considered statistically significant, the probability is seen at the 0.01 level of significant at the 2-tailed. It will guide the researcher to determine the strength of Association.

Table 6: Pearson Correlation

	<i>Perception</i>	<i>Knowledge</i>	<i>Awareness</i>	<i>Advertising</i>	<b>Benefit</b>
Perception	1.000				
Knowledge	0.675**	1.000			
Awareness	0.600**	0.694**	1.000		
Advertising	0.387**	0.395**	0.254**	1.000	
<b>Benefit</b>	0.702**	0.648**	0.601**	0.430**	1.000

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

### Hypotheses Testing

#### Hypotheses 1

H<sub>0</sub>: There will be no relationship between knowledge and perception

H<sub>A</sub>: There will be a positive correlation between knowledge and perception

The correlation between knowledge and perception is significant ( $r = 0.675$ ;  $p = 0.0001$ ), as can be seen from the Pearson correlation matrix. Thus the null hypothesis is rejected and the alternate hypotheses accepted.

#### Hypotheses 2

H<sub>0</sub>: There will be no relationship between awareness and perception

H<sub>A</sub>: There will be a positive correlation between awareness and perception

The correlation between awareness and perception is significant ( $r = 0.600$ ;  $p = 0.0001$ ), as can be seen from the Pearson correlation matrix. Thus the null hypothesis is rejected and the alternate hypotheses accepted.

#### Hypotheses 3

$H_0$ : There will be no relationship between advertising and perception

$H_A$ : There will be a positive correlation between advertising and perception

The correlation between advertising and perception is significant ( $r = 0.387$ ;  $p = 0.0001$ ), as can be seen from the Pearson correlation matrix. Thus the null hypothesis is rejected and the alternate hypotheses accepted.

#### Hypotheses 4

$H_0$ : There will be no relationship between benefit of product and perception

$H_A$ : There will be a positive correlation between benefit of product and perception

The correlation between benefit of product and perception is significant ( $r = 0.702$ ;  $p = 0.0001$ ), as can be seen from the Pearson correlation matrix. Thus the null hypothesis is rejected and the alternate hypotheses accepted.

*Table 7: Multiple Regressions*

<i>Predictor</i>	<i>Beta</i>	<i>T</i>	<i>Sig</i>
Knowledge	0.233	5.0114	0.000
Awareness	0.8618	2.002	0.46
Advertising	0.0604	1.166	0.244
<b>Benefit</b>	0.361	7.776	0.000

$$R^2 = 0.573 \quad DF = 4 \quad F = 98.050$$

#### Hypotheses 5

$H_0$ : The four independent variables in the theoretical framework will not significantly explain the variance in the perception of the government servant

$H_A$ : The four independent variables of knowledge, awareness, advertising and benefit of product will significantly explain the variance in the perception of the government servants.

The result of multiple regression analysis, regressing the four independent variables against perception, is shown in the table above. As can be seen, the four variables together significantly explains 57.3 percent of the variance in perception ( $R^2=0.573$ ,  $F=98.05$ ,  $p=0.0001$ ). The beta values of both are significant. Thus, the hypothesis that the four predictors would significantly explain the variance in perception is substantiated.

## VIII. CONCLUSION

From the finding, the respondents show very good perception toward Islamic Motor Insurance. So our customers' perception levels are very positive for Islamic Motor insurance.

### *Knowledge*

From previous researches, we can see that many of the researches on customer perception have proven that knowledge is one of the main and strongest elements that can determine perception among customers. In this study, the researcher has found that knowledge has become the factor that can affect customer perception in Dungun area. From the correlation test, we can see that the value of correlation coefficient is 0.675 which means that knowledge has moderate strength of association or relationship with customer perception. The regression test also has shown that knowledge has the highest Beta value and the highest R square which means that this independent variable explain most of the dependent variable (perception). So the researcher has proven that knowledge has relationship with customer perception.

### *Awareness*

Even though in previous researches, there are many proofs that awareness is one of the important elements in determining perception among customers.

In this study, the researcher has found that knowledge has become the factor that can affect customer perception in Dungun area. From the correlation test we can see that the value of correlation coefficient is 0.600 which means that awareness has moderate strength of association or relationship with customer perception.

### *Advertising*

As mentioned in the earlier chapter, advertising is one of the factors that can contribute to customer perception based on previous research. In the Correlation Test, advertising has small significant but definite relationship with customer perception because its value is 0.386 at significant level 0.000.

### *Benefit of Product*

Benefit of product is a tool that can help the customer to willing to buy the product. In previous research, many of researchers have proven that the benefit of product is one of the tools to increase customer perception. In the Correlation Test, the score for Benefit of product is 0.702 where the correlation is high significant at the 0.01 level. So in the Correlation Test, benefit of product has high relationship with customer perception.

From the result of correlation and multiple regression analysis, we could measure the level of significant relationship between the dependent variable and (Government Servants' perception) and independent variables (Knowledge,

Awareness, Advertising and Benefits of product). Based on the result, the researcher concluded that Knowledge, Awareness, Advertising and Benefits of product have a strong relationship with government servants' perception towards Islamic Motor Insurance.

## **IX. RECOMMENDATION**

From the study, the researcher can identify some suggestions to improve the customer perception of Motor Islamic Insurance offered by Islamic Insurance Company among our society today. As an Islamic insurance company which operates based on Syariah principles, it should give concern to make some modifications on their product. These problems should be taken in hand because our societies today are not concerned about Islamic insurance, especially the Islamic Motor Insurance as investigated by the researcher.

Based on the results of the findings, the researcher has designed and provided some recommendations for this study especially to the Motor Islamic Insurance industry as well as to the future researchers who are keen to make a further research on Islamic Insurance. The recommendations are as follow:

### ***Strategic Planning***

*Takaful* operators including Syarikat *Takaful* Malaysia Berhad, Takaful Nasional, Mayban Takaful and Takaful Ikhlas should start their strategic planning in order to achieve their missions and objectives. They should study on their aims and focus on their target market. According to David (2003), in order to enhance the organization's performance, a company should study the external opportunities and threats as well as internal strengths and weaknesses. The analysis is important in order to make the organizations perform better. Besides, it can get clear pictures about the strategies that the institution should use to compete with the other conventional systems. The appropriate strategy should be planned very conscientiously because an insurance industry is different from other businesses since there will be only strong survivors that can survive in this field.

### ***Promotion***

Promotion is an advertisement tools that is used by companies so that their organization and products are known to the public. There are all sorts of advertisements modes such as television commercials, newspapers, magazines, pamphlets and so on. A major reason why organizations obtain the revenues they receive are because of how effective the advertisements are. For the *Takaful* operators, there are not enough advertisements for the public to see and take interest. There are limited advertisements and promotions in the newspapers, television and so on. *Takaful* operators should increase the promotion strategies because this will construct the public awareness. It is obviously known that promotion is one of the vital parts for an organization especially when new products or services are entering the market. *Takaful* operators should aggressively use this tool in order to reach the segmented market if they wish to get more customers to

subscribe and become policyholders of the Motor Islamic insurance policies among the society which is in accordance to the Syariah principles.

Product development is the product development of original products, product improvement, product modification and new brands through the firm's own research and development effort. It is important for Takaful operators to improve their capability, efficiency and effectiveness to attract new customers. The rapid development of Information Communication Technology (ICT) by can be a platform for the company by using ICT as their marketing vehicle. On the part of Takaful operators, the researcher recommends that the company must fully utilize their ICT capabilities by designing new products by combining the usage of internet and telephone. By using both services, the participants can make their claims in a short period of time. To make sure that this product can be marketed, Takaful operators should train more skilled workers to take charge of this product. But the new product development itself cannot guarantee that it can be marketed if the promotion activities are not parallel with the company objectives.

Takaful operators should maintain the existing benefits and besides that offer more benefit for the scheme covered. If the service provider can provide good benefits to the customers. This can make the customers satisfied and accept the product. So they should get involved in motor insurance depending on the vehicle company whether they co-operate with conventional or Islamic insurance companies. So the vehicle buyers should follow the rules which are fixed by Vehicle Companies. The buyers should be involved with that insurance company until the expiration of contract, after that they can choose to whether to proceed with that company or not. So, the Takaful operators can take initiatives to cooperate with Vehicle Companies. From that the buyer can be involved with the Motor Islamic Insurance.

Finally, the conclusion and recommendations made be useful to the Takaful operators, related parties, or in forecasting about the Islamic insurance practice and Islamic Insurance industry will equally be modernized and be more sophisticated as compared to the conventional system in the future.

### **References**

Abdul Hamid Abu Sulayman. (2000), *Islamization of Knowledge*. An Interview with Abdul Hamid Abu Sulayman, The Rector of International Islamic University Malaysia. On Disember 2000.

Abu Bakar Majeed Shaikh & Saifuddeen Shaikh Mohd Salleh. (1998). *Islam and Development In Asia*. Kuala Lumpur: IKIM  
Ahmed, Rukhsar. (2004). A market Study of Takaful Industry, *Insurance Journal*, Jan./ March.

- Al-Ghazali, Abu Hamid. (1983). *Inner Dimensions of Islamic Worship*. Translated by Muhtar Holland. United Kingdom: Islamic Foundation.
- Aradhna Krishna, Imran S. Curriuun and Robert W. Shoemaker. (1991). Consumer Perceptions of Promotional Activity, *Journal of Marketing*, 55: 4-16.
- Assael, H. (1994). *Consumer Behavior and Marketing Action*. Cincinnati: South-Western Publishing.
- Barbara E. Kahn and Jagmohan S. Raju, (1991). Effects of price promotions on variety seeking and reinforcement behaviour, *Marketing Science*, 10(4): 316-337.
- Barry, T. E. (1987). The development of the hierarchy of effects: An historical perspective. In Leigh, J. H., & Martin, C.R., Jr. (Eds.). *Current Issues and Research in Advertising* (251-295). Ann Arbor, MI: University of Michigan
- Bank Negara Malaysia. (1999). *The Central Bank and Financial System in Malaysia*, First Edition, Malaysia.
- Engel, James F., Blackwell, Roger D., and Paul W. Miniard. (1990). *Consumer Behavior*. 6<sup>th</sup> Ed. Chicago: The Dryden Press.
- Elaine K. Harris. (1996), *Customer Service: A Practical Approach*. 4<sup>th</sup> Ed. Upper Saddle River, NJ: Prentice Hall.
- Etzel, M.J., Stanton, W.J. and Walker, B.J. (1997). *Marketing*. 5<sup>th</sup> Ed. Irwin McGraw Hill.
- Fazli Yusof. (1996), *CEO of STMB 'Development and Success. of Takaful Business World Wide*. Working paper presented at International Seminar on Takaful, Malaysia.
- Cooper, D.R. and Shindler P.S. (1998). *Business Research Methods*. McGraw Hill Company.
- Henry Assael. (1995). *Consumer Behavior and Marketing Action*. 5<sup>th</sup> Ed. Thomson South-Western.
- J. Morgan Jones and Fred S. Zufryden. (1980). Adding Explanatory Variables to a Consumer Purchase Behavior Model: an Exploratory Study, *Journal of Marketing Research*, 17(August): 316-322.
- James F. Engel, Roger D. Blackwell and Paul W. Miniard. (1993). *Consumer Behavior*. 7<sup>th</sup> Ed. Dryden Pr.
- Krishna, Aradhna, Imran C. Currim and Robert W. Shoemaker (1991). Consumer Perceptions of Promotional Activity, *Journal of Marketing*, 55 (April): 4-16.
- Kotler, P. and Gary Armstrong (2003). *The Principles of Marketing*. 9<sup>th</sup> Ed. USA: Prentice Hall Inc.
- Moreau, Page, Aradhna Krishna,. and Bari Harlam. (2001). The manufacturer-retailer-consumer. triad:. Differing perceptions regarding price promotions, *Journal of Retailing*, 77: 547-569.
- Mohd Fadzli Yusof. (1996). *Takaful Sistem Insurans Islam*. Kuala Lumpur: Utusan Publications & Distributors Sdn Bhd.
- Mohd Ma'sum Billah. (2003), *Islamic and Modern Insurance: Principle and Practice*. Selangor: Ilmiah Publisher Sdn Bhd.
- Mohammad Hashim Kamali. (1989). *Principles of Islamic Jurisprudence*. Petaling Jaya: Pelanduk Publication.

- Myers, Paul S. (1996). *Knowledge Management and Organizational Design (Resources for The Knowledge-Based Economy)*. Butterworth: Heinemann.
- Naresh K. Malhotra. (1999). *Marketing Research an Applied Orientation*, 3<sup>rd</sup> Ed. Asia: Pearson Education.
- Peter, P., Olson, J. (1987), *Consumer Behavior. Marketing Strategy Perspectives*. Richard Irwin Inc.
- Syed Khalid Rashid. (1993). Islamization of Insurance: a Religion Legal Experiment in Malaysia, *Religion and Law Review*, 2: 16-40.
- Rice Chris. (1995). *Behavioral Aspect of Marketing*, 3<sup>rd</sup> Ed. Butterworth Heinemann: Institute of Marketing.
- Sadiq, Chaudhry Muhammad. (1995). *Encyclopaedia of Islamic Banking and Insurance*, Islamic Insurance (Takafol) Concepts and Practise. pg. 203
- Schiffman, L, Kanuk, L. (1997). *Consumer Behavior*. 6th Ed. Sydney: New South Wales Prentice-Hall.
- Schoell, William F. and Joseph P. Guiltinan. (1992). *Marketing*. MA: Needham Heights.
- Syed Waseem Ahmed. (1991). Islamic Insurance in Malaysia. In Mohamed Ariff (ed). *The Muslim Private Sector in Southeast Asia*. Singapore: ISEAS.
- Yusoff Fadzli. (1996). *Takaful: Sistem Insurans Islam*. Kuala Lumpur: Utusan Publications and Distributions Sdn Bhd.