

# Potential Push-Pull Factors to Introduce Takaful (Islamic Insurance) as a New Product in India: Preliminary Overview

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# Presentation Outline

- Introduction
- Insurance in India
- Takaful
- Theoretical framework
- Research methodology
- Findings
- Summary and area for future research

# 1.0 Introduction

- The concept of insurance is excellent.
- Its concept is acceptable from the Islamic point of view.
- However, the practices of insurance is not.
- The First International Conference on Islamic Economics (Makkah) in 1976
- Resolution of the Fiqhi Academy of OIC in 1985
- Takaful is based on the concept of mutual contribution to help among the participants if they face any unfortunate events.

## 2.0 Insurance in India

- Oriental Life Insurance Company (First life insurance company) in 1818
- Triton Insurance Company Ltd (First General insurance) in 1850
- Both industries have been nationalized due to the unethical practices of insurance operators.
- The life insurance industry was nationalized in 1956 and general insurance industry was nationalized in 1973 (Insurance Regulatory and Development Authority, 2012- 13).

## 2.0 Insurance in India (Con't)

- Later on due to the inefficiency of nationalization, the government has set up a committee called Malhotra Committee to examine the industry.
- Based on the recommendation of this committee, both industries have been liberalized again although there is only one Reinsurance Company until now and it is owned by the government.
- Current insurance industry is governed by the Insurance Regulatory and Development Authority and the industry is at the growing stage since there are 24 life insurance companies and 27 general insurance companies (Insurance Regulatory and Development Authority, 2012- 13).

## 3.0 Takaful

- A system through which the participants donate part or all of their contributions which are used to pay claims for damages suffered by some of the participants. The company's role is restricted to managing the insurance operations and investing the insurance contributions (AAOIFI, 2008).

# 4.0 Theoretical Framework

- **New Product Adoption Theory**
  - New product adoption theory mentions the internal forces that make the potential customers to use the new products.
  - These internal forces are related to the psychological influence, socio-cultural influences and customers' preference criteria in selecting the new products.
  - In other words, it can be said that new product adoption theory emphasis on the pushing factors that stimulate the potential customers to buy the new products or services (Antil, 1988; Roger, 1962, 1976, 2003; Sahin, 2006).

# 4.0 Theoretical Framework (Con't)

- **New Product Diffusion Theory**

- New product diffusion theory focuses on the external forces of the customers that cause them to adopt the new products.
- These external factors are the pulling factors existing in the external environment and surrounding which attract or persuade the potential customers to engage with the new products.
- Some of the pulling factors are how the agents explain about the products, advertising and availability of the information (Roger, 1983; 2003).



# 5.0 Research Methodology

- **Data**
  - Primary and secondary data
- **Sample**
  - 30
- **Statistical method**
  - Descriptive statistics

# 6.0 Findings

- Profile of respondents
- Innovative mind (Push factors)
- Determinants (Pull factors) to adopt new products

# Profile of the respondents

- 30 respondents comprise of 19 male and 11 female.
- Majority of the respondents have the age from 21 to 25 years and they are bachelor degree holders.
- In the case of religion, 12 are Muslim respondents (40%) and the rest are non-Muslims (60%).
- 70% of the respondents are married and the rest are single.

# Profile of the respondents (Con't)

- More than half of the respondents' household incomes are more than Rs.50,000. It is followed by 23.33% (Rs 40,001-50,000), 16.67% (Rs 10,001-20,000), 3.3% (Rs20,001-30,000) and 3.3% (Rs30,001-40,000).
- 66.33% of the respondents have 4-6 family members or dependents, 23.33% has 7-9 members and 13.33% has 1-3 dependents.
- Half of the respondents have their own houses while another half does not have.

## Profile of the respondents (Con't)

- In the case of transportation, more than half (56.67%) of the respondents have cars.
- Regarding monthly premium payment, 56.67% of the respondents pay from the range of Rs 0 to 1000, 30% pays other amount and 13.33% pays Rs 1000 to 2000.

# Innovative Mind (Pushing Factors)

No.	Description	Mean
1	You are a <b>risk taker</b> .	4.17
2	You are interested to <b>try</b> newly developed products.	4.33
3	You like to <b>read</b> newspapers, magazines and <b>explore</b> on the internet to know new information.	4.43
4	You are <b>not careful to try</b> newly developed products.	4.33
5	You are not <b>conservative</b> type of person.	4.53
6	You are <b>not reluctant to switch</b> from the existing products to the newly developed products.	4.53
7	You do <b>not like to follow the traditional</b> products.	4.37
8	You have the <b>habit of trying</b> to use new products.	4.50
9	You are <b>not loyal</b> to the brand.	4.30
10	You <b>like to discuss and get opinion</b> from friends or others before you decide to buy.	4.43

# Determinants (Pulling Factors) to Adopt New Products

## Part A: Cost vs. Benefit

1	Amount of <b>premium</b> payment to the insurance companies.	4.07
2	The depth insurance <b>coverage</b> , for instance, one product comprise for health and education and etc.	4.20
3	You prefer to choose the product which has <b>better coverage and low price</b> .	4.47
4	<b>Higher return</b> from the saving and investment insurance plan.	4.37
5	In the case of surrender or early termination by the policy holders, there is <b>no disadvantage for the policy holders</b> , for instance, getting back the same amount of paid premium and profit.	4.20

# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part B: Assessability, Availability and Service Quality

1	Accessibility such as availability of many branches.	4.47
2	Availability of various types of products so that you have more options to choose which is the best suit to you.	4.43
3	Service quality, for instance, faster claim receipts and customer service	4.47
4	24 hours online service to entertain emergency such as accidents and heart attack	4.50



# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part C: Product Features

1	The products with <b>higher observability</b> make you interested to adopt the new products.	4.47
2	<b>Easy to understand</b> the product, for example, clearly written policy on the payment of premium, coverage, claim process, surrender procedure and benefits upon maturity	4.37
3	<b>Clear illustration on the benefits</b> of buying the products	4.40
4	Product features are <b>flexible enough</b> to modify based on the needs of the policy holders.	4.40

# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part D: Reputation of the Company

1	Company's <b>reputation</b> is important, for instance, no customer complains.	4.37
2	<b>Brand name</b> is important in your decision making.	4.37
3	<b>Confidence</b> in the company, i.e. you have confidence that the company is well established and able to meet your needs specified in the policy documents.	4.57
4	Company observes <b>ethical code</b> of conduct.	4.40
5	Company concerns with the <b>corporate social responsibility</b> .	4.50

# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part E: Attribute of Agents

1	An <b>ethical</b> , trustworthy and responsible person	4.48
2	<b>Understand</b> the need of the customers and able to suggest the suitable product	4.43
3	Explain and disclose the <b>truth</b> regarding with the product	4.60
4	Maintain the <b>good relationship</b> with the customer all the times	4.43
5	<b>Ready</b> to help whenever necessary	4.50

# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part F: Marketing and Promotion

1	The <b>presentation</b> in the company brochures and pamphlets, for instance, it is clear, attractive and reliable.	4.43
2	Advertising on the <b>website</b> .	4.37
3	<b>Roadshow</b>	4.27
4	<b>Opening the booths</b> in the events such as conferences, education fairs, convocation and in the supermarket.	4.37
5	Advertising in <b>cinemas</b> , television channels and radio	4.33

# Determinants (Pulling Factors) to Adopt New Products (Con't)

## Part G: Social and Religious Factors

1	<b>Society</b> can influence you significantly to buy the new product, for instance, your parents, friends, office mates recommend you to buy.	4.30
2	Collective discussion among <b>peers and opinion leaders</b> make you to participate in the new products.	4.23
3	Requirement by the <b>employer</b> makes you adopt the new products.	4.40
4	<b>Religious teaching</b> , for instance, if the product includes the prohibited items, you are willing to find an alternative product which is acceptable in your religion.	4.37

# 7.0 Summary and Area for Future Research

- This paper tries to highlight the potential of introducing Takaful in India.
- Since it will be a new product, this paper provides the insight information to the potential Takaful operators by presenting push-full factors of the potential customers.
- Since the economy of the India is at the growing rate and the attitude of the customers are in favour of new products, it is important for the regulators to consider in opening the market for Takaful products.
- In addition, the Muslim population is added favour to the Takaful operators to get the new customers.
- The findings of this paper are at the preliminary stage and hence, this paper can be used as a stepping stone to explore more on the possibility of introducing Takaful in India.