

INDONESIAN LOW-INCOME HOUSEHOLDS' ACCEPTANCE OF MICROTAKAFUL IN EAST JAVA

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ABSTRACT

This research investigates the inclination of economically disadvantaged households in East Java, Indonesia, towards microtakaful adoption, utilizing an extended Theory of Planned Behavior (TPB). Analyzing data from 304 respondents through online and face-to-face surveys, the study reveals a significant demand for microtakaful among low-income households. Behavioral intention is positively influenced by factors such as attitude, subjective norms, price, and knowledge, with price being the most critical determinant. Notably, a substantial number of respondents from low-income backgrounds express positive intention toward microtakaful. The study underscores the importance of microtakaful providers raising awareness, offering affordable structures, and highlighting microtakaful's value as a risk management tool. By employing an advanced TPB model, this research offers profound insights into the perceptions and behavioral tendencies of East Java's low-income households regarding microtakaful. The findings suggest actionable strategies for providers to enhance outreach and participation among this vulnerable group, contributing to improved financial inclusion and resilience.

Keywords: Behavioral intention, Low income households, Microtakaful, TPB.

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I. INTRODUCTION

The global battle against poverty remains one of the most significant impediments to human development, escalating at an alarming rate and subjecting millions to an increasingly dismal existence. Despite persistent efforts, poverty statistics remain staggeringly high in numerous member countries of the Organization of Islamic Cooperation (OIC), as reported by the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC). Notably, Sub-Saharan Africa and Asia contribute to over half of the world's impoverished population in developing nations (COMCEC Poverty Outlook of 2019)

Within the OIC, Indonesia, with the world's largest Muslim demographic, stands out. However, the country grapples with widespread poverty, as indicated by the latest report from the Indonesian Central Statistics Agency (BPS) as of September 2022. The report reveals that Indonesia's poor population has reached 26.36 million, marking an increase of 0.20 million people from the previous year. Despite this, Indonesia has made significant strides in poverty reduction over the years, successfully reducing the poverty rate by more than half since 1999 to approximately 10% by March 2021, (World Bank, n.d.). However, when compared with neighboring countries and other developing nations, this figure remains precariously high, necessitating more concerted and robust actions to alleviate the poverty crisis in Indonesia.

East Java, despite being an active hub of commercial activity, ironically holds the highest incidence of poverty in Indonesia. According to the BPS data as of September 2022, East Java has an alarming total of 4,236,510 people living below the poverty line. This finding underscores the stark reality of socioeconomic disparities persisting beneath the province's seemingly flourishing economic facade.

Hence, in light of the substantial poverty statistics and the number of individuals living in impoverished conditions, this group remains exceptionally susceptible to an array of risks. Undeniably, both impoverished and financially stable individuals face similar risks, such as death, illness or injury, loss of property, and natural disasters, among others. However, financially secure individuals have access to formal insurance programs, mitigating their financial burden. Conversely, a large fraction of those living in poverty have either limited or no access to fundamental financial services like insurance, particularly the elderly. Due to the absence of formal insurance programs, impoverished individuals are often compelled to manage risks utilizing their limited resources, sometimes resorting to informal measures such as asset selling, out-of-pocket payments, or borrowing. Such practices could potentially render them even more exposed to future risks (Hasim, 2014). Consequently, the requirement for financial products designed to shield the poor from various risks is vital.

Scholarly research reinforces the idea that microtakaful serves as one of the most efficient initiatives tailored to uplift those in lower economic strata (Ahmed 2016; Hasim, 2014; Abdullah, 2021). Microtakaful is a specially formulated type of takaful that strives to secure the economically disadvantaged, who are typically omitted from both public and private takaful programs. In a broader perspective, the significance of microtakaful emerges where financing institutions need their integration, thereby bridging a critical void in microfinance. It brings about a dual

benefit; providing necessary collateral for the economically disadvantaged while ensuring adequate financial protection for financing entities against potential defaults (Ahmed, 2016). Furthermore, microtakaful can serve as a catalyst for financial institutions to fund this group, leading to a reduction in poverty rates while simultaneously facilitating the transition of a large segment of the unemployed poor into the workforce. This transition reduces the government's obligation to continually offer financial assistance to this segment (Serap, 2013). Thus, microtakaful is able to cover segments of the unemployed poor from diverse risks that can arise anytime and anywhere, secures loan lenders, and also promotes a culture of social responsibility, helping to mitigate economic risks and playing a crucial role in poverty eradication.

Building upon previous research that explores the understanding and potential acceptance of microtakaful across different socioeconomic segments in Indonesia, particularly the Middle of Pyramid (MOP) and Bottom of Pyramid (BOP) segments, as shown by Rapi & Kassim (2023), our study reveals significant intention among respondents to participate in microtakaful products. This finding suggested a robust potential market for microtakaful in Indonesia and underscored its potential as a tool for providing financial security for lower-income households. However, despite this high intentionality, the actual adoption of microtakaful among the poverty-stricken households of East Java remained under-researched.

Our paper aims to extend our understanding by focusing on East Java, the province with the highest recorded number of people living below the poverty line. We seek to uncover insights that could aid in enhancing the financial resilience of low-income households in the region. By doing so, our research contributes to efforts to enhance the financial resilience of these vulnerable households, aligning with the broader goals of poverty alleviation and financial inclusion in Indonesia. We provide a more nuanced understanding of the market for microtakaful, allowing for more targeted interventions to increase uptake, especially in regions with high poverty rates.

Given the vital role of microtakaful for economically disadvantaged populations, our research is driven by the still alarmingly high poverty rates in Indonesia, East Java in particular, and the country's substantial population of impoverished individuals who face a plethora of risks, making it exceedingly challenging for them to break free from the poverty trap. Microtakaful has the potential to be a transformative instrument in this scenario, assisting economically disadvantaged communities in navigating the hardships of poverty, protecting them from various risks, and complementing other micro-institution products. Leveraging the advanced TPB model, our study aims to uncover the factors influencing the behavioral intentions of poor East Java households towards microtakaful products. This insight is essential for Islamic micro-institutions, particularly for the improvement of microtakaful, and it can significantly contribute to poverty reduction and financial inclusion efforts in the region.

II. LITERATURE REVIEW

2.1. Review of TPB Literature

Despite the rapid growth and high potential of the Takaful industry, it has received less academic attention compared to its banking counterpart, especially when it comes to the exploration of consumer behavior (Rapi & Kassim, 2023). An understanding of consumer perceptions and behavior is essential in any sector, and Takaful is no exception. Such insights can significantly aid in driving the growth of the Takaful sector globally, as they allow for the development of effective, consumer-centric strategies (Ishak, 2017; Khairi et al., 2020; Shabiq & Hassan, 2016; Haji Wahab, 2018; Mohamed, 2017).

Consumer behavior research, particularly in the context of customer perceptions, can offer valuable insights to the Takaful industry. It provides a nuanced understanding of market circumstances, enabling the industry to remain competitive, particularly against conventional insurance. In the context of Indonesia, which has a majority Muslim population, research on customer perceptions towards Takaful and, more specifically, Microtakaful, assumes even more significance. Given the high rates of poverty in the country, an examination of consumer behavior, particularly within the segment of poor households, is not just warranted but necessary. Microtakaful, designed to provide affordable, Sharia-based coverage to the economically disadvantaged, is uniquely positioned to address the needs of this demographic (Rapi & Kassim, 2023; Aimi, 2017).

2.2. Understanding Microtakaful and Its Importance

Microtakaful is specifically intended for those with low incomes who may not afford the commercially-driven takaful products typically offered to the higher income segments of society (Rapi & Kassim, 2023). Structured as a special type of insurance, microtakaful creates an accessible and reasonably priced protection mechanism by integrating the ideas of microfinance with conventional insurance principles (Yusoff, Roslan, & Arifin, 2020). The primary goal is to provide financial security to those who wouldn't normally be able to purchase health insurance, prioritizing simplicity and adhering to stringent Islamic financial regulations. Unlike typical insurance, microtakaful is designed to address smaller financial difficulties and unforeseen costs that people and families with low incomes often face (Yusoff, Roslan, & Arifin, 2020). Therefore, its primary objective is to enable those who frequently encounter difficulties to access or purchase traditional insurance, assisting them in risk management and enhancing their financial security (Rapi & Kassim, 2023). In other words, microtakaful is a kind of financial protection system that helps people with low incomes remain stable and secure, ensuring that everyone, particularly those who are struggling financially, has access to tools for risk management and life enhancement.

While microinsurance and microtakaful share many fundamental concepts, such as conveniently accessible and reasonably priced coverage, microtakaful has certain distinctive features. Specifically, microtakaful places a strong emphasis on product structure simplicity, ensuring that its target audience can easily comprehend the terms and conditions of the policies. Furthermore, the business prioritizes cost-effectiveness, enabling it to provide insurance customized to the

financial capacities of its customers. Microtakaful stands out due to its exceptional accessibility, making it available to individuals who may not have previously been exposed to traditional insurance products (Yusoff, Roslan, & Arifin, 2020).

Furthermore, the fundamental goal of microtakaful is to enhance the socioeconomic situation of individuals at the least possible level. Micro sharia insurance primarily addresses lesser risk situations compared to traditional sharia insurance, which may cover a broader variety of risk scenarios. It serves as a crucial tool for families and individuals who are economically disadvantaged, helping them manage and reduce the risks that often hinder their ability to succeed economically. Consequently, microtakaful becomes a valuable instrument in a wider range of financial services aimed at promoting economic resilience and well-being among the most disadvantaged groups worldwide. It also aligns with the values of social justice, equality, and financial inclusion.

2.3. The Theory of Planned Behavior

The theoretical framework underpinning this research originates from the realm of consumer behavior, focusing on the process of consumer decision-making regarding what to procure, where to make the purchase, the timing of the acquisition, the method of purchase, and the selection of the seller for products and services. This process requires both cognitive and physical exertion (Walters and Paul, 1970; Shabiq & Hassan, 2016). To understand the determinants driving the adoption of microtakaful in Indonesia, it is crucial to engage with key theories and models of intention behavior. Among the myriad theories commonly used to probe consumer intentions towards specific actions, the Theory of Planned Behavior (TPB) is the most appropriate conceptual foundation for this study. In recent times, the TPB has emerged as a leading and frequently deployed conceptual scaffolding for examining human behavior (Rapi & Kassim, 2023). This framework has also been instrumental in underpinning diverse studies across the financial services spectrum, including domains like Islamic banking, almsgiving, and conventional insurance (Rapi & Kassim, 2023; Husin & Rahman, 2016; Razak et al., 2018; Shabiq & Hassan, 2016). However, the application of the TPB to the context of microtakaful in these studies has fallen short due to different research designs, necessitating the current study to bridge this gap.

2.4. Factors Influencing Participation in Microtakaful Products

2.4.1. Role of Attitude on Behavioral Intention

In the TPB framework, attitude stands as a significant driver of an individual's intention, explaining their behavioral actions. According to the TPB, a person's behavior is primarily driven by their behavioral intent (Ajzen, 1991). Studies conducted by Arsyianti & Adelia (2019), Rizki Mardhiana & Rahayu (2022), Shaikh & Noordin (2020), Zanellia et al. (2023), Mohd Azizi et al. (2017), and Razak et al. (2018) demonstrate a meaningful correlation between attitude and the intention to use a specific product. These findings demonstrate that attitude was a significant driver of intention because according to the Theory of Planned Behavior, attitude reflects evaluations and feelings about a behavior. Both studies found attitude

predicted intention towards specific products, confirming its importance for adoption. Given the evident role of attitude in explaining intention across contexts, this research on microtakaful adoption applies the same hypothesis - that favorable attitudes will positively influence participation intention. Testing this will provide insights into low-income households' appraisals of microtakaful's benefits and utility for managing risks. Investigating attitude's role will advance understanding of microtakaful uptake among underserved populations in line with the TPB framework. In the takaful industry, Maizaitulaidawati & Asmak (2016) and Shabiq & Hassan (2016) find attitude to positively impact takaful adoption because attitude represents the overall evaluation of the merits and value of takaful products. According to the Theory of Planned Behavior, a favorable attitude arises when individuals assess the behavior as beneficial and worthwhile. In the context of takaful, a positive attitude indicates that consumers view the products as providing meaningful utility for risk protection in line with Islamic principles. The more one perceives value and appeal in takaful, the greater their intention to participate, reflected in the significant attitudinal influence. This leads to the first hypothesis (H1):

H1: Attitude is significantly related to the behavioral intention to adopt microtakaful products.

2.4.2. Role of Subjective Norms on Behavioral Intention

Subjective norms, another essential element explaining behavior in the TPB, pertain to the social pressure exerted by others that influences an individual's attitude (Ajzen, 1991). In an earlier study, Subjective norms have been found to significantly impact towards specific product adoption intentions (Arsyianti & Adelia, 2019; Dandago et al., 2016; Niswah et al., 2019; Zanellia et al., 2023), because according to the Theory of Planned Behavior, individuals are motivated to comply with the perceived expectations of important referent groups. In other words, the paper found a positive correlation between the two, suggesting that societal expectations and norms are significant predictors of individuals' intention to participate. On the takaful context, a study by Khairi, Laili, & Kamarubahrin (2020) discover a significant correlation between subjective norms and the intention to use takaful for mental health issues among Malaysian consumers. In the context of microtakaful, social influences such as family, friends, religious leaders, and community play a key role, as evidenced by Rapi & Kassim's finding that subjective norms shape intentions among lower-income Indonesians. The more one believes their social circles approve of and encourage microtakaful participation, the greater their intention is to adopt it. Testing subjective norms in this research will indicate if similar social motivations drive microtakaful uptake among impoverished East Javanese households. Given past findings, subjective norms are expected to positively influence intentions, underscoring the need for microtakaful campaigns to leverage social encouragement.

H2: Subjective norms are significantly related to the behavioral intention to adopt microtakaful products.

2.4.3. Role of Price on Behavioral Intention

Price, defined as the monetary value charged or exchanged for a product or service (Kotler & Keller, 2012), significantly influences consumers' decisions to opt for specific products or services. Rapi and Kassim (2023) highlight the importance of price in Microtakaful uptake. Their findings indicated a positive association between the price of Microtakaful products and the intention to participate in them among the Indonesian BOP and MOP. Studies by Subhani et al. (2012) and Idris et al. (2011) illustrate the significant influence of price on decision-making, making it a crucial factor in choosing Islamic banks. Similarly, findings by Ramamoorthy, Senthilkumar & Hareesh (2014) and Mohamed (2017) show that pricing variables significantly impact purchase decisions. The significant role of price in driving intentions and purchase decisions is expected to apply in the context of microtakaful adoption as well. Lower-income households are especially sensitive to cost considerations, and the affordability of microtakaful premiums is likely a key factor shaping uptake. Building on Rapi and Kassim's (2023) findings, this research hypothesizes that reasonable microtakaful pricing will positively influence participation intention among impoverished East Javanese households. Testing this relationship will provide further evidence on the role of affordability as a driver of microtakaful adoption. Ensuring affordability will be essential for microtakaful to fulfill its promise as an inclusive financial instrument. Examining price effects can guide efforts to balance sustainability with accessibility for providers.

H3: Price is significantly related to the behavioral intention to adopt microtakaful products.

2.4.4. Role of Knowledge on Behavioral Intention

Cheung et al. (2009) emphasize that prior knowledge significantly impacts an individual's ability to understand product and service information. Rapi and Kassim (2023) emphasize the role of Knowledge in influencing the behavioral intention to participate in Microtakaful. They find that a better understanding of Microtakaful positively influences the behavioral intention of the BOP and MOP to participate in Microtakaful products. Moreover, Ayinde & Echchabi (2012) and Azhar (2015) reveal that knowledge levels significantly affect consumer acceptance. Similarly, studies by Akotey et al. (2011), Husin & Rahman (2016), and Yusoff, Roslan, & Arifin (2020) indicate that knowledge strongly influences the decision to purchase microinsurance services. The significant impact of knowledge on intention and acceptance highlights its likely importance in shaping microtakaful adoption as well. As Rapi and Kassim (2023) find, greater understanding of microtakaful is expected to positively influence participation intention among lower-income Indonesian households. With limited prior exposure to formal insurance, building microtakaful knowledge will be key for driving uptake through enhancing perceptions of its value and ability to address risks. This research will test if similar knowledge effects emerge among impoverished East Javanese households. As knowledge is a precursor to informed adoption, examining its impact can guide

strategies to improve microtakaful literacy through outreach, thereby enabling uptake among the underserved.

H4: Knowledge is significantly related to the behavioral intention to adopt microtakaful products.

Cheung et al. (2009) underscore that prior knowledge significantly impacts an individual's ability to comprehend product and service information. Building on this insight, Rapi and Kassim (2023) highlight the pivotal role of knowledge in influencing the behavioral intention to participate in Microtakaful. Their study revealed that a better understanding of Microtakaful positively influenced the behavioral intention of the BOP and MOP to participate in Microtakaful products. Moreover, Ayinde & Echchabi (2012) and Azhar (2015) find that knowledge levels significantly affect consumer acceptance. Similarly, studies by Akotey et al. (2011), Husin & Rahman (2016), and Yusoff, Roslan, & Arifin (2020) indicate that knowledge strongly influences the decision to purchase microinsurance services. The substantial impact of knowledge on intention and acceptance underscores its likely importance in shaping microtakaful adoption as well.

As Rapi and Kassim (2023) observe, a greater understanding of microtakaful is expected to positively influence participation intention among lower-income Indonesian households. Given the limited prior exposure to formal insurance in this demographic, building microtakaful knowledge becomes key to driving uptake by enhancing perceptions of its value and ability to address risks. This research aims to test if similar knowledge effects emerge among impoverished East Javanese households. Recognizing knowledge as a precursor to informed adoption, examining its impact can guide strategies to improve microtakaful literacy through outreach, thereby enabling uptake among the underserved.

2.5. Conceptual Framework

In this study, the TPB is chosen as the conceptual framework to capture the intentions of low-income households in East Java, Indonesia towards microtakaful products (Figure 1). Several compelling reasons justify this choice. Firstly, the TPB is built on the belief that human behavior is typically rational. Secondly, it offers a useful model for understanding an individual's attitude towards their actions (Ajzen, 1991). Thirdly, the TPB model has recently gained prominence as a versatile conceptual structure for studying human behavior (Shabiq & Hassan, 2016). Lastly, this model has formed the basis for multiple research studies across various financial services, including Islamic banking, alms, and traditional insurance (Husin & Rahman, 2016; Razak, 2018; Shabiq & Hassan, 2016).

While the Theory of Planned Behavior (TPB) originally included perceived behavioral control as one of the key predictors of intention, this research opted to exclude it and incorporate alternate variables of price and knowledge instead. Perceived behavioral control reflects one's perceived capacity to perform a behavior based on abilities, resources, and opportunities (Ajzen, 1991). However, in the context of microtakaful adoption among impoverished households, actual behavioral control factors like limited income and access may override perceptions. As evidenced by past research, affordability issues and knowledge gaps objectively constrain adoption for low-income groups regardless of perceived

control. Therefore, we judged actual control factors of price and knowledge to be more relevant determinants to examine.

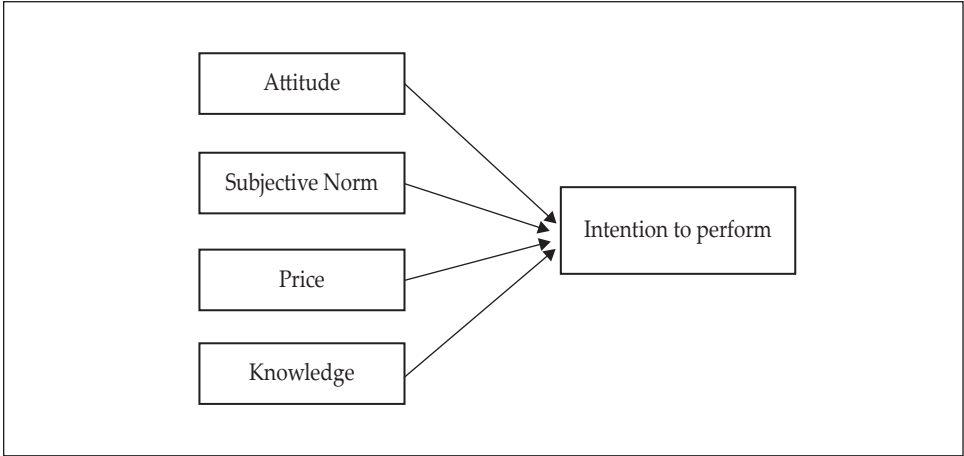


Figure 1.
Conceptual Framework

Previous studies have established that TPB has been effectively utilized in discerning consumer intentions towards takaful and other financial schemes (Subhani et al., 2012; Razak et al., 2018; Maizaitulaidawati & Asmak, 2016; Ayinde and Echchabi, 2012; Idris et al., 2011; Amin, 2012; Maulana et al., 2018; Yusoff, Roslan, & Arifin, 2020; Khairi, Laili, & Kamarubahrin, 2020; Echchabi & Azouzi, 2015). Rapi & Kassim (2023), in particular, use a modified TPB model to present a key focal point for the analysis of microtakaful uptake in Indonesia. The study provided a detailed examination of the Middle of Pyramid (MOP) and Bottom of Pyramid (BOP) populations in Indonesia, particularly their intent to participate in microtakaful products. Besides, previous study also revealed that several other variables can potentially influence consumer intentions towards the takaful and other financial sectors. Thus, this study aims to expand upon the TPB by integrating additional variables that may impact consumers’ intentions.

III. METHODOLOGY

3.1. Data Collection

This study is primarily focused on identifying the key factors that align with the problem statement. It involves a comprehensive examination of how attitude, subjective norms, price, and knowledge – collectively considered as pivotal constructs – influence the intention of economically disadvantaged households in East Java to participate in microtakaful. The population of interest for this study is low-income households residing in East Java, Indonesia. This demographic has been selected due to the highest number of impoverished individuals amongst all provinces in Indonesia and the challenges they face in terms of financial stability and the potential benefits they could gain from the use of microtakaful. According

to the data published by BPS Jawa Timur (2022), as of September 2021, the number of individuals categorized as 'poor' in East Java was reported to be around 4,259,600. Consequently, this vast number forms the total population from which the study sample will be drawn.

A survey approach has been selected for data collection, considering its effectiveness in yielding reliable and generalizable results. Aiming for a statistically robust outcome, a target sample size ranging between 250 and 450 respondents is set. The choice of this sample size is based on a review of academic literature on survey methodologies, where several past studies have reported reliable findings with similar sample sizes. This approach aligns with the recommendations of Sekaran (2000), who suggests that a sample size between 30 to 500 is usually sufficient for research surveys, striking a balance between statistical reliability and logistical feasibility. This sample size should provide a meaningful snapshot of the attitudes and intentions of poor households in East Java regarding microtakaful. To select respondents, a simple random sampling approach was utilized. This involved randomly selecting households from across low-income communities in East Java, giving each household an equal chance of inclusion.

3.2. Data Analysis

Upon the collection of all survey responses, this study proceeds to the data analysis phase. In order to effectively analyze the data, the study will utilize a renowned statistical tool, IBM-SPSS, that has proven its effectiveness in handling complex datasets across various research domains. However, before embarking on any rigorous data analysis, the initial step involves a careful screening process. This step is essential in ensuring the integrity of the data by verifying its quality and consistency. The primary objective of the data screening process is to sift through the data to maximize the meaningful information - the 'signal' - while minimizing any potential inconsistencies, inaccuracies or errors - the 'noise'. This process can entail the detection, rectification, or even exclusion of errors, following the guidance suggested by Pallant (2016).

Post the data screening phase, the study embarks on the main assumption test. This stage ensures that the data being used aligns with the necessary prerequisites for the statistical analyses to be employed. The statistical requirements, particularly for multiple linear regression analysis, stipulate that certain assumptions must be met. In line with the study by Sunjoyo et al (2013), it is asserted that these assumption tests are a prerequisite for multiple linear regression analysis that utilizes the Ordinary Least Squares (OLS) method. Consequently, before any hypotheses testing commences, the study will examine five key assumptions: normality, autocorrelation, homoscedasticity, multicollinearity, and linearity.

Once the dataset successfully satisfies these assumptions, the research study will proceed with the main test, the hypothesis testing stage. At this stage, the study will implement multiple linear regression analyses, utilizing IBM-SPSS version 23, to test the formulated hypotheses. This process will allow us to examine the relationships between the various factors of interest (attitude, subjective norms, price, and knowledge) and the intention of low-income households in East Java towards microtakaful.

3.3. Model Development

The model to be used for the study is graphically depicted in Figure 2. The model employs four independent or exploratory variables - Attitude (ATT), Subjective Norms (SN), Price (PRC), and Knowledge (KNW) - each having a bearing on a single dependent variable, that is, Attitude (ATT).

The construction of these variables is an intricate process, derived and modified from existing literature to suit the context of our study. For instance, the ‘Attitude’ construct, symbolized as ‘ATT’, incorporates four distinct indicators. These have been adapted and tailored from the study by Azis & Afaq (2018), providing a comprehensive measurement of the variable. The ‘Subjective Norms’ variable, denoted as ‘SN’, similarly comprises four unique indicators, which have been modified based on the framework presented by Ramayah et al. (2010). ‘Price’, represented by ‘PRC’, encapsulates five indicators, which have been adjusted and reinterpreted from Mohamed’s research in 2017. ‘Knowledge’, abbreviated as ‘KNW’, includes five indicators, which have been revisited and adapted from the work by Ezeh & Nkamnebe (2021). Lastly, the ‘Intention’ construct, the dependent variable of the study, utilizes five indicators, which have been selectively gleaned and altered from the studies by Aziz and Afaq (2018) and Ramayah et al. (2010). In this way, our model provides a holistic, well-rounded representation of the various factors that potentially influence the intention of low-income households in East Java towards microtakaful.

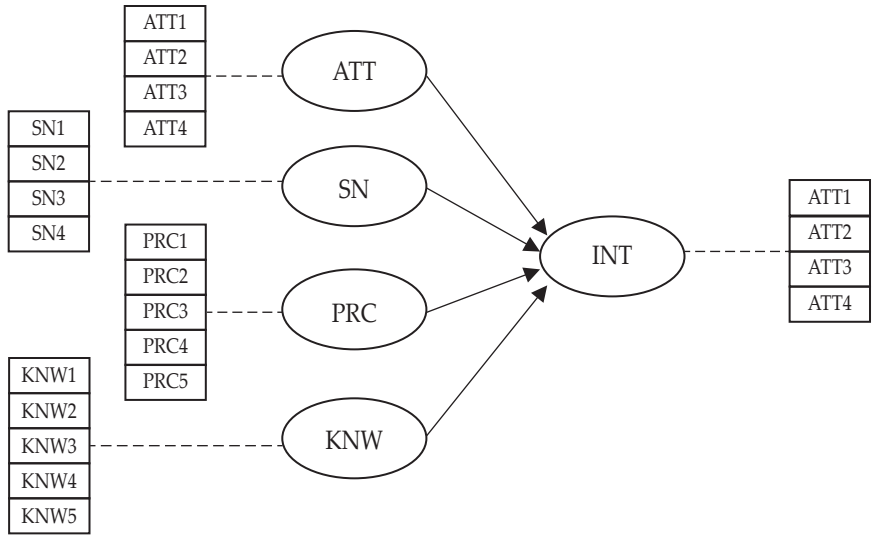


Figure 2.
Proposed Model

IV. RESULTS AND DISCUSSION

4.1. Respondent profiles

The demographic composition of the sample used in this study is described in Table 1. Out of the 303 respondents, there is nearly an equal distribution between genders, with 153 respondents (50.5%) being male and 150 (49.5%) being female. This gender balance in our sample provides a holistic perspective on our research questions, representing both male and female opinions on microtakaful.

In terms of educational attainment, the majority of respondents, accounting for 44.6%, have senior high school equivalent (SMA/SMK). This is followed by those who have completed up to junior high school level (SD/SMP), which account for 23.4% of the sample. Interestingly, only 32% of the respondents hold a bachelor's degree, revealing that the majority of our sample do not pursue higher education.

Our sample's age distribution is skewed towards the younger demographic, with 64% of respondents being between 18-30 years old. This is followed by the 40-65 age group and the 31-40 age group, accounting for 17% and 12% of the total respondents, respectively. It's worth noting that a small portion of respondents (5.61%) opt not to disclose their age. Overall, our sample is predominantly young and represents a broad range of educational backgrounds, providing us with a diversified and comprehensive understanding of our research topic.

Table 1.
Sample Profile

Demography	Category	No. of respondent	(%)
Gender	Female	150	49.5
	Male	153	50.5
Education	SD/SMP	71	23.4
	SMA/SMK/SEDERAJAT	135	44.6
	D3/S1	97	32
Age	18-30	195	64.36
	31-40	37	12.21
	40-65	54	17.82
	Unknown	17	5.61

4.2. Pre-Tests: Screening and Assumption Tests

The initial data screening phase of our study yields vital information about the dataset. We find no missing data in our analysis, indicating a comprehensive and reliable dataset. This improves our confidence in any ensuing analyses or conclusions derived from it. However, one outlier emerges during this evaluation. This outlier, a data point significantly deviating from the overall pattern, could potentially distort our analysis and lead to misleading conclusions and hence it is removed from the sample.

The next stage, five main assumption tests are performed on the dataset to ensure the validity and reliability of the subsequent analysis. Firstly, a normality test is conducted using two methods: a Probability Plot and the One-Sample Kolmogorov-Smirnov Test. Both tests confirm that the data follows a normal distribution, with the Probability Plot demonstrating the data points along the

diagonal line and the Kolmogorov-Smirnov Test yielding a significance value greater than 0.05.

Further, the independence of observations—an essential criterion for regression analysis—is confirmed by the Durbin Watson (DW) test. The DW value falls within the established range between the lower (dU) and upper limits (4-dU), thus indicating no autocorrelation issues within the dataset. Homoscedasticity is ensured through a scatterplot that reveals no evident pattern, indicating the absence of heteroscedasticity problems. Moreover, no issues of multicollinearity, which could compromise the statistical significance of independent variables, are detected. This conclusion is drawn based on the Tolerance and Variance Inflation Factor (VIF) values, both of which exceed the standard thresholds. Finally, a linearity test is conducted, yielding a significance value greater than 0.05. This value attests to a significant linear relationship between each independent and dependent variable.

4.3. Results

The results from the multiple regression analysis are summarized in Table 3, focusing on the statistical significance of our independent variables, namely Attitude, Subjective Norms, Price, and Knowledge. The *p*-values derived from this analysis allow us to gauge the likelihood of the observed data given that the null hypothesis is true. In other words, they measure the probability that the respective coefficients of our predictor variables would equal zero in the larger population from which our sample is drawn. The criterion for statistical significance is set at $p < 0.05$, indicating that if the *p*-values for our variables are less than this threshold, the respective coefficients would be significantly different from zero and *t*-value $> t$ -table. The implications of this are twofold. Firstly, the associated independent variables have a significant impact on the dependent variable. Secondly, the observed relationship between these variables in our sample is unlikely to have arisen due to chance.

Table 3 presents the regression result. Beta (β) represents the standardized regression coefficient in the multiple regression analysis. It indicates the strength and direction of the relationship between the independent variable and the dependent variable (intention to adopt microtakaful). The *t*-values of the regression coefficients are compared to critical *t*-values from the *t*-table to determine statistical significance. The *t*-table provides critical values based on the degrees of freedom and desired *p*-value. A calculated *t*-value greater than the corresponding *t*-table value indicates a statistically significant relationship between the predictor and the outcome variable. And the *P*-value helps determine statistical significance as well. A *p*-value lower than the significance level (typically 0.05) indicates the beta coefficient is statistically significant. A low *p*-value suggests the likelihood of getting the beta coefficient by chance is low.

The results reveal that all our independent variables meet this criterion, suggesting their significant influence on the intention of poor households in East Java towards microtakaful. This analysis primarily serves to establish these variables' relevance in our model, and detailed discussions about each hypothesis will be further elaborated in the upcoming discussion section.

Table 2.
Test of Collinearity

Variables	Tolerance	VIF
Attitude	0.479	2.089
Subjective Norms	0.475	2.107
Price	0.626	1.598
Knowledge	0.802	1.248

Table 3.
Regression Results

Variables	β	<i>t</i> -value	<i>p</i> -value
Attitude	0.208	3.886	0.000
Subjective Norms	0.329	6.117	0.000
Price	0.134	2.853	0.005
Knowledge	0.330	7.958	0.000

Notes: Significance at: **p* , 0.05; *t*-value > *t*-table (*t*-table: 1.9679); R Square: 0.590; dependent variable: Intention to participate

Table 4.
Overall Statistic of Unique Questions

Answer	Unique Question 1		Unique Question 2	
	Frequency	Percent	Frequency	Percent
Not Sure	85	28.1	79	26.1
No	33	10.9	40	13.2
Yes	185	61.1	184	60.7

The empirical evidence garnered through the application of a multiple linear regression model, as shown in Table 3, delivered compelling confirmation of these hypotheses. Each of the four variables under scrutiny is found to wield a significant influence on the intention to participate in microtakaful. This affirmation is rooted in the statistical indicators of the *p*-values and *t*-values. In detail, the *p*-values associated with the variables are less than the significance level of 0.05, indicating statistical significance. Concurrently, the *t*-values are above the standard threshold, signifying a substantial influence of the variables on the dependent variable, in this case, it is the intention to participate in microtakaful.

Table 5.
Statistical Significance and Confirmation of Hypothesis

Hypotheses	Independent Construct	Dependent construct	P	Result
H1	Attitude	Intention	0.000	Accepted
H2	Subjective Norm	Intention	0.000	Accepted
H3	Price	Intention	0.005	Accepted
H4	Knowledge	Intention	0.000	Accepted

4.4. Robustness Test: Subgroup Analysis

To enhance the robustness of our findings and check the consistency of the results across different segments, a Subgroup Analysis is employed based on gender characteristics. The dataset is split into two distinct subgroups: Female (comprising 150 samples) and Male (consisting of 153 samples). The primary objective of this robustness test is to analyze whether the initial findings from the entire data set prevail when examined separately across different gender groups. This approach provides a more nuanced understanding of the relationships between variables within each subgroup and offer an opportunity to detect any possible variations in Microtakaful uptake based on gender.

Table 6 presents the robustness test using subgroup analysis. In performing the subgroup analysis, the variables are examined further across both male and female subgroups. For each of these variables, the *t* and significance (sig.) values are carefully examined to ensure they meet the standard statistical thresholds. In both the male and female subgroups, the *t*-values and the significance (sig.) values for all four independent variables – ATT, SN, PRC, and KNW – exceed the standard thresholds.

These findings from the robustness test reveal a consistent influence of ATT, SN, PRC, and KNW on Microtakaful uptake, irrespective of gender differences. This consistency further solidifies the robustness of our initial findings and underscores the generalizability of our results across different demographic segments within the low-income population in East Java, Indonesia.

Table 6.
Robustness Test: Gender Subgroup Analysis

Model	Male Group		Female Group	
	<i>t</i> -value	Sig.	<i>t</i> -value	Sig.
ATT	2.555	0.012	2.696	0.008
SN	4.586	0.000	3.894	0.000
PRC	4.944	0.000	3.251	0.001
KNW	5.902	0.000	4.846	0.000

Dependent Variable: INT

4.5. Analysis

In assessing Hypothesis 1 (H1), we delve deeper into the Theory of Planned Behavior (TPB), where attitude is acknowledged as a crucial determinant of an individual’s intention to behave, as per Ajzen’s perspective (1991). In this study, we investigate the attitude of poor households in East Java towards microtakaful products and whether this influences their intention to patronize such services.

The results from the multiple linear regression analysis clearly highlight that attitude significantly influences the intention of poor households in East Java towards participating in microtakaful. Each aspect of the attitude variable had a strong positive relationship with the intention to participate in microtakaful. When respondents perceive choosing Islamic microtakaful as valuable, they are more inclined to participate. Similarly, those who consider engagement in microtakaful a worthy endeavor demonstrated a higher propensity for enrollment. The analysis

also showed that acknowledging the choice of Islamic microtakaful as a wise idea positively influences the intent to participate, reflecting the respondents' understanding of the strategic value and potential benefits of microtakaful. Lastly, when low-income households in East Java perceive opting for Islamic microtakaful as a good idea, they exhibit a heightened intention for microtakaful uptake, illustrating a positive evaluation of the scheme and its role in providing financial security.

The result highlights that the attitude towards Islamic microtakaful plays a pivotal role in shaping the intention to participate in microtakaful among poor households in East Java. Therefore, cultivating a positive attitude towards microtakaful through effective communication and awareness-building initiatives could be instrumental in encouraging its adoption, thereby underlining the worthiness, wisdom, and goodness of participating in such programs. The observed positive correlation between attitude and intention is congruous with preceding research (Rapi & Kassim (2023); Mohd Azizi et al. (2017), Maizaitulaidawati & Asmak (2016); Shabiq & Hassan (2016)).

Hypothesis 2 (H2) examines the influence of subjective norms on the intention of poor households in East Java to engage with microtakaful products. Subjective norms, referring to the perceived social expectations regarding the uptake of Islamic microtakaful (Rapi & Kassim, 2023), demonstrated a significant influence on the intention of poor households in East Java to participate in microtakaful. The results illustrate that the perceptions of individuals close to the respondents, their friends, parents, and siblings significantly impact their decision to engage with microtakaful.

When respondents felt that their close acquaintances, including friends, thought they should opt for Islamic microtakaful, it strongly propelled their intention to participate. This underlines the impact of peer opinion and the role of social circles in guiding financial decisions. Furthermore, the influence of parental opinions was notable in the decision-making process of these households, emphasizing the power of familial expectations in determining financial behaviors. The perspective that siblings endorse the use of Islamic microtakaful also played a considerable role in encouraging respondents towards microtakaful uptake.

Hence, this finding highlights the substantial role subjective norms play in determining the intention to participate in microtakaful. The social endorsement from close contacts, friends, parents, and siblings powerfully affects the decision-making process regarding microtakaful among low-income households in East Java. These findings call for the integration of these influential social aspects into the strategic planning for promoting microtakaful uptake. When compared with previous studies, a similar pattern is observed. Aligning with the findings of this study, past research has consistently shown subjective norms to positively influence intentions to adopt takaful and microtakaful products across contexts such as Malaysia (Khairi, Laili, & Kamarubahrin, 2020; Maizaitulaidawati & Asmak, 2016; Razak et al., 2018) and Indonesia (Amin, 2012; Rapi & Kassim, 2023). These studies reveal social approval and expectations of referent groups as a significant driver of participation intentions. This underscores the need to incorporate influential social motivations into strategies aimed at promoting microtakaful uptake among lower-income households.

Hypothesis 3 (H3) focuses on the role pricing plays in shaping the intentions of East Java's poor households towards microtakaful products. In the realm of consumer behavior, pricing frequently emerges as a decisive factor impacting individuals' decisions to purchase or engage with a specific product or service. The finding shows that Price construct emerged as another significant determinant in influencing the intention of poor households in East Java to participate in microtakaful. The variable of price, as interpreted through participants' perception of microtakaful premiums, their equity, affordability, and overall price awareness, significantly impacts their intention to engage in microtakaful.

Clear awareness of microtakaful prices appears to empower respondents to make well-informed decisions about their participation. The perceived fairness of microtakaful premiums further solidifies their intent to participate, suggesting a correlation between equitable pricing and increased interest in microtakaful products. Interestingly, the study shows that the allure of the insurance premium significantly influences the intention to uptake microtakaful, implying that when respondents find the premiums attractive, potentially due to their affordability or benefits offered, they are more likely to engage with microtakaful. However, this positive perception contrasts sharply when premiums are considered high-priced, which respondents view as expensive and unaffordable, dampening their intent to participate.

Hence, the finding underscores the influence of price and the related perceptions on microtakaful premiums on poor households' intention to participate in microtakaful in East Java. As such, initiatives aiming to boost microtakaful uptake among low-income households should focus on ensuring fair pricing, raising awareness about costs, and addressing concerns about affordability. These findings resonate with previous research, further consolidating the understanding of price as a critical factor in shaping intentions.

Lastly, Hypothesis 4 (H4) examines the critical factor of knowledge and its influence on the behavioral intention to participate in microtakaful products. The analysis shows that the understanding and knowledge about microtakaful play an important role in shaping the intention of impoverished households in East Java to participate in microtakaful. This understanding encompasses several aspects, including the inclusivity of microtakaful services, their foundational Sharia principles, the absence of interest imposition, the tangible benefits of participation, and the core principle of cooperation, or 'ta'awun'.

Respondents who understand that microtakaful services are inclusive to all religions display a significant intention to participate, implying that awareness of microtakaful's inclusivity could dispel potential religious barriers. Similarly, their knowledge that microtakaful aligns with Sharia principles influences their intent positively, indicating the importance of understanding the ethical and moral underpinnings of microtakaful. Besides, the impact of the respondents' awareness that microtakaful does not impose interest, demonstrating that such awareness presents microtakaful as a more ethical financial alternative that does not burden participants with interest payments. This finding aligns with the positive relationship observed between understanding the long-term benefits of microtakaful and the intent to participate, suggesting the motivational role of recognizing the future advantages of microtakaful. Further, knowledge about the

cooperative principle or 'ta'awun' upon which microtakaful operates significantly informs the intention of the participants. This aspect emphasizes the sense of community, mutual aid, and solidarity that microtakaful nurtures, aspects that may particularly appeal to low-income households and encourage their participation.

This result shows a comprehensive understanding of microtakaful significantly impacts the intention of poor households in East Java to participate in microtakaful. It emphasizes the power of knowledge in guiding financial decisions. It suggests that efforts to increase the knowledge and understanding of these households about microtakaful could lead to higher adoption rates. As such, raising awareness about these various aspects could be a key strategy in promoting microtakaful uptake among this population segment. This could take the form of awareness campaigns, educational programs, or easily accessible information resources tailored specifically to their context. Previous research has consistently underscored the significant role of knowledge in shaping attitudes and intentions towards specific products, reinforcing the findings of this study.

Furthermore, the additional findings add another dimension to our understanding of the behavioral intention of impoverished households in East Java towards microtakaful. Probing into the perceived need and willingness to pay for microtakaful products sheds light on the complexities and considerations underpinning their intentions.

The first additional question delves into the perceived need for microtakaful products and services among these households. The initiation of the adoption process hinges on the acknowledgment of the necessity of the product or service. Therefore, understanding these households' perception of the need for microtakaful is crucial. The second additional question probes into their willingness to pay for microtakaful in the future. This provides insight into their potential commitment and active interest in microtakaful. It also allows gauging their perceived affordability and the value-for-money of such products. We emphasize, however, that these additional questions were not compulsory to answer. We respected the respondents' discretion and comfort in providing such detailed information, especially since these aspects might invoke careful and personal deliberations.

The statistics gleaned from our additional unique questions, as presented in Table 4, unfold intriguing aspects of the behavioural intention towards microtakaful among poor households in East Java, Indonesia. The survey findings shed light on a distinctly positive inclination among the respondents towards microtakaful. More than 60% of the respondents affirmed their perceived need for microtakaful and expressed their willingness to make payments for it in the future. This indicates the potential acceptability and uptake of microtakaful among these households.

Interestingly, despite their financial constraints, these households not only acknowledge the importance of microtakaful but are also willing to allocate a portion of their limited resources towards it. The average desired weekly and monthly payments, as indicated by the respondents, were IDR10,697 (USD0.74) and IDR13,865 (USD0.94) respectively. Although these amounts may seem modest, they reflect the households' willingness to invest in microtakaful, recognizing its potential benefits.

These additional findings, in conjunction with our hypothesis testing, provide a comprehensive understanding of the behavioural intention of poor

households in East Java towards microtakaful. They underline the importance of factors like attitude, subjective norms, price, and knowledge, and bring to the forefront the households' perceived need for microtakaful and their readiness to invest in it. The insights derived from these findings can serve as valuable inputs for policymakers and microtakaful providers to devise effective strategies for enhancing microtakaful uptake among this demographic.

V. CONCLUSION

5.1. Summary of Findings

This study provides an insightful examination of the factors influencing the behavioral intention of poor households in East Java, Indonesia, towards microtakaful. Utilizing a sample size of 303 respondents and leveraging the Theory of Planned Behavior as the theoretical framework, the study has elucidated the roles of attitude, subjective norms, price, and knowledge on the households' intentions to participate in microtakaful products.

A closer look at the Attitude variable revealed that the perception of value and wisdom in choosing microtakaful plays a significant role in shaping the intent to participate. Similarly, the Subjective Norms variable indicated the importance of social approval, especially from close family members and friends, in influencing the decision to opt for microtakaful. The Price variable underscored the awareness of microtakaful prices, the fairness of premiums, and their perceived affordability. The Knowledge variable offered insights into the respondents' understanding of the principles, benefits, and cooperativeness of microtakaful services. Additional findings from unique questions further enrich the discussion. More than 60% of respondents acknowledged the need for microtakaful and expressed their willingness to make future payments.

5.2. Implication and Recommendations

This research increases understanding of the variables that influence behavioral intentions for sharia microinsurance in economically disadvantaged households in East Java, Indonesia. The results show that microtakaful has great potential to be used as a practical tool to mitigate financial risks among this demographic, provided the right circumstances and strategies are in place. Therefore, the results of this study provide policy makers and microinsurance providers with useful knowledge. The results should be implemented in plans to encourage microtakaful among low-income and vulnerable communities. Therefore, we suggest a series of specific suggestions for regulatory bodies, as well as microtakaful and takaful practitioners, who will help oversee these programs.

Practitioners of Takaful and Microtakaful

- The Takaful and Microtakaful operators need to create and implement educational initiatives and public awareness campaigns with the goal of enhancing understanding of the fundamentals and advantages of microtakaful. Highlight the advantages of this financial instrument and clear up any confusion or questions. In addition, these initiatives ought to promote positive perceptions and arbitrary standards related to microtakaful.

- Takaful and Microtakaful operators need to prioritize affordability by thoroughly examining premium rates to ensure they do not exceed the means of low-income families. The operator should create creative pricing strategies, such flexible payment plans and income-level-based price adjustments to make microinsurance more accessible. Expanding involvement requires lowering individuals' financial burdens.

Central Banks

- The Central Banks (Regulatory Bodies) can play a crucial role in promoting inclusive governance by offering incentives to microinsurance providers to create cost-efficient programs that benefit economically disadvantaged populations. The regulator also urges service providers to create products that are tailored to this demographic's unique requirements and constraints.
- Central banks may be key players in promoting financial literacy initiatives that aim to raise public knowledge and comprehension of microtakaful and the advantages it offers. To do this and reach a larger audience, partnerships with educational institutions, non-profits, or microfinance groups may be necessary.

5.3. Recommendations for Future Research

While the study provides valuable insights, its scope is limited to the specific geography of East Java, Indonesia. Consequently, the generalizability of the results may be subject to certain geographical and cultural constraints. Future research could enhance the robustness of this study by extending its scope to other regions and socio-economic segments, investigating the universality or variability of these findings. It is also important to consider the specific nature of the economic activities in which poor households are involved, as the microtakaful requirements for these sectors would likely differ. Furthermore, the Theory of Planned Behavior (TPB) was employed in this study to investigate the factors influencing microtakaful in East Java, where conventional viewpoints take precedence over Islamic viewpoints. Therefore, future studies should leverage this potential by expanding on the Islamic Theory of Consumer Behavior (ITCB) developed by Amin (2019). This expansion could enrich the findings by incorporating Islamic factors, contributing to a deeper understanding of households' preferences for microtakaful in East Java, Indonesia.

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