

Motivations of the Takaful Apps Usage: A Literature Study

Norazlina Ripain^{1*}, Siti Hawa Radin Eksan² and Noor Raudhiah Abu Bakar¹

¹ Department of Accounting and Finance, Universiti Islam Selangor

² Department of Economic and Management, Universiti Islam Selangor

*Corresponding author: norazlina.ripain@kuis.edu.my

ABSTRACT

Takaful industry in Malaysia has emerged since 1982 as inspired by the demand of the Muslims for a Shariah compliant insurance. Syarikat Takaful Malaysia Sendirian Berhad is the first takaful operator established in year 1988 and as of year 2023 there are 15 takaful operators currently operated in Malaysia. Despite the tremendous development in the financial technology (FinTech), the takaful industry need to move along with the changes and shift to a digital platform in order to sustain and survive in the market. This study focused on the Takaful apps service as one tool of the digital platform. Among of these Takaful operators, currently only 9 offers Takaful apps service to their clients. Thus, this study aims to identify the motivations of the users as the clients to use the Takaful apps service. Based on the past literature studies, we found that one of the motivations to use the digital apps is derived from the factor of trust. Thus, it is important to take note by the Takaful operators on the motivations of the apps usage in order to improve their service quality and be competitive in the industry.

Keywords: Takaful industry, Takaful apps, financial technology, digital platform, usage

1. INTRODUCTION

The evolution in technology is not something new to the banking and financial sector. The emergence of Financial technology (FinTech) can be traced back in the early year 1970s and 1980s when the digital banking in the financial services industry take place. We can see the changing era of technology in finance when the number of bank branches become more shrink and customers start to move from doing transaction at physical platform to online transaction. ATM, mobile transaction, e-wallet, e-banking are examples of technological advancement in financial transactions. Whereby, applications or Apps being introduced to ease the customers transactions. Instead of transferring money at ATM for example, customers or users can save their time by only one click and follow instructions through Apps.

According to FinTech Malaysia, Malaysia has become one of the most developed fintech landscape whereby the online payments and transactions contributed to the national Gross Domestic Product (GDP) by 20% in year 2020, which has significantly enhanced the country's economic outlook. According to Gai et.al (2017), Fintech has been described as a novel technology adopted by the financial service institutions which covers a large scope of techniques, ranging from data security to financial service deliveries. Fintech by its application can be explained as the mixture of finance and technology. The use of Fintech is not limit to the banking industry but to all financial services including insurance and Takaful industry. However, the utilization of Fintech in insurance and Takaful industry is still lack behind. According to Hemed et.al (2021), there has been shortage of fintech adoption among Islamic financial intermediaries generally, and by Takaful operators in particularly.

As we all know, the insurance sector including Takaful is one of the most essential financial services in Malaysia and has large market capitalization as well as business turnover. As reported by Fitch Rating Agency on 23 February 2023, the Takaful sector's capitalization remains solid, with a capital adequacy ratio (CAR) of 237% higher than the insurance sector's

224%. CAR is important to measure how well a Takaful or insurance sector can meet its obligations including insurer’s leverage, underwriting activities and financial performance. Since, fintech is among the latest innovation introduced, it is expected that there will be more financial institutions will support this innovation and make investment in fintech. Thus, this research is aim to explore the use of Fintech by Takaful operators specifically focused on mobile Takaful apps service. Second, to identify the factors that motivates the mobile Takaful apps usage among users.

The Growth of Takaful Industry in Malaysia

The emergence of Takaful industry in Malaysia began in October 1982 which was encouraged by the desires of the Muslims in Malaysia for a Shariah compliant alternative to conventional insurance (Sharifuddin et al., 2016). Based on the data extracted from Bank Negara Malaysia (BNM) website on June 2023, there are 15 Takaful operators operating their business in Malaysia as follows:

Table 1: List of Takaful Operators in Malaysia

No.	Name	Type of Takaful Business	Ownership
1	AIA PUBLIC Takaful Berhad	Family	Foreign
2	AmMetLife Takaful Berhad	Family	Local
3	Etiqa Family Takaful Berhad	Family	Local
4	Etiqa General Takaful Berhad	General	Local
5	FWD Takaful Berhad	Family	Local
6	Great Eastern Takaful Berhad	Family	Foreign
7	Hong Leong MSIG Takaful Berhad	Family	Local
8	Prudential BSN Takaful Berhad	Family	Local
9	Sun Life Malaysia Takaful Berhad	Family	Local
10	Syarikat Takaful Malaysia Am Berhad	General	Local
11	Syarikat Takaful Malaysia Keluarga Berhad	Family	Local
12	Takaful Ikhlas Family Berhad	Family	Local
13	Takaful Ikhlas General Berhad	General	Local
14	Zurich General Takaful Malaysia Berhad	General	Foreign
15	Zurich Takaful Malaysia Berhad	Family	Foreign

Source: Bank Negara Malaysia, 2023

Table 1 above record the total number of Takaful operators that offer family and general Takaful products in Malaysia Takaful industry. Abdulkadir et al. (2021) in their study stated that family takaful is usually a long-term contract that includes savings, investment and protection for members and their dependents in the event of death, incapacity or survival difficulties. Whereas general takaful is traditionally a short-term contract, usually one year, to provide insurance cover for properties and liabilities against unanticipated hazards. General takaful provides financial protection from general losses such as fire, theft, natural calamities, and accidents (Md Husin & Haron, 2020). Moreover, out of 15 Takaful operators, 11 are from local while another 4 are foreign Takaful operators.

In order to be competitive in the industry, Takaful operators should enhance and adopt the latest financial technology in their operation. It is to ensure that they can low the operating cost and increase the efficiency in delivering the products and services to the customers. Table 2 below depicted the list of Takaful operators that offer mobile Takaful Applications (Takaful Apps) to the customers.

Table 2: List of Takaful Operators and their Application Data

No.	Takaful Operators	Year of establishment	Name of App	Google App Store		
				Number of downloads	Number of reviews	Rating
1.	AIA PUBLIC Takaful Bhd	2011	My AIA: Insurance & Wellness	1M+	11K	3.4
2.	Etiqa Takaful Berhad	2007	Etiqa Smile	100K	1K	4.8
3.	FWD Takaful Berhad	2019	FWD Affiliates - MY	10K	71	4.3
4.	Great Eastern Takaful Berhad	2010	GETCare	10K	172	2.6
5.	Hong Leong MSIG Takaful Berhad	2006	HLMT360° app by HLMSIG Takaful	10K	73	2.9
6.	Prudential BSN Takaful Berhad	2006	PruBSN Aman	10K	111	4.1
7.	Sun Life Malaysia Takaful Berhad	2013	SunAccess (Malaysia)	50K	246	3.0
8.	Syarikat Takaful Malaysia Berhad	1984	Click for Cover	10K	118	3.3
9.	Takaful Ikhlas Berhad	2002	MY IKHLAS	1K	17	3.9
10.	Zurich Takaful Malaysia Berhad	2016	No mobile application			
11.	AmMetLife Takaful Berhad	2014	No mobile application			

Source: Google App Store, June 2023

Based on the Table 2 above, it indicates that most of the Takaful operators have their own mobile Takaful Apps to be used by their customer except for Zurich Takaful Malaysia Berhad and AmMetLife Takaful Berhad. Looking at the ratings, it is within the range of 2.6 to 4.8. The lowest rating is rated by the users of Great Eastern Takaful and the highest rating rated by Etiqa Takaful Berhad's users. To be highlighted here is that the ratings is affected by different attitude of users towards the use of Takaful mobile Apps provided by the Takaful operators. The ratings will change accordingly to the user's attitude towards using the apps. Importantly to the Takaful operators, the high cost of investment on the Takaful apps provided supposedly give positive impact to the Takaful operators and also the users. Therefore, Takaful operators must consistently monitor the ratings and identify any weaknesses that may influence the user's poor ratings.

2. LITERATURE REVIEW

The objective of this study is to explore the factors that motivates the mobile Takaful apps usage among users. Several articles are reviewed and extracted from the Google scholar search engines within the period of year 2015 to 2023 and using key words of insurance apps usage, Takaful apps usage and customer behavior. However, we found that the previous studies done on the topic is quite limited. With the fast development of FinTech, many researchers are conducting research in identifying customer behavior in using mobile apps in daily transactions. Many focused on mobile shopping apps and there is a lack of studies on mobile apps usage mainly in Takaful services. Hemed et. al (2021) in his studies suggested to the takaful operators to identify and adopt fintech that could influence positively customer experience and optimize cost efficiency. It is important for the Takaful operators to remain competitive in a fast-changing business environment.

Based on the literature reviewed, we identify several factors that motivates users to use the mobile application apps. Even though the past studies not directly focused on the Takaful apps usage, yet we believe that it can be used as reference for the Takaful operators to improve their service.

Factor of trust, ease of use and usefulness positively influence the intention to use insurance application (Pham et, al, 2022) and positively affected customer satisfaction (Lee et.al, 2015). Since the mobile apps involves online transaction, the users seriously believe the element of trust is the most important factors impacting perceived usefulness. Nawayseh, 2020 reported that customer trust is significantly mediating the relationship between perceived risks and intention to use FinTech applications. However, a research done by Persson et.al (2018) has a contradict finding with the other research. The finding reported that trusting attitude has a weak relationship with intention to use the online service.

Naicker (2017) studied on managers' perception of mobile technology adoption in the Life insurance industry found that perceived ease of use, perceived usefulness, perceived complexity and perceived cost are important factors for adoption. However, perceived risk was a key factor in the adoption of mobile technology.

Besides the abovementioned factors, perceived benefits and social norms were significantly influence the users to use financial technology application (Nawayseh, 2020). He concluded that the FinTech service providers should ensure their products and services offered are easy to use, fulfil needs and protect consumers' data in order to ensure trust, hence positively influencing consumer adoption.

Thus, we can conclude that from the past studied, many factors motivate users to use the applications. Many researchers discussed the factor of trust, ease of use and perceived usefulness that motivates users. Besides, perceived risks are also important to be considered.

3. DISCUSSION AND CONCLUSION

The adoption of Fintech in any industry including Takaful industry seem to give positive impact to the business development. Even though the cost of installing and upgrading to the latest technology incur huge amount of investment, the benefit from the services provided will increase the cost efficiency and may increase customers satisfaction of using that service. Based on the past studies, we identified several variables that motivates the usage of insurance apps that might also be used as indicator for Takaful apps usage. These includes trust, ease of

use, perceived of usefulness, perceived of risk and technology attitude. Therefore, Takaful operators should consider all the factors and focus on developing and enhancing the existing apps provided that are friendly and easy to use. Moreover, the policy makers as well as the Takaful operators should focus and strengthened the issue of risk and security that may increase the level of trust and help improve the intention to use the apps which at the end may lead to optimize cost efficiency. Mainly to the Takaful operator, they should aware and take note regarding the change in users' attitude toward the app's usage. When users find that Takaful apps offered matches their expectations, they will act more positive towards the Takaful app usage.

REFERENCES

- Abdulkadir, N., Mohd Sopian, S., Ibrahim, N., & Abdul Shukor, S. (2021). Conceptual Framework for the Adoption of General Takaful Among MSME Owner-Managers in North-West Nigeria. *Journal of Islamic Finance*, 10(2), 134-147.
- Gai, K., Qiu, M., & Sun, X. (2017). A Survey on FinTech. *Journal of Network and Computer Applications*, <https://doi.org/10.1016/j.jnca.2017.10.011>.
- Hemed, H. A., Alamoudi, A. A. A., Al Qasim, A. A. A & Qasem, B. M. S. (2021). The Potential Use of FinTech Developments in Takaful. *International Journal of Management and Applied Research*, Volume 8, No. 2.
- Lee, C. Y., Tsao, C. H., & Chang, W. C. (2015). The relationship between attitude toward using and customer satisfaction with mobile application services. An empirical study from the life insurance industry. *Journal of Enterprise Information Management*, Volume 28, No. 5.
- Md Husin, M., & Haron, R. (2020). Takāful demand: a review of selected literature. *ISRA International Journal of Islamic Finance*, 12(3), 443-455. DOI: <https://doi.org/10.1108/IJIF-03-2019-0046>
- Naicker, V., & Merwe, D. B. V. D. (2017). Managers' perception of mobile technology adoption in the Life Insurance industry. *Information Technology and People*, Vol. 31, No.2, 507 - 526.
- Nawayseh, M. K. A. (2020). FinTech in COVID-19 and Beyond: What Factors Are Affecting Customers' Choice of FinTech Applications? *Journal of Open Innovation: Technology, Market and Complexity*, 6, 153, doi:10.3390/joitmc6040153.
- Persson, S. G., Gidhagen, M., Sallis, J. E, & Lundberg, H. (2018). Online insurance claims: when more than trust matters. *International Journal of Bank Marketing*, Vol. 37, No.2, 579 - 594.
- Pham, Q. T., Nguyen, H. N. D., Misra, S., & Misra, A. (2022). Investigating factors for using insurance apps by customers: a study of a developing country. *Journal of Banking and Financial Technology*, 6, 149 - 157.
- Sharifuddin, S. S., Kasmoen, N. A., Taha, N. H. M., Talaat, N. S. M. A., & Talaat, A. Z. M. A. (2016). The Concept of Takaful (Islamic Insurance) and Its Function in the Establishment of Syarikat Takaful Malaysia; the First Takaful Operator in Malaysia. *International Journal of Humanities and Social Science Invention*, 5(12), 43-48. Retrieved from [https://www.ijhssi.org/papers/v5\(12\)/G05124348.pdf](https://www.ijhssi.org/papers/v5(12)/G05124348.pdf)
- Website Bank Negara Malaysia, <https://www.bnm.gov.my>