

CHAPTER 6

IMPLICATIONS AND CONCLUSION

6.1 Introduction

The present chapter presents discussion on the key theoretical and practical contributions of the study. This is followed by a discussion of the potential limitations and directions for future research respectively. Finally, the conclusion section ends the chapter.

6.2 Contributions of the Study

The study findings provide two key contributions: (1) theoretical contributions in behavioural/adoption theories and takaful adoption literature; (2) practical implications for policymakers and practitioners. These implications were deduced based on the study findings and discussions advanced in the previous sections. These implications are elaborated in the subsequent sections.

6.2.1 Theoretical Contributions

The findings from this study make several contributions to the Islamic finance adoption research, particularly takaful adoption literature. First, the study adds to the expanding body of literature on takaful adoption by investigating an underexplored region of the globe. From the reviewed literature, majority of studies examining takaful purchase behaviour were conducted mostly in two sub regions (i.e., South Asia & Southeast Asia). As there are limited studies on takaful adoption in the African sub

region, this study broadens the scant literature by providing empirical evidence on the prominent factors influencing general takaful adoption in North-West Nigeria.

Second, another gap identified from the extant literature is the lack of research, specifically from behavioural perspective, on general takaful adoption. This study contributes in reducing this shortfall by investigating the determinants of general takaful adoption in North-West Nigeria. Furthermore, although family takaful had received increasing research consideration in recent times, other takaful product lines such as general takaful remain largely under investigated. This study therefore, attempts to fill this gap by examining a specific takaful scheme (i.e., general takaful). Product-specific research provides more useful theoretical and practical contribution. Third, the MSME sector, despite the importance of takaful to its survival, had received less attention from researchers. Most studies focused on the individual retail customers' adoption behaviour. Therefore, this current study adds and augment the few studies on MSMEs adoption behaviour towards general takaful.

Fourth, this study extends the domain of Diffusion of Innovation Theory (DOI) and confirms its application empirically to general takaful adoption behaviour in Nigeria. The research also extends the domain of Unified Theory of Acceptance and Use of Technology (UTAUT) and empirically validates its relevance to general takaful adoption behaviour in Nigeria. More importantly, integrating pertinent constructs from both DOI and UTAUT in the research model revealed the importance of these theories in takaful adoption research. Furthermore, the current study validated the empirical applicability of the extended DOI model to the Nigerian MSME context.

Fifth, this current study is one of the first attempts to empirically investigate the effects of government support and prior loss experience on takaful adoption. Although past studies have indicated a possible association between government support and

takaful adoption, none had empirically validated this claim. Even though the direct influence of government support on general takaful adoption was found to be insignificant, further analysis (i.e., moderating effects) showed that government support was a significant predictor of general takaful adoption among owner-managers with high religiosity. As for prior loss experience, the current study extends and confirms its significance to the general takaful adoption research domain. Sixth, this study is among the few studies that applied probability sampling to investigate takaful adoption. Most past studies used convenience sampling (a non-probability sampling method). This attempt is significant since it enriches and enhances the generalizability of study findings in the takaful adoption literature.

Finally, this study answers part of the call of Husin and Rahman (2013), Kazaure (2019) and Khan et al (2020) by empirically testing the moderating role of religiosity on takaful adoption. Religiosity was shown to strengthen the positive influence of relative advantage, government support and prior loss experience on general takaful adoption. By the same token, religiosity weakens the negative influence of complexity on general takaful adoption. This finding implies that religiosity plays a dominant role in shaping the adoption behaviour of MSMEs owner-managers towards general takaful. The study further revealed that religiosity and social influence, though independently impacting general takaful adoption, play complementary roles in influencing adoption. Additionally, the moderating role of religiosity on the relationship between compatibility and general takaful adoption revealed an unexpected but intriguing outcome. Religiosity was found to have a substituting/interference interaction effect rather than a strengthening/enhancing effect on compatibility among owner-managers with high level of religiosity. This surprising but novel outcome suggests that high level

of religiosity acts as a substitute for the influence of compatibility on general takaful adoption.

6.2.2 Practical Implications

The findings of this study are not limited to their theoretical significance. They have several practical applications as well to various takaful stakeholders in the Nigerian insurance sector (i.e., takaful regulators, takaful operators and takaful agents). The empirical findings in this study enrich the understanding of takaful operators, takaful agents, and takaful regulators of the significant factors influencing the adoption of general takaful among a very important sub sector of the economy (i.e., MSME sub sector). The study findings have shown the relative importance of religiosity, relative advantage, prior loss experience, compatibility, awareness and social influence in influencing the adoption of general takaful among MSMEs owner-managers. Furthermore, the negative influence of complexity on general takaful adoption among MSMEs owner-managers with low religiosity was confirmed. Additionally, the positive influence of government support on general takaful adoption was found only among the highly religious owner-managers. Thus, based on these findings, several practical implications are deduced.

First, religiosity was found to be the most important factor influencing general takaful adoption in both the highly religious owner-managers, as well as, in the less religious. This signifies that takaful operators and agents should give more emphasis to the Shariah-compliance aspects of their products. Takaful companies' top management should go for educational and persuasive promotions that underscore the "Islamicity of takaful products". Besides, takaful companies and agents can enlighten costumers (real and potential) in their promotional campaigns that takaful institutions have Shariah

monitoring committees that certify that all takaful activities (including products and services) are in accord with Shariah guidelines. This marketing strategy could appeal to a section of MSME owner-managers, especially those that exhibit a high level of religiosity.

Additionally, takaful operators should reflect the Islamic spirit in every aspect of their operations. For example, advertisements should always highlight the Islamic feature of takaful products. Moreover, the employees' mode of dressing and customer care services should be in line with the Islamic culture. Additionally, takaful operators can point the worldly as well as the hereafter benefit of takaful in their advertisements. In addition, takaful operators and agents should employ individuals that have knowledge and practical experience in takaful. This will ensure that MSMEs get standard quality of service that will further enhance the Islamic credibility of takaful operators. Further, another implication that could be deduced from these findings and which could enhance general takaful adoption among the MSME segment is for takaful operators and regulators to conduct seminars and workshops specifically for the MSME segment wherein the concept of takaful and its importance to MSMEs are explained. This could further enlighten the religious owner-managers of the "Islamicity" of takaful products.

Moreover, Islamic finance marketing strategy mostly revolves around the issue of interest-free (Riba free) financial products (i.e. takaful products) to attract their target market. However, there are numerous positive selling points (marketing offers) that are engrained in Islamic finance products (i.e. takaful) which can be used for marketing purposes. Islamic finance products are based on a fair system such as mutual risk and profit sharing; prohibition of *gharar* (excessive uncertainty), *maysir* (gambling); mutual help and solidarity through contributions and the support of social welfare issues. Such

a system, which is based on positive values as offered by Islamic finance companies (i.e. takaful operators) will definitely appeal to both the highly religious and the less religious MSME owner-managers.

Second, the study had shown the significance of relative advantage in influencing general takaful adoption among MSME owner-managers. Relative advantage was found to be the second most significant factor influencing general takaful adoption among the MSMEs owner-managers in North-West Nigeria. Therefore, it is pertinent for takaful operators to emphasize the salient benefits of general takaful products when embarking on marketing and promotional campaigns. Moreover, relative advantage was found to be equally important for owner-managers regardless of their level of religiosity. This indicates that takaful operators in conjunction with takaful regulators should design and develop takaful products that are of high quality standards, affordable, easy to understand, and suitable to the various needs of the MSME sector.

Furthermore, since affordability of takaful products positively influences adoption, policymakers and takaful operators should ensure that takaful products are affordable for MSMEs. Moreover, more innovative product offerings, such as specially designed fire takaful product for MSMEs, apart from the accustomed fire takaful product, should be considered by takaful operators. Also, in terms of business support services, takaful operators and agents should imbibe and exhibit the highest level of courtesy and professionalism.

Third, the positive influence of prior loss experience on general takaful adoption provides takaful operators with the opportunity to showcase to MSME owner-managers how general takaful can mitigate the negative consequences of business loss. Takaful companies can sensitize owner-managers of the preventive measures to be adhered to by businesses to reduce the risk of business loss. Also, it is recommended that they

highlight to MSME owner-managers the expected benefits in the event of loss. These strategies could increase the visibility and penetration of general takaful among MSMEs.

Furthermore, since prior loss experience is positively associated with the purchase of takaful cover, it then becomes crucial for takaful operators to use fear- and hope-based marketing strategies to influence the adoption of takaful among business owners. For instance, TV shows, jingles and billboards could be used to convey the perils of not having takaful cover which can be contrasted with the benefits of subscribing to takaful.

Fourth, compatibility was also found to exert significant influence on general takaful adoption among owner-managers. This influence was particularly salient among owner-managers with low religiosity. This implies that takaful operators should not only emphasize the religious compatibility of takaful products, but should go further to highlight its relevance to the business needs of an MSME owner-manager. MSMEs are business entities that try to maximize gains and minimize losses. Therefore, a takaful product that assist the MSMEs to minimize or avert losses will be readily adopted. Additionally, takaful operators and agents should be able to convince MSME owners of the significance of risk management (i.e., takaful) to their business success and be able to showcase the strong association between risk mitigation and business success.

Fifth, the negative effect of complexity, particularly among those owner-managers with low religiosity indicates that takaful operators should give much consideration in designing takaful products manuals and procedures. For instance, the application, documentation and takaful claim process should be simple, clear and understandable. Takaful companies should avoid using ambiguous terms that can create scepticism in the minds of potential customers. Takaful operators could reduce the perceived complexity by simplifying customer documentation process, providing

effective customer support service and communicating in languages understood by customers. For instance, the predominant spoken language is the Hausa language and therefore it should be used, where applicable, to explain and clarify any queries from customers.

Sixth, the influence of awareness on general takaful adoption was also noteworthy. Hence, to enhance takaful penetration and market share, takaful regulators and takaful operators should invest heavily in educational and promotional campaigns. These promotional efforts should in particular target MSME owner-managers in both the groups (i.e., low religiosity and high religiosity). For example, takaful companies can employ roadshows, TV programmes, bill board adverts and social media outlets to educate and promote general takaful among small business enterprises. Equally, takaful operators can embark on canvassing (door -to-door campaign) MSMEs to boost their awareness level.

Seventh, social influence, independent of the effect of religiosity, stands out as a significant factor impacting general takaful adoption behaviour among MSME owner-managers. This finding is important because it gives takaful operators and regulators a hint on how best to advertise takaful products to the MSME segment in Nigeria. Influential public figures and Islamic scholars can be used to advocate for the adoption of general takaful. Islamic scholars have significant influence in the North-West region of Nigeria and therefore their endorsement of takaful will substantially increase its acceptance among MSMEs. Likewise, their lack of approval will greatly reduce the adoption rate of takaful. Also, positive word-of-mouth by current customers of takaful companies can influence other MSME owner-managers to patronise general takaful products. Therefore, takaful operators should ensure they provide their existing

customers with delightful customer service experience so as to boost positive word-of-mouth advertisement.

Eight, the non-significance of the direct influence of government support indicates that MSME owner-managers (particularly those with low religiosity) perceive government support for general takaful as unsatisfactory. This outcome is a challenge to the takaful regulatory authority in Nigeria to exert more effort in terms of policies, schemes, programmes, legal and regulatory frameworks to boost the penetration of takaful in Nigeria. Although, NAICOM (insurance sector regulatory commission) has issued some regulatory guidelines on takaful, there is the need for a more comprehensive regulatory framework which leaves no ambiguity in terms of implementation. Apart from the takaful operators, NAICOM can boost public confidence in takaful by actively supporting takaful and creating schemes that will attract MSMEs towards takaful. Moreover, the innovation adoption literature shows that the active support of the government tends to positively influence adoption rate.

6.3 Limitations of the Study

Though the present study provides useful theoretical and practical contributions to the takaful adoption literature, it is not without some limitations. As with all research endeavours, limitations are integral aspects of the research process which gives avenue for further exploration. The following limitations should be taken into account when interpreting or applying the findings of this research.

First, the current study employed a cross-sectional quantitative survey design (i.e., data was collected at a single point in time). However, perceptions and attitudes towards a certain innovation can change overtime with increased familiarity and experience.

Thus, researchers and practitioners that want to study and predict general takaful

adoption over time should apply the study findings with caution. Furthermore, the study used a purely quantitative method to investigate general takaful adoption behaviour which could restrict having a more comprehensive assessment of such phenomenon. However, this approach was only justified due to time and other resources constraints and also the realization that the current study aims and objectives can be achieved.

Second, the current study is susceptible to common method bias (CMB). CMB is a common feature associated with survey studies that employ self-reported data (i.e., such as in survey questionnaires) and in which the research data are collected using the same technique which can result in the “artificial inflation of relationships” (Jordan & Troth, 2020). The measures of both the predictor and criterion variables were collected using self-reported questionnaires from a single source and at one point in time which may predispose it to CMB. Potential sources of CMB such as social desirability and consistency motif cannot be ruled out which can significantly increase the chance of inflated relationships. Though the current study minimized the adverse effect of CMB, using both procedural and statistical remedies (Jordan & Troth, 2020), caution should be applied while interpreting the study findings.

Third, the present study investigated adoption intention (i.e., behavioural intention) rather than actual usage behaviour due to the relative newness of takaful and the limited number of general takaful subscribers among MSMEs in Nigeria. Therefore, caution should be applied while interpreting the study outcome. Although, behavioural intention have been shown to be a strong predictor of actual usage, it may not necessary be so in some instances (Ajzen, 1985). Adoption intention may change over time due to increased knowledge, experience, social influence and other circumstantial factors (Ajzen, 1985).

Fourth, the full structural model was able to explain more than 60% (64.8%) of the total variance in the endogenous construct. Although this result is significant, the remaining 35.2% variance are unaccounted for in the model. This suggest the need for adding other relevant constructs (i.e. plausible predictors, mediators and moderators) in the model to enhance its explanatory power. Fifth, the current study only examined the adoption of general takaful from the perspective of businesses owners (i.e., MSMEs); general takaful products are not restricted to only business and corporate organizations but extends to individual customers. Therefore, caution should be used when applying the study findings to the individual customers of general takaful products.

Sixth, due to time, environmental and other resources restrictions, the current study focused on only Muslim owned MSMEs within the North-West region of Nigeria. There is a plausible chance that perceptions and attitudes of MSME owner-managers towards general takaful might differ across the different religions and regions of Nigeria. Therefore, this study is only limited to Muslim MSMEs within the North-West region of Nigeria. Also, the study scope might limit the generalizability of findings to all MSMEs owner-managers in different geographic regions of Nigeria.

Finally, one unexpected result was found in the full structural model. Contrary to the more common strengthening/weakening or no interaction effects outcomes; the current study found a substituting interaction effect between compatibility and religiosity. However, due to resources constraints, the study did not investigate further to verify these unanticipated finding. Hence, the interpretation of this finding requires further verification.

6.4 Suggestions for Future Research

Based on the aforementioned limitations and the general dearth of studies in the takaful area, some recommendations are proposed for future research considerations. First, the present study is among the few studies in Africa that examined takaful adoption (particularly general takaful adoption). Hence, more studies are necessary to corroborate these findings and further enrich the general takaful adoption literature. For instance, similar studies could be conducted among MSMEs in other sub regions of Nigeria with different cultural and religious composition to allow for comparison. Also, other potential moderators such as location of MSMEs and prior loss experience could be tested in future studies. Moreover, the substituting effect of religiosity can be further investigated among MSMEs in other sub regions of Northern Nigeria with similar religious and cultural composition with the North-West (such as some parts of the North-East region). Furthermore, the moderating role of religiosity on general takaful adoption could be investigated in MSMEs of other countries to enable the generalization of the study findings to other settings.

Second, future studies could use longitudinal surveys which could provide increased understanding of general takaful adoption than a cross-sectional survey design. Since longitudinal studies are conducted over a time horizon, it could provide a more comprehensive picture of general takaful adoption. Third, other studies in the future could employ other less used methodologies in the innovation adoption area. Qualitative and mixed method methodologies might be used to have an in-depth understanding of takaful adoption behaviour.

Fourth, further research could consider examining the actual behaviour/usage of general takaful instead of measuring only adoption intention. This opportunity could be exploited when more MSMEs have subscribed to general takaful. Fifth, since this study

could not account for all the variance in the endogenous construct, other studies could include other plausible predictors to advance the model's explanatory power. For instance, perceived fatalism has been associated with the unwillingness to adopt protective measures such as the adoption of safety measures while driving (Kayani, King & Fleiter, 2011). Similarly, behavioural biases such as optimism bias have been linked to insurance purchase decisions (Browne, Knoller & Richter, 2015; Michel-Kerjan, Raschky & Kunreuther, 2009). These two constructs can be added to the model to investigate their relevance to the takaful context. Sixth, to avoid the problem of CMB (common method bias), future studies could use multiple methods when collecting data. This could further enhance the quality of the research design and subsequent findings.

Finally, further research needs to examine more closely the substitution effect of religiosity on compatibility to corroborate this study's findings. Also, uncertainty was found to be insignificant in this study which could be as a result of the composition of the sampled population in the study (100% were Muslims). Therefore, other studies that have a sizeable number of other religious composition (such as Christians) can test this factor to ascertain its validity in such settings.

6.5 Conclusion

The main aim of this study was to investigate the noneconomic factors that influence general takaful adoption among MSMEs owner-managers in North-West Nigeria. The second aim was to examine the moderating effect of MSME owner-manager's religiosity on general takaful adoption. By drawing upon the strength of established theories in the behavioural/innovation adoption literature, the present study extends the applicability of DOI and UTAUT constructs in examining the adoption of

general takaful among MSMEs in North-West Nigeria. To achieve the research aim, the study employed a non-experimental quantitative survey design.

The findings of the study indicate that DOI and UTAUT constructs are valid and applicable to general takaful adoption. Also, the results to a large extent, support the moderating role of religiosity on general takaful adoption. Taken together, the research findings have shown that religiosity, relative advantage and prior loss experience were the most important predictors of general takaful adoption. Based on these findings, general takaful providers should give much consideration on these factors when designing marketing and promotional strategies targeting MSMEs. Finally, the current study provided useful suggestions upon which future studies could explore, build upon or extend to further validate the study outcome.

