

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter introduces the concept of takaful, its growth and development in the global and local context and the difference between it and conventional insurance. The chapter further elaborates on the concept of MSMEs and their status in Nigeria. Also, the chapter reviews the relevant studies and theories related to takaful adoption. Moreover, the chapter reviews some prominent factors influencing takaful adoption which formed the basis for hypotheses development. Additionally, the chapter identifies some research gaps and introduces the research conceptual framework.

2.2 Takaful: Concept and Definition

Risk is a pervasive phenomenon that all human beings are exposed to. Instinctively, human beings from time immemorial, have sought means to protect themselves from hazards affecting their lives and properties. The Islamic religion requires Muslims to accept calamities as the will of Allah while exhorting them to take all necessary preventive measures to safeguard themselves and their properties against hazards (Matsawali et al., 2012; Maysami & Williams, 2006). For instance, once a Bedouin left his camel untied in the presence of the prophet Muhammad (SAW), the prophet asked him: “Why do you not tie your camel?” He answered: “I put my trust in Allah.” The Prophet said: “Tie your camel first, then put your trust in Allah” (Jaffer, Ismail, Noor, Unwin & Ajayi, 2010; Ayub, 2008).

Modern-day takaful has its roots in the pre-Islamic practices of the Arab tribes. The concepts of “*Aqilah*” (kinsmen) and “*Hilf al fudul*” (league of the virtuous) were such forms of risk mitigation strategies that were established based on mutual solidarity, assistance, and cooperation (Ayub, 2008). *Aqilah* was used to avert the risk of loss of lives and properties by mutually paying for the blood money on behalf of a tribe member that committed a crime such as murder against another tribe. By mutually protecting and supporting each other through *Aqilah*, the risk of tribal wars and conflicts are mitigated. *Hilf al fudul* was another pre-Islamic concept of which the prophet Muhammad (SAW) participated in its formation. The concept advocates for mutually protecting and supporting the weak and vulnerable in the event of natural disasters and trade-related perils (Usman, 2012; Jaffer et al., 2010; Ayub, 2008). With the advent of Islam, these practices were validated and accepted. Furthermore, the concept of *waqf* (endowment) was introduced in Islam to support various socio-economic needs of the society. *Waqf* “refers to retention of a property for the benefit of a charitable or humanitarian objective, or for a specified group of people such as members of the donor’s family” (Ayub, 2008 Pg. 421). *Waqf* is a kind of social insurance that protects and safeguards the needs of the vulnerable segments of Islamic society. These concepts formed the foundation for modern-day takaful.

The contemporary takaful originated out of the need to find a Shariah-compliant alternative to conventional insurance, which was deemed invalid due to the elements of *riba*, *gharar* and *maysir* inherent in it. To have a full Shariah-compliant Islamic finance sector, takaful was considered necessary (Ayub, 2008). Faisal Islamic Bank in Sudan pioneered the first takaful company in 1979. Subsequently, Malaysia promulgated the first takaful Act in 1984, which led to the establishment of the first takaful company in

Malaysia (Nazarov & Dhiraj, 2019; Fadun, 2015). Today, there are more than 300 takaful operators worldwide operating in more than 30 countries (IFSB, 2020).

The basic idea behind the concept of takaful insurance is that of cooperation and solidarity among contracting parties to protect each other against unanticipated perils. Takaful is essentially a financial contract based on cooperation between two parties to protect one of them from unanticipated future risk. In a typical takaful contract, one of the parties (known as the participant/policyholder) contributes a certain amount of money specified in the contract (known as contribution) to the other (known as the operator/*mudarib*) with a mutual agreement that the *mudarib* is under obligation to financially protect the policyholder against predefined unanticipated loss in the event of its occurrence within the agreed contract period. Nevertheless, if the loss does not occur to the participant within the contract term, the participant receives his total paid contributions, inclusive of a share of accumulated profits made based on Mudarabah principles (Billah, 1998).

Takaful in contrast with conventional insurance is a risk-sharing tool that pools financial resources together to compensate participants in the event of the occurrence of specified risks. According to Billah (2001): “Takaful is a means by which participants mutually agree to contribute money into a pool of funds based on the principles of *tabarru* (donation) that will be used in mutually indemnifying members against pre-defined loss”. Takaful is an Arabic term derived from the Arabic root word “kafala” which means to guarantee. It is also derived from the Arabic verb “takafala” which implies mutually guaranteeing and safeguarding each other (Hassan, 2019; Husin et al., 2016). It is essentially based on the spirit of cooperation, brotherhood, and solidarity among members of a group (Nasir et al., 2021).

The Islamic Financial Services Board (IFSB) defined takaful as "a mutual guarantee in return for the commitment to donate an amount in the form of a specified contribution to the participants' risk fund, whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks" (IFSB, 2018). Additionally, the International Association of Insurance Supervisors (IAIS) and Islamic Financial Services Board (2006) defined takaful as "... the Islamic counterpart of conventional insurance and exists in life, family, and general forms. It is based on concepts of mutual solidarity, and a typical takaful undertaking will consist of a two-tier structure that is a hybrid of a mutual and a commercial form of company". Furthermore, the Malaysian Takaful Act, 1984 explains the concept as "takaful means a scheme based on brotherhood, solidarity and mutual assistance which provides mutual financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose" (Hassan, 2019).

2.2.1 Types of Takaful Schemes

Like conventional insurance, takaful consists of two main product lines: family (life) takaful and general (non-life) takaful. Family takaful is typically a long-term contract that includes savings, investment and protection for members and their dependents in the event of death, incapacity, or survival difficulties. While general takaful is usually a short-term contract, typically a year, to provide insurance cover for properties and liabilities against unanticipated hazards. Basic insurance covers in general takaful include protection against fire, theft, natural calamities, accidents, among others (Husin & Haron, 2020a; Aziz, Husin, Hussin & Afaq, 2019).

A family takaful scheme is a long-term contract that includes the elements of savings and investment plans. It consists of products meant to provide financial

assistance and protection to participants and their families against the risks of death and survival difficulties. The scheme offers the participants and their families the benefits accrued from long-term savings and investment gains based on the principle of Mudarabah. In the event of death, the participant's family benefit from the contributions, and on survival, the participant's survival problems are alleviated. In family takaful, the contributions made by the participants into the takaful fund are credited to two separate accounts; Participants' Special Account (PSA), which is designed based on the principles of tabarru (donation) and used for mutual assistance and support among participants, and Participants' Account (PA), which is used for savings and investment purpose. The contributions to the PSA account are non-refundable since they are considered as a charity, however, the participants are entitled to a share of surplus if no claim was made for the duration of the policy term. Typical products offered under the family takaful scheme include medical, education, investment-linked and mortgage (Nazarov & Dhiraj, 2019; Marifa Academy Team, 2014; Ayub, 2008).

General Takaful schemes are typically short-term contracts providing non-life insurance coverage based on the principles of Shariah. It is a mutual risk-sharing mechanism in which participants are protected against financial losses, liability, or injury due to unforeseen hazards which may affect their assets or persons. Like family takaful, contributions are made to the takaful fund as tabarru (donations) which is used to provide mutual support and assistance to participants who suffer loss. But unlike family takaful, general takaful contributions are credited into only one account and are considered as tabarru. Furthermore, like family takaful, the policyholders and takaful operators' relationship are based on Mudarabah, Wakalah or a combination of both. Profits accrued from funds invested are pooled back to the takaful fund. At the expiry

of the contract, any net surplus remaining will be shared between the participants and the takaful operator based on the Mudarabah principle. However, any participant compensated for a loss during the contract period is excluded from the net profit sharing. Typical products offered under general takaful include motor takaful, marine takaful, fire and property takaful, miscellaneous & personal accident takaful, liability takaful, among others (Nazarov & Dhiraj, 2019; Marifa Academy Team, 2014).

2.2.2 Takaful Models

The primary goal of takaful is that of mutual assistance and support among participants, however, Shariah scholars have validated the commercial component of takaful if done within the confines of Shariah principles (Pasha and Hussein, 2013; Ayub, 2008). Since its inception, several takaful models have been developed in several Islamic finance jurisdictions to cater to the growing needs of customers for Shariah-compliant insurance. There are two broad takaful models in practice today: takaful ta'awuni (mutual cooperative insurance) and takaful tijari (commercial takaful). Although, theoretically, the mutual/cooperative takaful is the most ideal substitute to conventional insurance, in practice a pure cooperative takaful is not viable. The pure cooperative takaful mechanism is wholly owned and managed by the participants alone and therefore limited in scope and the equity capital required for future expansion. Therefore, most takaful companies are based on the commercial takaful (takaful tijari) model. Nevertheless, the commercial takaful (takaful tijari) contains elements of mutuality and cooperation since at the expiration of the contract, surpluses are redistributed to the takaful participants (Sham et al, 2012).

Primarily, there are two basic models under the commercial takaful framework: Mudarabah (profit-sharing) and Wakalah (agency) models. Though, recently, the waqf

model has been introduced as an ideal alternative to conventional insurance (Sha'aban, & Salleh, 2021; Ayub, 2008; Wahab, Lewis & Hassan, 2007). However, in practice, there are several variants of these models which can be in the form of a modified version or a hybrid model. The modified versions typically entail the modification of some provisions in the original model. For instance, in a typical Mudarabah model, investment profits are shared while in modified Mudarabah the underwriting surplus (UWS) is shared between the takaful operator and participants. In hybrid models, a combination of two models is involved, such as the Mudarabah-Wakalah model and the Wakalah-waqf model (Ayub, 2008).

The pure Mudarabah model (also known as the Malaysian model) was the first commercial takaful model introduced in the early '80s in Malaysia and is presently prevalent in the Asia-Pacific region. It is typically a profit and loss sharing agreement where the participants (owners of capital) provide the fund while the takaful operator (mudarib) manages the fund for a share of profit, if any, from the takaful investments. In this model, the takaful operator (mudarib) and the participants (owners of capital) are partners and share the profit from the takaful business based on a pre-agreed ratio. The term profit in takaful includes both investment returns and underwriting surplus from the takaful fund. However, in the event of loss, the participants bear the whole financial loss, while the takaful operator loses only the time and effort spend in managing the takaful business. Furthermore, in contrast with the Mudarabah contract in the banking segment, profits in takaful are shared only after all obligations and claims have been settled (Saeed, 2019; Sham et al., 2012; Ayub, 2008, Wahab et al., 2007; Wahab, 2006).

The second basic model is the Wakalah model (also known as the Middle eastern model) where the contract is based on a principal-agent relationship. The Wakalah model is practised mostly in Middle Eastern countries. In this arrangement, the takaful

operator acts as an agent (wakil) to the participants in the takaful business. The takaful operator charges an agency fee for the services rendered in managing the takaful fund. The agency fee is an agreed percentage of the total participants' contribution. In this model, the participants are entitled to the whole underwriting surplus and returns on investment. Likewise, in the event of loss or deficit, the burden is solely on the participants. Likewise, as in the Mudarabah model, claims and obligations are paid first before any profit is shared (Saeed, 2019; Ayub, 2008; Wahab, 2006)

Furthermore, a combination of Mudarabah and Wakalah models (Mudarabah-Wakalah hybrid) is used by some takaful practitioners. In this arrangement, the takaful operator acts in two capacities: a mudarib (entrepreneur) and a wakil (agent). Likewise, the participants also play two roles: owners of capital and principals to the takaful operator (agent). The takaful operator is entitled to an agency fee as a wakil as well as the share of profits as a mudarib of the takaful business (Sha'aban, & Salleh, 2021; Sham et al., 2012; Ayub, 2008).

A more recent model which has gained popularity in Pakistan and South Africa is the waqf model. The waqf model usually uses a hybrid structure of Wakalah and waqf. In this arrangement, a waqf fund is established by the takaful operators (shareholders) through an initial donation. Subsequently, participants contribute to the waqf fund based on an unconditional donation. The contributions to the waqf fund are split in two: one part is used for claims and obligations and the other part is invested. The takaful operator serves as an agent to the waqf fund and is paid an agency fee from the waqf fund. Additionally, unlike the other takaful models, any surplus or loss goes to the fund with no obligation to distribute the surplus to participants. The surplus or loss can be distributed, invested, or retained as a reserve in the waqf fund. Guidelines

and procedures for the management of the fund are decided in advance (Sham et al., 2012; Ayub, 2008; Wahab, 2006).

2.2.3 Difference Between Conventional Insurance and Takaful

Notwithstanding the importance of conventional insurance today as a risk management tool, it contravenes the Shariah principles and is therefore deemed invalid in Islam. Takaful has evolved as an ideal substitute to conventional insurance providing the same benefits while adhering to the dictates of the Shariah. Takaful and conventional insurance are diametrically distinct with regards to their aims, framework, investment rules and surplus/profit sharing. The following are some of the major distinctions between Takaful and Conventional insurance.

Table 2.1: Difference Between Conventional Insurance and Takaful

Conventional Insurance	Takaful
Conventional insurance is based on a risk transfer mechanism. The policyholder transfers the risk to the insurance company in exchange for a premium.	Takaful is based on a risk-sharing arrangement. The risk is mutually shared among participants. The participants contribute to such a purpose based on the principle of <i>tabarru</i> . The takaful operator (insurance company) only manages the takaful fund either as an entrepreneur, an agent or both.
The primary goal of conventional insurance is material benefits in the form of profits (for the insurer) and claim benefits (for the insured). Profit motive and material gain underlie conventional insurance.	The primary objective in takaful is that of mutual assistance, solidarity, and cooperation. Profit and material gain are secondary objectives.
The element of <i>gharar</i> (excessive uncertainty) is present in conventional insurance. The contract term is ambiguous because of the uncertainty in the occurrence of loss and the compensation amount.	In takaful, <i>gharar</i> is reduced since the contributions are deemed as donations (<i>tabarru</i>). The participants jointly share the risk and profits and therefore the element of uncertainty is considerably reduced to acceptable levels.

Table 2.1, continued

Conventional Insurance	Takaful
The conventional insurance company invests in interest-bearing (<i>riba</i>) instruments.	In takaful, all investments must be devoid of <i>riba</i> (interest).
The element of gambling (<i>maysir</i>) is present in conventional insurance. Either the insured loses his premium payments if the loss does not occur, or the insurer loses the promised indemnity amount if the loss occurs.	The gambling element in takaful is averted by the <i>tabarru</i> (donation) rule. The participants contribute to mutually assist and support each other in the event of a loss. Therefore, the gambling element is avoided in a takaful contract
In conventional insurance, the surplus and profit belong to the shareholders and with-profit policyholders.	In takaful, the surplus belongs to the participants (policyholders) and profits are shared between participants and shareholders.

Source: Jaffer et al. (2010)

2.3 Takaful: Global Outlook

Since its debut in the late 70s, the takaful industry has maintained a steady, albeit slow growth rate especially in the Muslim-majority countries like Saudi Arabia, Malaysia, Iran, Indonesia, United Arab Emirates (UAE), Qatar and Pakistan. The industry global gross contributions rose from USD 5 billion in 2006 to USD 27.07 billion in 2018 (IFSB, 2020, 2015). From 2011 to 2018, the takaful industry's global contributions witnessed an 8.5% compound average growth rate (CAGR) within the eight-year period. However, unlike the banking and capital market segments, takaful is the least contributor to the total Islamic finance assets, having a meagre percentage share of less than 2% (IFSB, 2020, 2019). Likewise, the takaful sector is heavily concentrated in few countries which represented 91% of the global total contributions in 2018. Five countries were identified as the major contributors to the takaful sector namely Iran, Saudi Arabia, Malaysia, the United Arab Emirate (UAE) and Indonesia (IFSB, 2020). The strong government and regulatory support in these countries contributed to the high growth rate witnessed in these markets (Global Islamic Finance

Report [GIFR], 2016). These countries are in three sub regions of the world, namely the Middle East and South Asia (MESA), Gulf Cooperation Council (GCC) and South-East Asia. Sub-Saharan Africa is the least contributor to the takaful segment, contributing only 2% of the total market share for global takaful (IFSB, 2020, 2019). In 2018, the GCC region accounted for 43.2% (USD11.7 billion) of the total industry contributions followed by the MESA region with 42% (USD 11.36 billion). South-East Asia contributed 11.2% (USD 3.02 billion) while the African region contributed only 2.03% (USD 0.55 billion) (IFSB, 2020). Table 2.2 presents the breakdown of the market share of takaful by region.

Table 2.2: Takaful Contributions by Key Regions (Q4 2018)

Region	Takaful contribution (USD)	% Share
GCC	11.7 billion	43.2
MESA	11.36 billion	42
South-East Asia	3.02 billion	11.2
Africa	0.55 billion	2.03
Others	0.44 billion	1.57%

Source: IFSB (2020)

However, recent years have seen the growth of takaful in other countries such as the United Kingdom (UK), South Africa, Nigeria, and Turkey. Although the takaful sector is still a small fraction of the global insurance industry, it is rising to be a specialized niche segment in the industry. Over the years, the takaful sector has experienced exponential growth in terms of contributions, the number of takaful operators, and assets. This trend in the industry mirrors the rising support and acceptance of the takaful sector in global markets, as well as its growing importance in supporting the full development of the Islamic finance industry. As of 2019, the number of takaful operators (including windows) operating in more than 30 countries was

estimated at 336 (Islamic Finance Development Report [IFDR], 2020). Furthermore, the total takaful assets grew from USD 46 billion in 2017 to USD 51 billion in 2019 (IFDR, 2020; COMCEC, 2019). Despite these developments, the takaful penetration rate compared to conventional insurance is very low in most jurisdictions (IFSB, 2020; GIFR, 2016). The market potentials of takaful remain largely untapped despite the large number of Muslims in countries like India and Nigeria (COMCEC, 2019).

2.4 The Insurance Sector and Takaful Industry in Nigeria

Despite the long history of the Nigerian insurance industry predating the independence of the country from colonial rule, it has lagged compared to other components of the financial sector (Afrinvest, 2018; Ojo, 2012). The Nigerian insurance segment was identified in Nigeria's development plan, Vision 2020 as: "A grossly untapped opportunity". Only 2% (2.1 million) of the total adult population (estimated at 106 million in 2020) participate in the insurance sector which further indicate the huge market potential awaiting the insurance industry (EFInA, 2020; Dias et al., 2013). Although in recent years, the industry has recorded strong growth rates, it is still far behind other segments of the financial sector in terms of development, market penetration and density. In 2019, Nigeria's insurance penetration (0.34%) and insurance density (USD 8.0) were among the lowest globally. The insurance penetration rate in similar African economies like South Africa (13.4%) and Kenya (2.3%) shows that the Nigerian insurance market is highly underexplored. Likewise, the insurance density falls short of its peers such as South Africa (USD803.0) and Kenya (USD43.0) (Afrinvest, 2020; Coronation Merchant Bank, 2019).

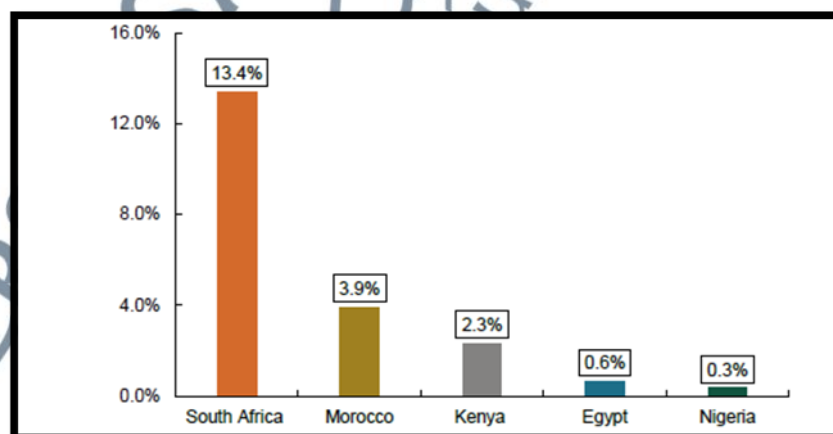
Notwithstanding the similarities in the economy and business development of most African countries, Nigeria remains one of the countries in Africa with the least

developed insurance industry (Afrinvest, 2020). Both life and non-life insurance penetration remain very low. Low insurance subscription (in this case Takaful) especially among the business segment, can be very detrimental to a country's economic growth and development. Therefore, this informs the need to investigate the factors influencing general takaful adoption in Nigeria (i.e., North-West Nigeria). Below are some key statistics of the insurance sector and the level of insurance penetration and density in Nigeria.

Table 2.3: Key Statistics of the Nigerian Insurance Market

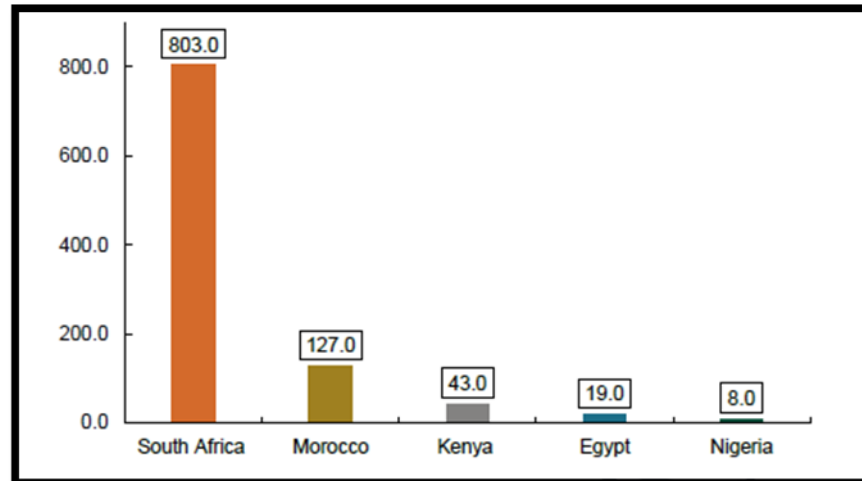
Category	Indicator	Statistics
Demographics	Population Size	210 million
	Adult Population	106 million (2020)
Insurance Uptake	Insurance Uptake	2 % of Adult Population
Size of the Insurance Market	Insurance Penetration	0.34% of GDP
	Insurance Density (2019)	USD8.0
	Number of Composite Insurers	13
	Number of Life Insurers	16
	Number of General Insurers	31
	Number of Reinsurers	3
	Number of Takaful Operators	4
	Industry GWP (2019)	NGN490 Billion (\$ 1.3 Billion)

Adapted from: Hougaard et al. (2018)



Source: Afrinvest (2020)

Figure 2.1: Insurance Penetration Rate Across Peer African Countries in 2019



Source: Afrinvest (2020)

Figure 2.2: Insurance Density Across Peer African Countries in 2018

The Nigerian insurance industry is supervised and regulated by the National Insurance Commission (NAICOM) which was established in 1997 by the National Insurance Commission Act 1997. The commission is saddled with the responsibility of administration, supervision, and regulation of the insurance sector. Furthermore, the commission is also responsible for safeguarding the rights of policyholders, beneficiaries and third parties to insurance contracts (NAICOM, n.d.). The commission is empowered by two legislations: The National Insurance Commission Act 1997 and the Insurance Act 2003. Before its establishment, insurance regulation was handled by an insurance department in the Ministry of Finance (Ojo, 2012). Hence, the establishment of the autonomous commission (NAICOM) was a great milestone in the development of the insurance sector.

The Nigerian insurance industry broadly consists of life, general (non-life), and reinsurance companies. In 2016, the general insurance segment accounted for 48.7% of the total Gross Written Premium (GWP), followed by life insurance (30.1%) and reinsurance (21.2%) respectively. From the NAICOM website, the industry consists of

67 companies divided into composite (13), life (16), general (31), takaful (4 with composite authorisation offering both life and non-life policies) and 3 reinsurers. The major product lines of general insurance include motor insurance, general accident, fire, oil & gas, and marine insurance (Afrinvest, 2018).

Since the establishment of NAICOM, several initiatives have been undertaken to reposition the insurance sector and accelerate its growth, development, and market penetration. The first of such initiatives was the series of recapitalization exercises embarked upon by the commission in 2003, 2005 and the recent recapitalization directive issued in 2019. Furthermore, in 2018, the commission attempted to transit from compliance-based supervision (CBS) to risk-based supervision (RBS), but the initiative was cancelled by a court ruling (Afrinvest, 2020). All these actions were taken to develop and maximise the potential of the insurance sector as it was achieved in the banking segment. Furthermore, to further boost the insurance penetration rate in line with the National Financial Inclusion blueprint, especially in the underserved and segregated segments of the population, NAICOM released the operational guidelines for takaful and micro insurance in 2013 and 2018 respectively (NAICOM, 2018; NAICOM, 2013). The Vision 2020 insurance penetration target was to achieve a 40% market penetration rate. Sadly, the forecasted goal remains elusive. The takaful and micro insurance schemes introduced to increase insurance penetration in the country are yet to have any significant impact on the insurance market. The two schemes combined, contributed less than 1 per cent of the whole industry premium of about NGN490 billion in 2019 (Anaesoronye, 2020; Okoye, 2020).

2.4.1 Takaful in Nigeria

Islamic insurance (takaful) was first launched in Nigeria two decades ago. The first Shariah-compliant insurance was introduced in 2003 by a conventional insurance company: African Alliance Insurance Plc. Subsequently, two other conventional insurance companies, namely, Niger Insurance Plc and Cornerstone Insurance Plc, introduced takaful products to the Nigerian insurance market in 2008 (Dandago et al., 2020; Yusuf & Babalola, 2015; Maiyaki & Ayuba, 2015). All three companies were motivated by the huge market of the Muslim population that was generally averse to conventional insurance. Conventional insurance in Nigeria is plagued with low consumer patronage reflected in the insurance penetration and insurance density rates reported recently by the industry. Thus, these insurer companies saw the prospect of takaful in increasing and deepening the insurance penetration in the country (Yusuf & Babalola, 2015).

However, the operations of takaful lacked regulatory support which might have caused the low uptake of takaful products in the country. The first takaful regulation was issued in 2013 by NAICOM. In line with its mandate of developing and deepening the insurance sector, NAICOM released the operational guidelines for takaful which served as the first comprehensive guideline for takaful business in Nigeria (Dandago et al., 2020; NAICOM, 2013). Since then, the commission had licensed 4 full-fledged takaful operators. Jaiz Takaful and Noor Takaful were granted license in 2016, while Cornerstone Takaful and Salaam Takaful companies were granted approval in principle (AIP) in 2019 (Dandago et al., 2020; NAICOM, n.d.). All four takaful operators are composite insurance companies providing both life and general takaful services. The takaful model presently used in Nigeria as stipulated in section 2.2 of the Takaful guidelines include Mudarabah, Wakalah and hybrid of Mudarabah-Wakalah models.

Thus, takaful operators have the freedom to choose any of the stipulated models which must be ratified by NAICOM (Dikko & Bakar, 2018). The Products offered in the general takaful scheme include motor, fire & special perils, Agricultural Takaful, Burglary, Goods in Transit, Marine Takaful, among others (NAICOM, n.d.).

2.5 Overview of MSMEs

In recent times, there has been an increasing interest in the development of MSMEs globally. MSMEs are now recognised as key components in the growth and development of an economy. The MSME sector contributes significantly to the overall performance of a country's socioeconomic indicators. It plays a positive role in all the key indicators of a sound and viable economy. Most jobs and employment opportunities are created by the MSME sector in both developed and developing economies. They are key drivers of innovation, socio-economic transformation, and the springboard for the industrialization of a country (Al Balushi et al., 2019; SMEDAN & NBS, 2017; Abor & Quartey, 2010). Furthermore, MSMEs are key channels through which wealth is created in an economy and income re-distributed within the pyramid of the social structure. Most businesses worldwide are MSMEs (Hussaini & Muhammad, 2017; World Trade Organization, 2016; Malouche, 2009). In the African continent, MSMEs make up more than 90% of businesses (Hussaini & Muhammad, 2017; African Development Bank, 2017). MSMEs provide stability to the economies of both developed and developing countries (Hussaini & Muhammad, 2017; World Bank, IDB & IRTI, 2015; Ali, 2013). The importance of MSMEs is visible in the contribution they make to GDP, employment opportunities and job creation. Formal and registered MSMEs only, contribute about 33% of GDP in developing economies and 51% in

developed countries. Worldwide, MSMEs contributions to total employment and job creation are 43.5% and 57.8% respectively (World Bank, IDB & IRTI, 2015).

Moreover, MSMEs are the basis upon which large firms are founded. They also provide big firms with the necessary material inputs for their smooth functioning (Oke, 2019; SMEDAN & NBS, 2017). The significant role played by MSMEs in socio-economic development and transformation have prompted policymakers worldwide to initiate several policies and programs to support this important sector of the global economy (Abor & Quartey, 2010; SMEDAN & NBS, 2017). Governments and multilateral agencies worldwide have advocated for a concerted effort in developing the MSME sector (AFDB, 2017).

2.5.1 MSMEs in Nigeria

The MSME sector in Nigeria is no different from other developing economies and is bedevilled with several challenges despite the effort of the federal government and its agencies to develop it. A recent survey by SMEDAN & NBS (2017) revealed that the number of MSMEs in Nigeria stood at 41,543,028 with 99.8% been micro firms and the remaining 0.2% consisting of small and medium enterprises. This shows that the MSME sector in Nigeria is extremely impoverished and underdeveloped to contribute significantly to the industrialization of Nigeria's economy. The survey further brought to light several features of the MSME sector in Nigeria. The majority of MSMEs (91%) were found to be concentrated in five (5) major economic sectors thus: Wholesale/Retail trade (42.3%), Agriculture (20.9%), Other Services (13.1%) Manufacturing (9.0%) and Accommodation & Food Services (5.7%). The ownership structure was predominated by Sole Proprietorship (97.1%) and the dominance of male ownership (51.3%). The age range of most MSME owners was between 26-50 years (70.4%). Furthermore, the

survey disclosed that the educational level attained differs among the three groups of MSMEs (i.e., micro, small & medium). The micro-enterprises have a low level of educational qualification compared to the owners of small and medium enterprises of which more than half (56.3%) have university degrees. Very few micro-enterprises operate formally (2.1%) contrasted to the bulk of small and medium firms that are duly registered (71.9%). Additionally, the MSMEs predominantly source their raw materials and machinery locally (indicating a lack of access to funds that will enable them to source raw materials and machinery from international markets). Moreover, most MSME products are sold locally. MSMEs engaged in exports of their products are very few (7.6%). This also indicates the immaturity and subsistence character of the MSME sector in Nigeria. About 85% of the MSMEs have start-up capital of NGN100, 000 (i.e., less than USD250) and below. Informal source of finance prevails in the sector with only 5.3% of micro firms and 21.6% of small and medium enterprises having access to formal credit. Additionally, the insurance uptake by MSMEs is very low as was reported by the CBN (2018) and SMEDAN & NBS (2017) report on financial inclusion and MSME survey, respectively.

Thus, having provided a brief overview of the MSME sector in general and in Nigeria particularly, it is necessary to understand and conceptualize the meaning of Micro, Small and Medium Enterprises (MSMEs).

2.5.2 Defining MSMEs

There is no universal agreement on what constitutes an MSME. Definitions of what MSMEs are varies across industries, countries, and regions. Even among academic researchers, several definitions have been enunciated. Furthermore, the definition of an MSME may vary based on the environmental context and research setting. The concept

of MSME is contextual, heterogeneous, and based on the size and developmental stage of an economy (Oke, 2019; Al Balushi et al., 2019; Abor & Quartey, 2010). MSMEs have been categorized and defined based on both quantitative (i.e., the number of employees, capital base, annual turnover, asset size, market share) and qualitative (i.e., ownership, legal status, mode of production, industry type, relative size within a particular industry) measures (Oke, 2019; Etuk, Etuk & Michael, 2014).

In advanced economies such as the US, Japan, and Canada, MSMEs are defined based on annual gross income and number of employees. The meaning of an MSME is usually subjective and varies with time within and among countries depending on the role played by MSMEs then and based on the policies and objectives pursued by the institutions assigned to oversee the development of the MSME sector (Etuk et al., 2014). A medium-sized firm in a developing country will be deemed small in advanced economies such as France, the US, and Britain. Additionally, a large firm in one industry might be deemed small in another industry within the same country. For example, an MSME in the United Kingdom (UK) is a business enterprise with annual gross revenue of fewer than 2 million pounds or equivalent and with less than 200 paid workers. While in Japan, MSMEs are categorized based on three measures: industry type, capital base (i.e., paid-up capital) and the number of paid employees. Based on industry type the manufacturing industry MSMEs are those with 100 million Japanese Yen capital base and 300 employees, in the wholesale trade industry, MSMEs are those with 30 million Japanese Yen capital base and 100 employees, while MSMEs in retail/services trade are those with a capital base of 10 million Japanese Yen and 50 employees (Oke, 2019).

Moreover, the European Commission (EC) classified MSMEs based on the number of employees. An MSME with 0-9 employees is deemed micro, 10 -99

employees as small and 100-499 as a medium enterprise (Abor & Quartey, 2010). Additionally, The United Nations Industrial Development Organization (UNIDO) have conceptualized MSMEs based on the number of workers employed. They however grouped MSMEs into two categories: MSMEs in industrialized countries and MSMEs in developing countries. MSMEs in both categories were defined differently (Abor & Quartey, 2010). Below are the classifications for advanced economies and developing countries respectively:

Table 2.4: MSME Classification in Industrialized Economies

S/N	Number of employees	Classification
1	500 and above	Large enterprise
2	100 to 499	Medium enterprise
3	99 or less	Small enterprise

Source: Abor & Quartey (2010)

Table 2.5: MSME Classification in Developing Economies

S/N	Number of employees	Classification
1	100 and above	Large enterprise
2	20 to 99	Medium enterprise
3	5 to 19	Small enterprise
4	Less than 5	Microenterprise

Source: Abor & Quartey (2010)

In developing economies such as South Africa, MSMEs are grouped based on annual gross sales turnover and the number of employed workers. A small firm is an enterprise with annual gross revenue of not more than 13 million South African Rand (R) with a balance sheet value (excluding land) of R5million and having employees less than 50. A medium enterprise is considered to have not more than R51 million annual gross revenue with a balance sheet value of R19 million with employees between 51-200 (Oke, 2019).

From the above, it can be seen that the definition of an MSME is contextual and subjective and no one definition can accommodate the heterogeneous nature of MSMEs

across the globe. Consequently, it is therefore pertinent to examine the definitions of MSMEs in the context of Nigeria.

2.5.3 The Concept of MSMEs in Nigeria

MSME conceptualization in Nigeria as in other countries is not definite with various governmental agencies having different definitions and measures of what constitutes an MSME. Various government agencies have given different definitions of what an MSME is. For instance, as far back as three decades, the Central Bank of Nigeria in its Monetary Policy Circular No. 22 of 1988, defined MSMEs as firms having an annual sales turnover of not more than 500,000 Nigerian Naira (NGN). Similarly, in 1990, the federal government of Nigeria defined MSMEs based on the annual sales turnover of not more than NGN500,000 for commercial bank loans and not more than NGN2 million (exclusive of land) for merchant bank loans or a maximum of NGN5 million (inclusive of land) (Oke, 2019). In the same year, the Companies and Allied Matters Act 1990 (CAMA 1990) defined a small business as an enterprise with gross annual sales not exceeding NGN2 million and net asset value of not more than NGN1 million. In 2003, the National Council of Industry (NCI), classified business enterprises in Nigeria into 4 broad groups based on the number of employees and capital assets (excluding land) (Etuk et al., 2014). The groupings are given below:

Table 2.6: Classification of MSMEs in Nigeria by NCI

Firm category	Number of employees	Total capital base (exc. land)
Micro	1-10	Less than NGN1 million
Small	11-35	NGN1 million – NGN40 million
Medium	36-100	NGN40 million – NGN200 million
Large	101 and above	NGN200 million and above

Source: Etuk et al. (2014)

Furthermore, the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), an initiative of the CBN and Bankers' Committee, which was launched in 2001, defined MSME as any business enterprise with an asset base not exceeding N200 million (excluding land and working capital), and employees between 10-300. However, this definition excludes most small businesses in the country whose number of employees ranges from 0-9. Finally, a more recent classification and definition of MSMEs in Nigeria was given in the National Policy on Micro Small and Medium Scale Enterprise (MSME) by SMEDAN in 2015. The classification was based on a dual criterion: the number of employees and total assets (excluding land and buildings). However, the employment measure is preferred in the event of dispute on classification. The table below shows the classification:

Table 2.7: Classification of MSMEs in Nigeria by SMEDAN

S/N	Firm category	Number of employees	Assets (exc. land and building) (N million)
1	Micro	Less than 10	Less than 10
2	Small	10-49	10 to less than 100
3	Medium	50-199	100 to less than 1000

Source: SMEDAN National Policy on MSMEs (2015)

Thus, Micro firms are those enterprises with total assets (excluding land and buildings) not exceeding NGN10 Million and a workforce of fewer than 10 employees. Small enterprises, on the other hand, are those firms with total assets (excluding land and building) exceeding NGN10 Million but below NGN100 million and a total number of employees between 10-49. Whereas medium scale enterprises are those with total assets (excluding land and building) exceeding NGN100 Million Naira, but not exceeding NGN1 Billion and a total number of employees between 50-199.

Having gone through the divergent propositions of what MSMEs are in Nigeria, the current study adopts the definition of MSMEs proffered in the National Policy on

MSMEs issued by SMEDAN in 2015. The definition giving by SMEDAN is the latest of all the definitions advanced earlier. Before proposing their definition, SMEDAN took into cognizance the prevailing reality of the country's socio-economic condition, the views of stakeholders in all the 6 geopolitical zones of the country and the global standards for the classification of MSMEs (Oke, 2019; SMEDAN, 2015).

2.5.4 Current Level of Affordability and Adoption of Takaful amongst MSMEs

Based on extant statistics, the market penetration rate of insurance in Nigeria stands at 0.5% as at March, 2022 (Leadway Assurance, 2022). Nigeria has a population of over 210 million as at 2022 (Worldometer, n.d.). This means that nearly 200 million Nigerians have no any form of insurance policy. Equally, the total contribution of insurance to the nation's GDP is only 0.72% (Usman, 2017). This is considerably low taking into consideration the importance of insurance in economic development. Additionally, looking at the insurance contribution of other peer African countries to GDP, the level of insurance contribution as a percentage of GDP is substantially higher than Nigeria notwithstanding their small population. For example, in South Africa it is about 16%; Namibia 8.9%; Botswana 3.5%; and Kenya 3.4%, respectively (Usman, 2017). Numerous factors have contributed to the low insurance penetration in Nigeria and one of the major obstacles to conventional insurance uptake especially in North-West Nigeria is religious motives. Conventional insurance is seen as non-Shariah compliant specifically with regards to the elements of uncertainty (*gharar*), usury (*riba*), gambling (*maysir*) and investment options (Usman, 2017).

Takaful and micro-insurance schemes were among the main strategies introduced by NAICOM to boost insurance penetration and density in Nigeria, especially among

low income households and MSMEs. Takaful, in particular, was established to woo individuals and businesses that have reservations in using conventional insurance. However, even with the introduction of takaful and micro-insurance schemes, the insurance penetration rate is still very low. According to Mr. Zubairu Sulaiman Darazo, the Head, Takaful Unit at the NAICOM Takaful premium contribution was only NGN4 billion out of NGN514 billion as of 2020 (Peter, 2021). This figure represents only 0.78% of the total insurance industry premium (Vanguard, 2022; Peter, 2021; Usman, 2017). This figure reveals the low uptake of takaful among households and MSMEs in Nigeria.

Furthermore, despite the affordability of takaful products as seen from the minimum annual contribution of NGN5000 (equivalent of 11.50 USD) for fire and special perils takaful and third party motor takaful (Salam Takaful Limited, n.d.), most MSMEs still have not adopted takaful in Nigeria. Moreover, considering the average monthly sales turnover of most MSMEs in Nigeria which is \geq NGN100,000 (equal or above 235.12 USD) (SMEDAN & NBS, 2017), takaful products are affordable and within reach of most MSMEs. Hence, the need to investigate the factors influencing general takaful adoption among these vital sub-Sector.

2.6 Theories and Concepts Underpinning the Study

In the quest of understanding the world and the myriads of observed phenomena, human beings have generated innumerable propositions and hypotheses in various fields of life. Some of these hypotheses have been tested and confirmed and have informed the basis for further scholarly and professional enquiry, thereby extending its applicability and verifiability in different contexts. These tested and confirmed theories have been utilized by academicians and researchers to guide research endeavours and

inform practice. In simple terms, a theory is a structured, organized, and comprehensive means of explaining a given phenomenon. Explanations on such things as: why do people drink intoxicants? Does the consumption of intoxicants influence the rate of crime in society? What factors influence the adoption of Islamic bonds (Sukuk)? Does the level of education determine income? And many more could be answered through the help of theory, either by theory generation or theory testing and validation. Theory, as defined by Kerlinger (1973), is: “a set of interrelated constructs (variables), definitions, and propositions that presents a systematic view of phenomena by specifying relations among variables, with the purpose of explaining natural phenomena”.

The ultimate objective of purely academic research is to create new knowledge, increase awareness, expand understanding of phenomena of interest and generate theories based on findings. These theories developed, later, form the basis for further academic research on various aspects of the phenomena (Sekaran & Bougie, 2016). In the quantitative research design, the whole research rest on the foundation of a theory, which will be tested and validated at the end of the research quest (Creswell, 2014). Through theory, understanding of phenomena is attained and predictions of outcomes can be made. Thus, the relevant theories related to this study are elaborated below.

2.6.1 Theory of Reasoned Action (TRA)

The theory of reasoned action (TRA) was propounded by Fishbein and Ajzen in 1975 to explain how behavioural intention (BI) and subsequent behaviour of an individual are formed (Amin et al., 2011). The theory seeks to establish the relationship between beliefs, attitudes, intentions, and behaviour. The theory postulates that actual behaviour can be predicted by an individual’s intention to perform the behaviour.

Furthermore, the intention is determined by two factors (1) the attitude of an individual towards a given behaviour, and (2) subjective norm (i.e., the influence of others) (Fishbein & Ajzen, 1975).

Attitude is defined as an “individual’s positive or negative evaluation of performing the behaviour” (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980). Additionally, attitude is formed based on an individual’s beliefs about the behaviour and his assessment of the resultant outcome of performing such behaviour/action. The theory hypothesizes that a positive attitude towards a behaviour will strengthen the individual’s intention and a negative attitude will weaken an individual’s intention to perform the behaviour (Ajzen, 1991).

The second determinant of behavioural intention is Subjective norm. Subjective norm refers to an individual’s perception of social influence on the performance or non-performance of a specific behaviour. Subjective norm is composed of (1) normative beliefs about a specific behaviour and (2) motivation to comply with reference groups (Fishbein & Ajzen, 1975). Normative beliefs refer to an individual’s perception of the influence of the opinion or action of relevant others. Whereas motivation to comply denotes the degree to which an individual want to comply with the opinion and actions of reference groups (Nor, 2005; Mathieson, 1991). The theory postulates that an individual’s behavioural intention and subsequent action or behaviour are influenced by the opinion or action of others deemed important by the individual. Hence an individual’s decision to adopt or use a certain product or service can be predicted by the aforementioned factors (i.e., attitude & subjective norm).

TRA has been widely employed in various academic fields to explain the determinants of adoption and use of numerous innovations in various contexts. In the Islamic finance/banking adoption studies, TRA has been utilized as a framework in

understanding the adoption and use of diverse Islamic finance products and services. Amin et al., (2011) used an extended TRA to examine the behavioural intention to adopt Islamic personal financing in Malaysia. The study confirmed the predictive power of the TRA model. Also, several studies have confirmed the predictive capacity of the TRA model (Effendi, Murad, Rafiki, & Lubis, 2020; Janah, Medias & Pratiwi, 2020; Adnan, Nordin, Bahruddin & Tareq, 2019; Maryam, Mehmood & Khaliq, 2019; Echchabi & Olaniyi, 2012; Amin, 2012).

Nevertheless, TRA has one main drawback, the assumption that an individual will always act based on his volition. However, observed realities contradict such assumptions. Even Ajzen (1985), one of the authors of the theory affirmed this deficiency. A person may have a favourable attitude and the desire to comply with his reference groups in adopting a certain innovation but may be prevented by situations outside his control. Factors such as non-availability of relevant resources, distance, government support, natural disabilities, among many others may inhibit adoption.

2.6.2 Theory of Planned Behaviour (TPB)

The Theory of Planned Behaviour (TPB) is a revised version of the TRA which was formulated by Ajzen (1985, 1991, 2005) to address the limitation of the TRA. Ajzen (1985, 1991, 2005) added a third variable (perceived behavioural control [PBC]) to account for BI and actual behaviour in situations where a person's self-control is limited or absent. Ajzen (1985) proposed an improvement on the BI power in predicting actual behaviour through the addition of perceived behavioural control (PBC) as an independent variable. PBC "refers to the perceived ease or difficulty of performing the behaviour and it is assumed to reflect past experience as well as anticipated impediments and obstacles" (Ajzen, 2005 pg. 111). Ajzen contends that PBC affects

both BI and the actual behaviour of an individual. He further argues that an individual may not even form an intention to adopt a certain innovation if he perceives there are impediments to adopting the innovation. These obstacles can be internal such as lack of requisite skills (self-efficacy) or external such as the availability of resources and support (facilitating conditions).

The TPB postulates that BI and actual behaviour are a function of three main factors, one related to attitude, one associated with social influence (subjective norm), and a third connected with control factors (PBC) (Ajzen, 2005). The TPB framework is generic and has been applied in various academic fields studying human behaviour and decision making. The TPB has proven to be a robust model in predicting BI and actual behaviour in many academic research studies (Purwanto, Abdullah, Ghofur, Abdullah & Elizabeth, 2022; Abdullahi, Othman & Kassim, 2021; Sayuti & Amin, 2019; Ramayah, May & Omar, 2007; Taylor & Todd, 1995; Teo & Pok, 2003; Venkatesh, Morris & Ackerman, 2000; Mathieson, 1991). In the Islamic finance adoption literature, several researchers have used the TPB to study the adoption of various Islamic finance products and services (Purwanto et al., 2022; Abdullahi et al., 2021; Ibrahim, Fisol & Haji-Othman, 2017; Ali, Zani & Kasim, 2014; Jaffar & Musa, 2014; Echchabi & Aziz, 2012). A recent study by Al Balushi et al., (2018) utilized an extended version of TPB to study the factors influencing MSME owner-managers BI towards Islamic finance alternatives. The study found support for the predictive power of the TPB model.

Despite the strength of the TPB model over the TRA model, researchers have criticized the monolithic and unidimensional nature of the TPB constructs (Badaj & Radi, 2017; Taylor & Todd, 1995; Bagozzi, 1984). The constructs are too broad and therefore suffer from operationalization problems (Bagozzi, 1984). Utilizing the TPB

model in understanding BI and actual behaviour may only provide a shallow view or even a misleading conclusion if applied in the practical arena (Taylor & Todd, 1995). Decomposing the TPB constructs provides explanations that are clear, specific, and focused which could inform practice (Taylor & Todd, 1995). Taylor & Todd (1995) introduced a decomposed variant of the TPB model and compared its predictive power to TRA and TPB. The Decomposed version of the belief structures provided several benefits over the traditional TPB and TRA such as ease of operationalization, specification, focus, enhanced explanation, and superior predictive power (Taylor & Todd, 1995; Mathieson, 1991).

Although the TRA, TPB and DTPB have been used to predict numerous products adoptions, the models do not take into consideration other belief factors such as religiosity and uncertainty. The models also do not take into consideration the influence of moderating variables that may affect the relationship between the independent and dependent variables in a study.

2.6.3 Unified Theory of Acceptance and Use of Technology (UTAUT)

Another competing and widely used theory of innovation adoption behaviour particularly in the Information Technology (IT) research is the Unified Theory of Acceptance and Use of Technology (UTAUT). Developed by Venkatesh, Morris, Davis and Davis (2003), UTAUT was proposed to address the limitations of other competing behavioural/adoption models. Venkatesh et al. (2003) synthesized different constructs deemed to be similar from 8 behavioural/intention theories to form 4 consolidated constructs that will diminish the weakness found in previous models. To further strengthen the model's predictive capacity, Venkatesh et al. (2003) incorporated 4 moderators (Dwivedi, Rana, Jeyaraj, Clement & Williams, 2019). Venkatesh et al.

(2003) argued that by unifying similar behavioural theory constructs the dilemma of choosing one behavioural theory in preference to another is resolved. Additionally, UTAUT explanatory power surpassed previous behavioural models in explaining 77% of behavioural intention and 52% of actual usage variance (Venkatesh, Thong & Xu, 2016, 2012; Venkatesh et al., 2003).

The UTAUT has four key constructs derived from the synthesis of previous competing models, namely (1) performance expectancy (PE) which is comparable to relative advantage in DOI and perceived usefulness in TAM, (2) effort expectancy (EE) which is like complexity in DOI and perceived ease of use (PEOU) in TAM, (3) social influence (SI) which is comparable to subjective norm in TRA, TPB/DTPB and (4) facilitating conditions (FC) which are partly derived from PBC in TPB/DTPB. Three out of the four core constructs were theorized as direct determinants of BI while the fourth construct (i.e., facilitating conditions) was hypothesized to be a direct determinant of actual usage. Furthermore, the theory postulates that the effect of these main constructs will be moderated by gender, age, experience, and voluntariness of use (Venkatesh et al., 2003).

UTAUT has been extensively utilized by researchers, particularly in the Information Technology adoption field in diverse contexts. Studies have applied the full model (Bühler & Bick, 2013), others have studied only the main effects (Odeh, 2019; Seid & Lessa, 2012; Pynoo et al., 2011), some have modified and extended it (Ebrahim & Naicker, 2019; Raza, Shah & Ali, 2019; Martins, Oliveira & Popovic, 2014; Borrero, Yousafzai, Javed & Page 2014; Liew, Vaithilingam & Nair, 2014; Dasgupta & Gupta, 2011), while another group have integrated UTAUT constructs with other behavioural/adoption theories (Ikumoro & Jawad, 2019; Abbas, Hassan, Asif, Ahmed & Haider, 2018; Oliveira, Faria, Thomas & Popovic, 2014; Miltgen, Popovic &

Oliveira, 2013). In the Islamic finance adoption field, researchers have employed UTAUT to examine Information Technology adoption (Iqbal, Jose & Tahir, 2022; Raza, Shah & Ali, 2019; Kholid, 2019; Thaker et al., 2019) as well as innovations in other Islamic finance settings (Bouteraa, Hisham & Zainol, 2020; Bananuka et al., 2020).

In sum, most studies that have employed UTAUT have affirmed its validity and predictive power, particularly the core constructs, in explaining BI and actual use. Nevertheless, fewer studies have applied the full model in predicting BI and use ((Dwivedi et al. 2019; Venkatesh et.al., 2016). A plausible reason cited by researchers for modifying, extending, and integrating UTAUT constructs is that some of the original hypothesized relationships of UTAUT may not hold in all research contexts. Furthermore, the model overlooked some significant relationships that were confirmed previously (i.e., facilitating condition effect on BI), and limit its main constructs to technological and contextual factors, neglecting personal feelings such as religious orientation and risk perception that may provide a richer explanation of user adoption and use of innovations (Dwivedi et al. 2019; Venkatesh et.al.2012).

In recent times, researchers have shifted their attention from strictly applying general theories to more context-specific theories that focus on detecting appropriate predictors and provide an in-depth understanding of a vital phenomenon and thereby enrich and extend the original theories. New research contexts can alter the original theorized associations between constructs by making certain relationship paths inconsequential, inverting the relationship paths, moderating the strength of theorized paths, adding new relationship paths to the original model, and even removing constructs deemed irrelevant to the specific research context (Venkatesh, Thong & Xu,

2012). Hence, based on the above-mentioned reasons, this study integrates a subset of constructs from UTAUT with other relevant behavioural/adoption theories (i.e., DOI).

2.6.4 Diffusion of Innovation Theory (DOI)

Diffusion of Innovation theory (DOI) was first propounded by Rogers in 1962. DOI has been applied in a wide range of research settings and had proven to be a robust model in predicting the adoption of innovations (Talukder, Chiong, Bao & Hayat Malik, 2019; Al-Rahmi et al., 2019; Wang et al., 2018; Mahdzan et al., 2017; Latip, Yahya & Junaina, 2017; Yahaya et al., 2014; Thambiah et al., 2013; Gerrard & Cunningham, 2003; Tan & Teo, 2000; Moore & Benbasat, 1996, 1991). The theory postulates that it is the features of an innovation that affects its adoption rate. Rogers (2003) outlined 5 key features as follows: relative advantage, compatibility, complexity, observability and trialability. The first three main features are generic and apply to a variety of innovations both tangible and intangible ones (Rogers, 2003; Tornatzky & Klein, 1982). However, the last two attributes mostly apply to tangible and observable innovations (Rogers, 2003).

DOI has been used by researchers to study innovation adoption both at the individual (Mahdzan et al., 2017; Latip, Yahya & Junaina, 2017; Jamshidi & Hussin, 2015; Yahaya et al., 2014; Thambiah et al., 2013; Gerrard & Cunningham, 2003; Moore & Benbasat, 1991) and organizational level (Hsu, Kraemer & Dunkle, 2006; Zhu, Dong, Xu & Kraemer, 2006; Bradford & Florin, 2003). The original DOI theory has rarely been applied by researchers without some form of modification, extension (Mahdzan et al., 2017; Latip, Yahya & Junaina, 2017; Jamshidi & Hussin, 2015; Yahaya et al., 2014; Thambiah et al., 2013; Gerrard & Cunningham, 2003; Moore & Benbasat, 1991), or integration with other behavioural/adoption theories (Jamshidi & Hussin, 2018, 2016;

Zhu, Dong, Xu & Kraemer, 2006; Bradford & Florin, 2003; Tan & Teo, 2000; Moore & Benbasat, 1996). Generally, most studies have shown that the DOI constructs, particularly relative advantage, compatibility, and complexity are consistently linked to innovation adoption decisions (Jamshidi & Hussin, 2016; Gerrard & Cunningham, 2003; Moore & Benbasat, 1996; Tornatzky & Klein, 1982). Although the DOI model has been used extensively to explain innovation adoption behaviour, it has been criticized for considering only the attributes of innovation and its perception by potential adopters. External influences such as social pressure and governmental support that have a significant influence on potential adopters are not considered in the model (Lippert & Govindarajulu, 2006; Al-Zoubi, 2013). Consequently, the DOI model cannot sufficiently explain innovation adoption in all research contexts. Hence, the present study integrates DOI with appropriate constructs from other behavioural/adoption theories and concepts (i.e., UTAUT) to investigate general takaful adoption among MSMEs owner-managers in North-West Nigeria.

2.6.4.1 Justification for Choosing Diffusion of Innovation Theory (DOI)

Diffusion of Innovation theory was selected as the main theory for the study due to the following:

- First, this study considers takaful as a new idea relative to conventional insurance in the context of Nigeria. Rogers DOI theory is the most widely used to study new product adoption across many fields (Jamshidi et al., 2015). Furthermore, Eastin (2002) recommends that the concept of innovation should be investigated based on its characteristics. Consequently, this study will use DOI constructs to establish the concept of takaful (as a new idea) in the Nigerian context. Additionally, the researcher believes that

takaful benefits (relative advantage), the lower level of understanding (complexity), the fulfilment of current needs and values (compatibility) will influence the adoption of takaful among MSME owner-managers.

- Second, although, theories such as TRA, TPB have been used to study takaful (especially family takaful) the constructs are considered too broad and general. The theories do not specify specific operational factors to be applied practically in addressing adoption behaviour as compared to DOI (Mandari, 2017; Husin & Rahman, 2013).

2.6.5 Religious (*Shariah*) Principles

The influence of religion on finance has a long history and continues to play a major role in the financial choices of individuals, organizations and even countries across the globe. Historically, religious factors have dictated how financial activities were conducted. The emergence of the modern secular economies, particularly those of Europe and the US diminished the influence of religion on financial activities globally (Alderman, Forsyth & Walton, 2017). During the heydays of each of the three Abrahamic religions, religion was the dominant force regulating and influencing financial activities. Notwithstanding, today the influence of religion on financial decisions and choices is on the rise, particularly in the Muslim population around the world. These developments have prompted new banking and finance models, products and services that will cater to the rising demand for religion-compliant financing (Alderman, Forsyth & Walton, 2017). The Islamic *Shariah* (law) principles prohibit certain financial activities considered legal in conventional finance such as charging of interest, excessive speculation, gambling, investing in unethical business ventures,

among others. Therefore, a religiously minded business owner may be inclined to patronise financial services compliant with his religious principles.

Furthermore, several scholars have underscored the significance of studying Muslim consumer behaviour through the lens of an Islamic worldview (Zarqa, 1980; Kahf, 1980; Naqvi, 1981; Khan, 1984; Choudhury, 1986). For instance, Kahf (1980) highlighted the strong positive correlation between Iman (i.e., level of faith or belief) and consumption behaviour. Additionally, Naqvi (1981) argued that the Muslim consumption behaviour in stark difference to the non-Muslim is guided by three principles. First, the compliance of products/service to Shariah. Second, consumption behaviour are not based on greed for every product. Third, consumption of products/services should have good effect on others. Moreover, Khan (1984) contends that a Muslim consumption and spending behaviour entails two aspects. First, a Muslim spends and consumes for his individual needs and second, he spends to meet the need of others. This second aspect is strongly emphasized in Islamic-based insurance (i.e., *takaful*) where participants contribute to mutually assist each other in the event of loss. Besides, Choudhury (1986) underscored the importance of an Islamic worldview guided by "*taqwa*" (i.e., religiosity) as an integral aspect of a Muslim's consumer behaviour. Hence, studying Muslim consumer behaviour without considering the Islamic worldview will provide an incomplete picture.

Several empirical studies in behavioural/adoption literature have confirmed the impact of religion on individual and corporate financial behaviours and preferences (Yasin & Hati, 2017; Baxamusa & Jalal, 2016; Obeid & Kaabachi, 2016; Abdesamed, & Abd Wahab, 2015; Jaffar & Musa, 2014; Sun, Goh, Fam & Xue, 2012; Abd Wahab & Abdesamed, 2012; Amin et al., 2011). Organizations are formed by individuals with different religious biases and commitments. Those at the helm of affairs in such

business enterprises determine the financial preferences and choices of the business. An MSME owner-manager's religious bias can influence financial decisions relating to sources of finance, method of financing, capital structure, investment, and financial services preferences (Alderman, Forsyth & Walton, 2017; Mansour & Jlassi, 2014). Therefore, this study examines the moderating influence of religiosity on MSME owner-managers behavioural intention towards general takaful in North-West Nigeria.

2.7 Studies on Takaful Adoption

Recent developments in the Islamic finance industry have prompted the proliferation of research studies. The past thirty years have seen renewed interest in Islamic finance by researchers worldwide. More so, the past decade has seen the most dramatic increase in research works in the field. With the collapse of the global financial system in 2008-2009, the interest of policymakers, multilateral organizations and researchers were kindled to look for an alternative financial system that will be sustainable, robust, and resilient. Thus, the importance of the Islamic financial system was noticed during the past financial crisis, thereby triggering research studies on various aspects of the system.

One such area that has gained attention in the Islamic finance literature is the adoption, patronage and use of Islamic finance products/services. As the development and growth of the Islamic finance market hinge on its adoption and use; it warrants special attention by practitioners and researchers alike.

Takaful (Islamic insurance) is one of such Islamic finance products that have only recently gained scholarly attention, particularly related to its adoption and acceptance by customers. In recent years, there is an increase in the number of studies in takaful adoption and acceptance. These studies can be classified into three main research

streams: the first stream of studies applied economic and socio-demographic factors to study takaful demand and acceptance, the second group studied customer perception and awareness of takaful, while the third group employed marketing and behavioural theories to investigate factors influencing takaful adoption (Khan et al., 2020).

2.7.1 Studies on Economic and Socio-demographic Factors Influencing Takaful Demand

This research stream concentrated mainly on the influence of economic (macro & micro) and socio-demographic factors on takaful demand. These studies focused on the factors influencing takaful demand from the economic and demographic perspective (Akhter & Khan, 2017; Sherif & Hussnain, 2017; Sherif & Shaairi, 2013; Gustina & Abdullah, 2012; Redzuan et al., 2009; Hamid et al., 2009). Significant factors related to takaful demand identified in this stream include income, Islamic banking development, inflation, young population, unemployment, leverage, company size, tax consideration, bankruptcy cost, company size, Muslim population, education, urbanization, dependency ratio, GDP per capita, among others. Some of these studies focused on family takaful demand (Sherif & Hussnain, 2017; Sherif & Shaairi, 2013; Gustina & Abdullah, 2012; Redzuan et al., 2009) while others focused on general takaful demand (Salleh et al., 2018; Ibrahim et al., 2015; Hamid et al., 2009). Other studies compared takaful and conventional insurance demand (Akhter & Khan, 2017; Akhter et al., 2017).

Furthermore, some studies examined both demographic and macroeconomic factors (Akhter & Khan, 2017; Sherif & Hussnain, 2017; Sherif & Shaairi, 2013; Gustina & Abdullah, 2012; Yazid et al., 2012), some investigated microeconomic factors (Salleh et al., 2018; Ibrahim et al., 2015; Hamid et al., 2009), while others focused only on macroeconomic factors (Redzuan et al., 2009). Moreover, quantitative

method and secondary data were used predominantly in this research stream (Akhter & Khan, 2017; Sherif & Hussnain, 2017; Sherif & Shaairi, 2013; Gustina & Abdullah, 2012; Redzuan et al., 2009; Hamid et al., 2009). Most studies were empirical with few exceptions (Salleh et. al., 2018; Yazid et.al., 2012 Rahman, 2009). Below is a summary of relevant studies on takaful demand based on economic and demographic variables.



Table 2.8: Summary of Relevant Studies on Takaful Demand

S/N	Author/ Year	Country/ Region	Takaful Type	Main Variables	Methodology	Findings
1	Redzuan et al. (2009)	Malaysia	Family takaful	Macroeconomic (external) factors	Quantitative. Secondary data (time series data 1985-2007). Multiple regression.	Income has a positive influence on family takaful demand while interest rate & stocks have a negative significant relationship with family takaful
2	Rahman (2009)	USA	N/A	Income, education, Muslim population & social structure	Conceptual paper	N/A
3	Hamid et al. (2009)	Malaysia	General takaful	Microeconomics (internal) factors	Quantitative. Secondary data (panel data). General least square regression.	Leverage, bankruptcy cost, tax considerations, company size & managerial ownership influence corporate demand for takaful.
4	Yazid et. al (2012)	Malaysia	Family takaful	Socio-demographic & economic factors	Review paper	N/A
5	Gustina & Abdullah (2012)	Malaysia	Family takaful	Socio-demographic & economic factors	Quantitative. Secondary data. F-test & T-test.	GDP per capita, education, saving & religion are significantly related to family takaful demand
6	Sherif & Shaairi (2013)	Malaysia	Family takaful	Socio-demographic & economic factors	Quantitative. Secondary data. Ordinary least square (OLS) & generalised method of moments (GMM) technique	Income, education, Muslim population, Islamic banking development & dependency ratio are positively related to family takaful demand
7	Ibrahim et. al (2015)	Malaysia	General takaful	Financial factors (Microeconomic variables)	Quantitative. 278 SMEs sampled. SEM technique.	General takaful demand was influenced by tax considerations, growth, leverage & bankruptcy cost

Table 2.8, continued

S/N	Author/ Year	Country/ Region	Takaful Type	Main Variables	Methodology	Findings
8	Sherif & Hussnain (2017)	MENA	Family takaful	Socio-demographic & economic factors	Quantitative. Secondary data. Multivariate analysis, bootstrapping & generalised method of moments (GMM) technique.	Islamic banking deposits, education, dependency rate, female life expectancy & Muslim population are positively related to family takaful demand.
9	Akhter & Khan (2017)	ASEAN & middle east	N/A	Macroeconomic & demographic factors	Quantitative. Panel data econometrics across 14 Asian countries from 2005-2014 (having takaful & conventional insurance)	inflation, income, education, urbanization & dependency ratio are significant factors influencing takaful demand
10	Akhter et. al (2017)	South Asia, ASEAN & Middle east	N/A	Macroeconomic & demographic factors	Quantitative. Panel data (2005-2014)	Factors related to takaful include income, education & savings rate.
11	Salleh et. al (2018)	Malaysia	General takaful	Capital assets pricing model & expected utility theory. Organization features: size, line of business, geographic concentration & regulation. Risk-taking as mediator	Conceptual paper	N/A

From the summary of studies on takaful demand certain patterns emerge. First, studies on takaful demand emanate from regions where the takaful sector is developed such as the Middle East and ASEAN regions. About 70% of these studies were done in Malaysia. Second, more than 90% of the studies used secondary data. Third, both economic and demographic factors are significant determinants of takaful demand. Fourth more than half (55%) of the studies are on family takaful demand. Finally, the studies neglected to include behavioural factors to examine takaful demand and acceptance.

2.7.2 Studies on Perception, Awareness and Preference of Takaful Insurance

The second research stream focused on customer perception, awareness, and preference of takaful insurance (Waseem-Ul-Hameed et al., 2017; Ustaoglu, 2015; Kamil & Nor 2014; Ismail et al., 2013; Matsawali et al 2012; Akhter & Hussain, 2012; Swartz & Coetzer, 2010; Maysami & Williams, 2006). Much of the literature in this research stream is exploratory. In one of the earliest studies in this stream, Maysami & Williams (2006) found out that awareness of takaful among Muslims in Singapore is very low. They also found out that awareness of takaful is related to religious perception. Muslims with liberal beliefs are more aware of takaful than those with conservative beliefs. Adopting a similar position, Swartz & Coetzer (2010) argue that the low awareness of takaful negatively influences its growth. Similarly, Akhter & Hussain (2012) and Ustaoglu (2015) reported that there is low awareness of takaful in Pakistan and Turkey, respectively. The study by Akhter & Hussain (2012) also revealed that education is strongly related to perception and awareness of takaful.

Equally, other researchers in this stream focused on factors related to takaful preference. For example, a study by Matsawali et. al (2012) revealed that takaful

awareness is low in Brunei, however, the majority prefer takaful over conventional insurance. Furthermore, Ismail et.al (2013) used a case study approach to explore the awareness level of takaful among micro-enterprises in Malaysia. The study found out that a strong relationship exists between takaful awareness, education level, uncertainty, perceived benefit and takaful uptake among micro-enterprises. The study also revealed that micro-enterprises have low awareness of takaful. However, Kamil & Nor (2014) using in-depth interviews found out that takaful customers have a high awareness of takaful. The study also revealed a strong relationship between awareness, perception, religious motive, the role of agents and takaful acceptance. Likewise, Waseem-Ul-Hameed et. al (2017) employed a quantitative survey to investigate factors influencing takaful awareness in Pakistan. Findings revealed that education, religious orientation, and distribution channels influence takaful awareness. Below is a summary of studies on takaful perception, awareness, and preference.

Table 2.9: Summary of Relevant Studies on Takaful perception, Awareness & Preference

S/N	Author/Year	Country/ Region	Main Variables	Methodology	Findings
1	Maysami & Williams (2006)	Singapore	Awareness & religious perception	Quantitative survey. Contingency table	Takaful awareness is related to religious perception with conservatives having low awareness
2	Swartz & Coetzer (2010)	N/A	Awareness	Conceptual paper	Low awareness impedes the growth of takaful
3	Akhter & Hussain (2012)	Pakistan	Awareness & demographic variables	Quantitative. 150 insurance customers. Descriptive statistics & Chi-square test.	Education influences income, perception & awareness of takaful
4	Matsawali et al (2012)	Brunei	Awareness	Quantitative survey. Descriptive statistics	Although takaful is preferred there is low awareness of the concept
5	Ismail et.al (2013)	Malaysia	Awareness, uncertainty, education & perceived benefits	Qualitative. Case study. In-depth interview of 7 micro enterprises	Awareness, education, uncertainty & perceived benefits influence takaful uptake. The study also revealed low awareness of takaful.
6	Kamil & Nor (2014)	Malaysia	awareness, perception, religious motive, the role of agents	Qualitative. In-depth interview.	Findings showed high awareness of takaful customers. The study showed a strong relationship between awareness, perception, religious motive, the role of agents and takaful acceptance
7	Ustaoğlu (2015)	Turkey	Awareness, education, religiosity	Quantitative survey. Chi-square & cross-tabulation	Findings showed low awareness of takaful. Religiosity was positively associated with takaful while education was inversely related to takaful.
8	Waseem-Ul-Hameed et. al (2017)	Pakistan	Awareness, distribution channels, education & religious orientation	Quantitative survey. Questionnaire. A sample of 300 respondents. Multiple regression.	Takaful awareness was positively related to distribution channels, education & religious orientation

From the above table, the summary revealed that 6 (75%) out of the 8 studies reviewed were conducted in South Asia and Southeast Asia. Other less explored regions where takaful has made in-roads need to be studied. Furthermore, most of the studies are exploratory (88%). A mixture of research methods has been used comprising of quantitative (62.5%), qualitative (25%) and review paper (12.5%). In the quantitative studies only 1 study (Waseem-Ul-Hameed et. al., 2017) used a more sophisticated data analysis technique (multiple regression), the rest employed simple statistics for data analysis. A more rigorous data analysis approach is needed to enhance prediction and inform practice. Additionally, religious factors, education, distribution channels were reported to have a strong relationship with takaful awareness, preference, and acceptance in most of the studies. However, other pertinent consumer behavioural factors were not considered in these studies.

2.7.3 Studies on Behavioural Factors Influencing Takaful Adoption

The third research stream used marketing concepts and behavioural intention theories to investigate takaful adoption. Researchers in this research stream have applied various behavioural factors and marketing concepts to study takaful adoption across a variety of settings. Prominent theories applied in this stream include TRA (Hasyim, 2018; Siala 2013; Rahim & Amin, 2011), TPB (Kazaure, 2019; Mas'ud, 2017; Husin & Rahman 2016a; Husin et al., 2016) and DOI (Ali et.al., 2019; Shaikh et.al., 2019; Echchabi & Ayedh, 2015; Ayinde & Echchabi 2012). Notable factors influencing takaful adoption include attitude, subjective norm, perceived behavioural control, awareness, religiosity, uncertainty, trust, relative advantage, and compatibility. Below is a summary of relevant studies on takaful adoption.

Table 2.10: Summary of Relevant Studies on Takaful Adoption

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
1	Omar & Owusu-Frimpong (2007)	Nigeria	Life insurance	TRA	Quantitative, Questionnaire. 240 non-users. Quota sampling. T-test and multiple regression	Findings showed that subjective norm significantly affects life insurance uptake. Also, the difference was observed across demographic variables. Besides, perceived unreliability, optimism bias, fatalistic belief, affordability, lack of knowledge and reliance on external support negatively affects life insurance uptake
2	Yusuf et. al (2009)	Nigeria	Insurance	DV (attitude) Iv (demographic variables)	Quantitative, Descriptive statistics, Questionnaire, 500 respondents. T-test	Specifically, age, marital status, educational status, profession, household income—all have a significant impact of varying degrees on attitudes towards insurance.
3	Rahim & Amin (2011)	Malaysia	Takaful	TRA+ Amount of Information (AOI)	Quantitative survey. Questionnaire. sample of 176 bank customers. convenience sampling. Multiple regression	TRA constructs & AOI influence Islamic insurance acceptance
4	Ayinde & Echchabi (2012)	Malaysia	Takaful	Modified DOI: awareness, compatibility, RADV, Uncertainty, social influence	Quantitative survey. Questionnaire. 66 respondents. Probability sampling (not elaborated). SEM. One sample t-test	Findings showed only compatibility was significant
5	Usman (2012)	Nigeria	Micro takaful	N/A	Conceptual paper	The study revealed the need for awareness and customized takaful products

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
6	Abdullahi (2012)	Nigeria	Insurance	N/A	Quantitative. Descriptive statistics	Factors affecting insurance penetration: illiteracy, religious beliefs, social influence, affordability, uncertainty, income & perception
7	Husin & Rahman (2013)	N/A	Family takaful	The review identified the most relevant constructs based on DTPB and proposed a framework to be tested.	Literature review	The review proposed a decomposed version of TPB and identified potential moderators (religiosity, knowledge, demographic & situational factors).
8	Siala (2013)	UK	Islamic insurance	TRA: attitude dimension with antecedents of religiosity & Religious centrism and 2 DVs word of mouth & price tolerance.	Quantitative survey. Questionnaire.208 Muslim respondents. SEM for data analysis	Findings showed that the antecedents of attitude were significant, and attitude further influences the endogenous constructs (price tolerance & word of mouth)
9	Coolen-Maturi (2013)	UK	Islamic insurance	Awareness &perceived benefits.	Quantitative survey. Nonprobability sampling Descriptive statistics	Findings showed that awareness of Islamic insurance is low & perceived benefits rather than religious motives influence demand.
10	Arifin et. al (2013)	Malaysia	Family takaful	Marketing and advertisement, image, social influence, products & services	Literature review	Marketing and advertisement, image, social influence, products & services were proposed to affect family takaful demand
11	Turner et al (2014)	Pakistan	Micro insurance	Behavioural concepts and expected utility theory	Quantitative survey& field experiment	Findings showed that personal experience significantly influences insurance demand. While religion was not significant
12	Echchabi et. al (2014)	Tunisia	Takaful	Modified DOI: awareness, compatibility, Relative ADV, Uncertainty, social influence	Quantitative survey. Questionnaire.66 respondents. Probability sampling (not elaborated). SEM. One sample t-test	Findings showed only compatibility was significant

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
13	Salman & Htay (2014)	India	Takaful	DOI theory: push-pull factors influencing takaful adoption.	Quantitative survey. Pilot study. 30 respondents. Descriptive statistics	Push-pull factors are important in influencing takaful acceptance
14	Echchabi, & Ayedh (2015)	Yemen	Takaful	Modified DOI: awareness, compatibility, Relative ADV, Uncertainty, social influence	Quantitative survey. Questionnaire. 123 respondents. Probability sampling (not elaborated). SEM. One sample t-test & one way ANOVA	Findings showed only compatibility was significant
15	Yusuf & Babalola	Nigeria	Takaful	N/A	Qualitative. Interview	Findings showed that awareness, government support, trust, image, marketing & advertisement are key to increase takaful uptake
16	Fadun (2015)	Nigeria	Takaful	N/A	Conceptual paper	awareness, government support, image, marketing & advertisement, customized products are key to the adoption of takaful
17	Maiyaki & Ayuba (2015)	Nigeria	Takaful	Attitude (DV), awareness, trust & perception (IVs)	Quantitative. Questionnaire. 384 Employed respondents. Judgemental sampling	Findings showed all IVs were significant
18	Husin et.al (2016)	Malaysia	Family takaful	TPB: special focus on WM, MM & Subjective norm+ intention	Quantitative survey. Questionnaire. 384 Nonusers of takaful. Convenience sampling	All factors were significant in explaining intention
19	Husin & Rahman (2016a)	Malaysia	Family takaful	TPB+ awareness+knowledge+ exposure	Quantitative survey. 384 Individual non-users. Convenience sampling. PLS SEM	Findings showed only subjective norm and awareness were insignificant towards intention to purchase takaful

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
20	Husin & Rahman (2016b)	Malaysia	Family takaful	DTPB: awareness+knowledge+exposure+WM+MM+SE+FC	Quantitative survey. 384 Individual non-users. Convenience sampling. PLS SEM	Attitudes, PBC, knowledge, and exposure have significant Influences on purchase intention. However, this study found the path from religiosity, awareness, and subjective norm to intention was insignificant.
21	Sheik & Jama (2016)	Somalia	Islamic insurance	DV (adoption intention) IVs (Knowledge, awareness, attitude & perception)	Quantitative. Questionnaire. 400 individual respondents. Convenience sampling. SPSS, multiple regression	All IVs positively influence Islamic insurance adoption
22	Hassan et. al (2017)	Kenya	Health insurance	Religious beliefs	Quantitative. Descriptive survey	Findings showed that religious reasons influence the uptake of takaful
23	Mas'ud (2017)	Nigeria	Takaful	TPB: excluding subjective norm + moderating effect of Risk vulnerability	Quantitative survey. Questionnaire. 129 respondents. Convenience sampling. PLS SEM	Findings showed that PBC, attitude, risk vulnerability have significant influence. Risk vulnerability moderates this relationship
24	Aziz et.al (2017)	Pakistan	Family takaful	Extended DTPB including moderator variables (knowledge, awareness, religiosity, confidence, & demographic)	Conceptual paper	N/A
25	Al Mahi et. al (2017)	N/A	Takaful	Religiosity	Literature review	N/A

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
26	Mokhtar et. al (2017)	Malaysia	General takaful	Awareness, perceived advantage, complexity, social factor, Shariah compliance & reputation	Quantitative survey. Questionnaire. Respondents include corporations & organizations which include both business and non-business. 246 responses were collected. Data were analysed by descriptive statistics & correlation where appropriate	Findings showed that the level of awareness & understanding of takaful is low especially among SMEs. There was also a low market share for general takaful as against conventional insurance. The main drivers to subscribe to takaful or insurance are perceived advantages & lack of complexity, familiarity & reputation. Shariah compliance and social factors were not the main motivators.
27	Salleh et al (2017)	Malaysia	General takaful	Prospect Theory	Mixed method (survey & focused group discussion with SMEs)	Findings showed High cost deters SMEs from adopting insurance.
28	Nasir et. al (2017)	Malaysia	Life insurance & family takaful	DTPB + Financial Literacy & Spiritual Intelligence as Moderator	Conceptual paper	N/A
29	Khan & Siddiqui (2017)	Pakistan	Takaful	IV (awareness, trust, religiosity & satisfaction) DV (purchase intention)	Quantitative. Questionnaire. 204 respondents' customers of insurance companies. Multiple regression	Findings showed that religiosity, trust, and satisfaction significantly influence takaful adoption while awareness does not.
30	Salman et. al (2018)	India	Takaful	New Product Diffusion theory: internal forces are explored and the difference btw Muslims and non-Muslims in takaful preference is explored based on innovativeness	Quantitative survey. Questionnaire. 909 Policyholders as respondents. Non-probability sampling. Factor analysis, regression and T-tests were used for analysis	Findings showed that internal forces precisely innovative mind, religion & education influence takaful adoption.

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
31	Hasyim (2018).	Indonesia	Takaful	TRA	Quantitative survey. Questionnaire. 100 respondents. PLS SEM	Findings showed that the TRA model was significant in explaining BI & actual behaviour
32	Adamu (2018)	Nigeria	Insurance	TPB+ religion & awareness	Quantitative. Survey. 288 individual respondents. Multiple regression	Findings show only awareness & attitude are significant in insurance patronage
33	Chishala., & Kabwe (2018)	Zambia	Insurance	Cost, awareness, government policy, uncertainty & perceived benefits	Quantitative. Descriptive statistics. 120 MSMEs were surveyed	All factors were significant
34	Hassan & Abbas (2019)	Pakistan	Takaful	TPB= Relative ADV+ Compatibility+ Social Influence +awareness+ religiosity	A quantitative survey of users and non-users of takaful. Non-probability sampling, a sample of 345. Questionnaire, binary logistic regression used due to the binary nature of dependent variable	all variables were +vely related to takaful adoption in both groups. Lack of awareness dominates the market and suspicion of takaful as a shariah compliant.
35	Raza et al. (2019)	Pakistan	Takaful	TPB: Relative ADV+ Compatibility+ +awareness+ +Risk+	Quantitative survey. Questionnaire. 305 individual respondents. Convenience sampling, PLS-SEM for data analysis	All variables were significant except RISK which has a negative but insignificant influence on intention
36	Ali et al. (2019)	Pakistan	Takaful	DOI variables+ awareness +religiosity	Quantitative survey. Questionnaire. 365 individual respondents ‘that are takaful users. AMOS-SEM for data analysis	Extended DOI variables were all significant

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
37	Shaikh et al (2019)	Pakistan	Family takaful	DOI: relative adv, compatibility, complexity, religious belief & awareness. Age, gender & education was included as moderators	Quantitative survey. Questionnaire. 282 non-users of family takaful. Convenience sampling. AMOS, SEM was used for data analysis.	Findings show that complexity and demographic moderators were not significant. All other factors were significant.
38	Aziz et al. (2019)	Pakistan	Family takaful	TBP= Attitude dimension only + intentions. Antecedents of attitude include religiosity, trust, knowledge & PU. Trust also mediates btw religiosity & attitude	Quantitative survey. Individual non-users' respondents (224). Judgemental sampling. PLS-SEM	Findings showed that trust fully mediates btw attitude & religiosity. knowledge & usefulness have a significant direct influence on attitude while attitude influence intention. Religiosity direct effect on attitude was insignificant
39	Kazaure (2019)	Nigeria	Islamic health insurance	TPB with awareness as moderator	Quantitative survey. Questionnaire. Proportionate stratified sampling. Convenience sampling. Multiple regression	Findings revealed that attitude, social influence (SI) and perceived behavioural control (PBC) have a significant direct influence on takaful acceptance intention among microenterprises in north-western Nigeria, while awareness does not. Awareness also moderates SI & PBC but not Attitude
40	Kirfi, Abubakar, Audu & Baba (2019)	Nigeria	Takaful	TPB+ usefulness & religious obligation	Questionnaire. 400 respondents. Stratified simple random sampling. PLS SEM	TBP constructs all positive + religious obligation while usefulness was not significant
41	Bhatti & Husin 2019	UAE	Family takaful	Full TPB (family takaful as DV)	Quantitative. 175 individual respondents. SPSS. Multiple regression	TPB supported
42	Dandago et al (2020)	Nigeria	Takaful	TPB: Awareness, religiosity, trust (IVS) & Patronage (DV)	Quantitative. SEM. 261 respondents. Purposive sampling	Findings showed all IVs were significant

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
43	Husin & Haron (2020a)	Malaysia	Micro takaful	N/A	SWOT analysis. Qualitative study	Findings revealed that: affordability, optimism bias, lack of awareness and complexity of products, regulatory support influence takaful adoption among SMEs
44	Musah et al (2020)	Ghana	Insurance	Firm characteristics, owner characteristics & external influence (nodal agents)	Quantitative. 384 SME respondents. Descriptive & probit regression	Findings revealed a moderately high level of insurance awareness among SMEs in Ghana. With regards to the variable that affects demand for insurance products, the results show that premium flexibility and nodal agencies, as well as knowledge of insurance by the owner or CEO and expectations of businesses, are positively associated with demand for insurance by SMEs. The study further showed that the level of education of the owners along with the sales or income level of the business is positively associated with the demand for insurance by SMEs. Additionally, the study revealed that the gender of the owner or CEO, number of employees and age of the business are not significant determinants of demand for insurance by SMEs in Ghana

Table 2.10, continued

S/N	Author /Year	Country/ Region	Takaful/Insurance Type	Theory/ Main Variables	Methodology	Findings
45	Aziz et al (2020)	Pakistan	Family takaful	TPB with special focus on subjective norm, word of mouth & media referent with attitude as a mediator	Quantitative survey. Questionnaire. 377 Nonusers of takaful. Salaried employees. Judgemental sampling. PLS SEM	Findings showed all variables were significant
46	Salman & Hassan (2020)	India	Takaful	New product DOI theory	A quantitative survey of Muslims & non-Muslim conventional insurance policyholders. Sample of 909 based on non-probability sampling, used multiple regression. questionnaire	Findings showed that four factors are significant: 1. perceived benefits in terms of service quality, customer service, cost, returns 2. Social factors 3. religious factors 4. Marketing/promotion
47	Salleh et al (2021)	Malaysia	General takaful	No theory was identified but related to prospect theory. Variables include risk perception and risk propensity and general insurance demand as a dependent variable	Survey of 278 SMEs. The sampling method is not mentioned. Data analysis used AMOS-SEM	Findings showed that risk perception has a direct effect on demand for general takaful. Also, risk propensity moderates this relationship.

The above table shows the summary of relevant studies related to Takaful (Islamic insurance) adoption. The body of literature on takaful adoption using behavioural intention and marketing theories increased rapidly in the past five years. South Asia and Southeast Asia have the highest number of publications in takaful adoption. Precisely, 43% of the total takaful adoption literature came from Malaysia and Pakistan. Most of the studies were on takaful in general (47%), studies on specific takaful products are few (i.e., family takaful [23%], general takaful [6%], micro takaful [4%], Islamic health insurance [2%]). Notable theories and factors used in this research stream include TPB (12 studies), DTPB (4 studies), DOI (8 studies), TRA (4 studies), religiosity, awareness, uncertainty, demographics, image, and promotion. Various methodologies have been employed to investigate takaful adoption, however, the quantitative method was the most used (79%). Furthermore, various data analysis techniques have been employed from descriptive statistics to more sophisticated 2nd generation analytical tools like SEM. Most studies concentrated on direct effects and mediating effects, only a few empirical studies investigated moderating effects (Salleh et.al., 2021; Shaikh et.al., 2019; Kazaure, 2019; Mas'ud, 2017). Furthermore, the non-probability sampling technique was the dominant sampling technique used in this research stream.

In the African continent, only nine articles were published on takaful adoption. Out of the nine articles, eight studies (89%) were conducted in Nigeria and one in Somalia (11%). The nine articles consist of six quantitative studies (67%), one qualitative study (11%) and two conceptual papers (22%). Furthermore, out of the six empirical studies, four studies used TPB as the theoretical framework (Dandago et al., 2020; Kirfi et al., 2019; Kazaure, 2019; Masud, 2017) and the other two used marketing factors (Sheik & Jama, 2016; Maiyaki & Ayuba, 2015). Moreover, only two studies (Kazaure, 2019; Masud, 2017) tested moderation effect, the other four studies

investigated only direct effects. Additionally, except for one study (Kazaure, 2019), the remaining 5 studies focused on individual customers. Likewise, MSMEs, general takaful, micro takaful were less explored in the overall takaful adoption literature.

2.8 Factors Influencing Takaful Adoption

Several studies have employed different behavioural/adoption theories to study Islamic finance adoption by individuals across different geographical locations and socio-economic structures with varying sample constituents and sizes. These theoretical models have been adapted (Yahaya et al., 2016b; Obeid & Kaabachi, 2016; Amin et al. 2011; Thambiah et al., 2013), extended (Kehinde & Sharofiddin, 2021; Haider, Changchun, Akram & Hussain, 2018; Mahdzan et al., 2017) and integrated (Kaakeh, Hassan & Almazor, 2019; Jamshidi & Hussin, 2016; Bodibe et al., 2016) to explain Islamic finance adoption. Most of these studies have confirmed the validity and usefulness of these theories, particularly TRA, TPB and DOI constructs in predicting behavioural intention and use of Islamic finance.

The previous section on the summary of takaful adoption studies revealed several factors that influence takaful adoption. This present section will elaborate on some of the major factors identified in previous studies that influence takaful adoption.

2.8.1 Relative Advantage and Takaful Adoption

Relative advantage as defined by Rogers (2003), is the extent to which an innovation is perceived to be better than its predecessor or substitute. Relative advantage is perceived by potential adopters in terms of economic benefits, social prestige, convenience, and satisfaction (Rogers, 2003). Perceived relative advantage had been tested in many research works conducted in the field of innovation adoption

and was found to be one of the major determinants of adoption behaviour (Latip, Yahya & Junaina, 2017; Mahdzan et al., 2017; Yahaya et al., 2014; Thambiah et al., 2011; Gerrard & Cunningham, 2003; Tan & Teo, 2000). This construct was consistently shown to be positively related to the adoption and use of innovation in different contexts, environments, and cultures (Mahdzan et al., 2017; Yahaya et al., 2014; Moore & Benbasat, 1991; Tornatzky & Klein, 1982).

In the literature on takaful adoption, several researchers have investigated the influence of relative advantage. Some studies found relative advantage to be significant (Salman & Hassan, 2020; Hassan & Abbas, 2019; Raza et.al., 2019; Ali et.al., 2019; Shaikh et.al., 2019; Aziz et.al., 2019; Coolen-Maturi, 2013), while others found insignificant effects (Kirfi et al., 2019; Echchabi, & Ayedh, 2015; Echchabi, Olorogun & Azouzi, 2014; Ayinde & Echchabi, 2012). For instance, a study by Kirfi et.al (2019) investigating takaful adoption in Gombe state, Nigeria, found an insignificant relationship between relative advantage (perceived usefulness) and takaful adoption. Similarly, studies by Echchabi, & Ayedh (2015), Echchabi, Olorogun & Azouz (2014), Ayinde & Echchabi (2012) in Yemen, Tunisia, and Malaysia, respectively, found relative advantage to be insignificant in explaining takaful adoption.

Conversely, Salman & Hassan (2020), Hassan & Abbas (2019), Raza et.al (2019), Ali et.al (2019) Shaikh et.al (2019) in India and Pakistan, respectively, confirmed the significance of relative advantage in predicting takaful adoption. Additionally, Mokhtar et.al (2017) investigated corporate demand for general takaful in Malaysia using a quantitative survey method. Findings from the study revealed that relative advantage (perceived advantage) is one of the key determinants influencing corporate organizations to purchase an insurance (both conventional and Islamic insurance). Similarly, Aziz et.al (2019) using a modified version of TPB confirmed the significance

of perceived usefulness (relative advantage) on family takaful adoption in Pakistan. Additionally, Coolen-Maturi (2013) found that competitive pricing (i.e., cost factor) influences the choice of insurance by Muslims in the UK. Therefore, due to the inconsistency of findings, there is a need to further investigate the effect of relative advantage in other less explored contexts and groups.

Moreover, relative advantage encompasses all the perceived benefits and advantages the potential adopters see in an innovation. Gerrard & Cunningham (2003), while studying internet banking adoption in Singapore, included convenience, reduced discomfort, savings of time and money, low cost to measure relative advantage. In addition, similar studies focusing on bank selection criteria have highlighted some measures of relative advantage such as return on investment (ROI), quick and efficient service delivery, convenience, low service charges, range of services/products offered, branch network, and an alternative medium of banking (i.e., mobile/internet banking and ATM network) (Blankson et al., 2007). This research measures relative advantage in terms of six features that comprise financial and non-financial benefits, namely return on investment (ROI), cost, service quality, business support services, range of services/products offered and convenience. The more general takaful is perceived by MSMEs to be useful and better than its substitutes, the more will be the adoption rate. Therefore, the following hypothesis is proposed:

H1: Relative advantage positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.2 Compatibility and Takaful Adoption

Compatibility is the degree to which an innovation is perceived to agree with the values, beliefs, past experience and needs of potential adopters (Rogers, 2003). The

more an innovation conforms to the values, experiences, and needs of the target market, the higher will be the adoption rate. The significance of compatibility in terms of adoption of innovation was validated in past studies (Mahdzan et al., 2017; Yahaya et al., 2014; Amin et al., 2013; Thambiah et al., 2011; Al-Gaith et al., 2010; Thambiah et al., 2010; Gerrard & Cunningham, 2003). A study carried out by Amin et al (2013), confirmed the positive influence of compatibility on the adoption of Islamic home finance products in Malaysia.

In studies on takaful adoption, several studies have confirmed the influence of compatibility on takaful adoption (Hassan & Abbas, 2019; Raza et.al., 2019; Ali et.al., 2019; Shaikh et.al., 2019; Echchabi, & Ayedh, 2015; Echchabi, Olorogun & Azouzi, 2014; Ayinde & Echchabi, 2012). For instance, a study by Echchabi & Ayedh (2015) using an extended DOI model revealed that only compatibility was significant in predicting customers' intention to adopt takaful in Yemen. Equally, another study by Echchabi, Olorogun & Azouzi (2014) found out that only compatibility was significant in explaining takaful adoption in Tunisia. Likewise, Shaikh et.al (2019), Ali et.al (2019) using an extended DOI model validated the significance of compatibility in predicting takaful adoption in Pakistan.

In the context of general takaful, MSMEs owner-managers will be more inclined to adopt insurance products and services that are in consonance with their ethical values, beliefs, and experiences. The more takaful operators and agents can exhibit the compatibility of takaful products to MSME owner-manager's beliefs, business needs and ethical values, the more the adoption rate of takaful by MSMEs. Hence, the following hypothesis is proposed:

H2: Compatibility positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.3 Complexity and Takaful Adoption

According to Rogers (2003), complexity is the degree to which an innovation is perceived as difficult to understand and use. Perceived complexity is closely related to perceived ease of use espoused by Davis (1989) in the Technology Acceptance Model (TAM). Innovations that are easy to understand and use tend to be adopted easily than those perceived to be complex and difficult to comprehend. Previous studies have tested this construct and it was found to have an inverse relationship with the adoption of an innovation (Jamshidi & Hussin, 2018; Thambiah et al., 2013; Gerrard and Cunningham, 2003; Yusof, 1999). Takaful is a recent innovation and therefore if it is perceived by MSMEs owner-managers as complex and difficult to understand, then the probability of adoption will be low.

Prior studies have validated the negative influence of complexity on Islamic financial services (Ali et.al., 2019; Jamshidi et al., 2014; Thambiah et al., 2011). For example, Ali et.al (2019) applying an extended DOI model confirmed the negative influence of complexity on takaful adoption among individual customers in Pakistan. Likewise, Mokhtar et.al (2017) found complexity to be significant in determining general takaful consumption by corporate organizations. On the contrary, a related study on family takaful adoption found complexity to be insignificant in influencing takaful adoption (Shaikh et.al., 2019). This inconsistency may be attributed to the sample of the study chosen. If the sample respondents are aware and knowledgeable about takaful then complexity will not be a significant factor and therefore will be insignificant. However, if the respondents have low awareness and knowledge of takaful, then complexity will have a significant negative influence on takaful adoption. Therefore, complexity needs to be further investigated in other regions and groups to confirm its significance or otherwise on takaful adoption. Takaful is a recent innovation and

therefore if it is perceived by MSMEs owner-managers as complex and difficult to understand, then the rate of adoption will be low. Therefore, to validate this claim, the following hypothesis is proposed:

H3: Complexity negatively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.4 Uncertainty and Takaful Adoption

Uncertainty is the degree to which several possibilities are perceived, concerning the occurrence of an event and the relative probabilities of these possibilities (Rogers, 2003). Rogers (2003) identified uncertainty as a common feature of any innovation. Perceived risk and uncertainty have been used synonymously by some researchers to investigate innovation adoption (Yahaya et.al., 2016a; Echchabi & Ayedh, 2015; Thambiah et.al., 2013; Teo & Pok, 2003; Tan & Teo, 2000). Bauer (1960) defined perceived risk as the degree of uncertainty and negative consequences associated with the purchase or use of a service or product. Risk, trust, and reliability of innovation are some aspects of uncertainty (Kotler and Armstrong, 2001; Rogers, 2003). A negative relationship between uncertainty and the rate of adoption have been established by some studies (Yahaya et.al., 2016a; Teo & Pok, 2003; Tan & Teo, 2000). The more uncertain an innovation is in terms of its performance, reliability, and trustworthiness; the lower would be the adoption rate. However, a contrary finding was reported by Echchabi, & Ayedh (2015), Echchabi, Olorogun & Azouzi (2014), Ayinde & Echchabi (2012). These studies found that uncertainty was not a significant factor in predicting takaful adoption. A probable reason for the insignificance of uncertainty in this context could be attributed to the religious connotation that takaful symbolizes, which unlike conventional insurance, follows the Islamic principles, which reduces the

uncertainty issues surrounding insurance services. As the majority of the population where the studies were conducted were Muslims, uncertainty might not play a significant role in influencing their behaviour towards general takaful adoption. This finding also suggest that religious labelled products and services are viewed favourably by the Muslims and therefore the perception of uncertainty was not given much consideration in these studies. Therefore, further investigations are required to determine the influence of uncertainty on takaful adoption.

Takaful as a recent innovation inherently creates uncertainty in the minds of potential adopters. Due to its newness, its reliability, genuineness as truly Shariah-compliant, and relative riskiness would be called into question by potential adopters. Furthermore, intangible products (i.e., service) are perceived to be riskier than tangible products (Laroche, Bergeron & Goutaland, 2003; Zeithaml & Bitner, 2000; Murray & Schlacter, 1990). Furthermore, the insurance business is shrouded with issues of reliability and uncertainty of outcomes. Though takaful is based on Islamic principles which diminish such reliability and uncertainty issues; the perception of low reliability and uncertainty may still be attached to it by potential adopters (Echhabi & Ayedh, 2015). MSME owner-managers may be hesitant in adopting general takaful if they perceive it to be unreliable, ambiguous, and doubtful in terms of Shariah compliance. Thus, the higher the perceived uncertainty by MSMEs owner-managers towards general takaful, the lower will be the rate of adoption. Therefore, the following hypothesis is postulated:

H4: Uncertainty negatively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.5 Awareness and Takaful Adoption

Awareness has been defined as “the individuals’ passive involvement and raised interest towards certain issues” (Bickford & Reynolds, 2002). Awareness is one of the major determinants of innovation adoption. Naturally, people are more likely to patronize such products and services that they are aware of and of which they have a certain level of understanding. Many studies have been done examining the relationship between awareness and adoption of an innovation (Mahdzan et al., 2017; Islam & Rahman, 2017; Bodibe et al., 2016; Yahaya et al., 2016b; Dalhatu et al., 2015; Ringim, 2013; Thambiah et al., 2013; Unegbu & Onuoha, 2013; Fada, 2012; Awan & Bukhari, 2011; Loo, 2010). These studies have confirmed that a positive relationship exists between awareness level and adoption rate. Furthermore, Al Balushi et al., (2018) confirmed the positive influence of awareness on MSMEs owner-managers’ intention to adopt Islamic financing alternative. Rogers (2003), Kotler & Armstrong (2001) have emphasized that awareness is the first step towards the adoption of an innovation. High awareness of the positive attributes of innovation can positively change people's perception and attitude while low awareness could result in negative perceptions and attitude towards that innovation.

Also, studies in behavioural finance have shown that financial products that are unambiguous, clearly defined and understood are more likely to be used than those that are not (Nguyen, Phung & Nguyen, 2018). People, naturally, detest ambiguity (ambiguity aversion) and therefore seek means of reducing such obscurity by gathering and synthesizing relevant information. This increases their awareness, familiarity and knowledge of the product or service in view. Individuals, generally, select financing options that they have all relevant information against those that they have little or no information (Nguyen, Phung & Nguyen, 2018; Heath & Tversky, 1991; Frisch & Baron

1988; Ellsberg, 1961). Furthermore, the competence hypothesis model (Heath & Tversky, 1991) argues that as individuals gain more knowledge, awareness and expertise about a certain phenomenon, the perceived ambiguity diminishes thereby enhancing their decision ability. In the case of MSMEs owner-managers, their awareness and knowledge of Islamic finance products will be positively related to their adoption intention. Moreover, familiarity bias (Cao, Han, Hirshleifer & Zhang, 2011), which makes individuals invest or choose financial options/portfolios they know as against the unknown, can influence the decisions of owner-managers in choosing Islamic finance products.

Prior studies have emphasized the need for massive awareness and public education about Islamic finance (Mahdzan et al., 2017; Ringim, 2013). A high level of awareness of the features, benefits, and principles of Islamic finance in general and general takaful in particular, is sure to have a direct or indirect positive influence on MSMEs owner-managers' adoption rate.

In the literature of takaful adoption, several studies have investigated the relationship between awareness and takaful adoption (Dandago et.al., 2020; Husin & Haron, 2020a; Hassan & Abbas, 2019; Raza et.al., 2019; Ali et.al., 2019; Shaikh et.al., 2019; Aziz et.al., 2019; Kazaure, 2019; Mokhtar et.al., 2017; Khan & Siddiqui, 2017; Sheik & Jama, 2016; Husin & Rahman, 2016a, 2016b; Maiyaki & Ayuba, 2015; Echchabi & Ayedh, 2015; Echchabi, Olorogun,& Azouzi, 2014; Coolen-Maturi, 2013; Ayinde,& Echchabi, 2012). Some of these studies have reported a positive significant relationship between awareness and takaful adoption (Kehinde & Sharofiddin, 2021; Dandago et.al., 2020; Husin & Haron, 2020a; Hassan & Abbas, 2019; Raza et.al., 2019; Ali et.al., 2019; Shaikh et.al., 2019; Aziz et.al., 2019; Adamu, 2018; Mokhtar et.al., 2017; Sheik & Jama, 2016; Maiyaki & Ayuba, 2015; Coolen-Maturi, 2013; Ayinde,&

Echchabi, 2012), while others have found insignificant influence of awareness on takaful adoption (Kazaure, 2019; Khan & Siddiqui, 2017; Husin & Rahman, 2016a, 2016b; Echchabi & Ayedh, 2015; Echchabi, Olorogun & Azouzi, 2014).

A qualitative study by Husin & Haron (2020a) on micro takaful adoption highlighted that awareness is a key factor influencing MSMEs in Malaysia to adopt micro takaful. Furthermore, Mokhtar et.al (2017) used a quantitative survey to investigate determinants of takaful consumption among corporate organizations in Malaysia. The study findings showed that awareness was among the factors influencing takaful consumption. Similarly, quantitative studies on takaful adoption in Pakistan have shown that awareness significantly influences takaful adoption (Hassan & Abbas, 2019; Raza et.al., 2019; Ali et.al., 2019; Shaikh et.al., 2019; Aziz et.al., 2019). Moreover, another qualitative study by Yusuf & Babalola (2015) indicated the significance of awareness in increasing takaful adoption in Nigeria.

Conversely, Kazaure (2019) investigated the determinants of Islamic health insurance adoption among micro-enterprises in North-West Nigeria. Findings from the study showed that awareness was not significant in predicting takaful adoption. Likewise, Khan & Siddiqui (2017) found an insignificant effect of awareness on takaful adoption in Pakistan. In a similar vein, Husin & Rahman (2016a, 2016b) examined the factors influencing takaful adoption in Malaysia. The study results found an insignificant relationship between awareness and takaful adoption. Consequently, the inconsistency of findings suggests the need for further validation of the awareness factor on takaful adoption. In this study, the researcher will evaluate the influence of awareness, based on the level of comprehension, knowledge and understanding of general takaful features, concepts, benefits, and principles. Consequently, the following hypothesis is proposed:

H5: Awareness positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.6 Government Support and Takaful Adoption

Government Support refers to government actions, regulations, policies, and political support that favourably influences the decisions of individuals and business firms (Amin et al., 2011). The provision of a favourable macroeconomic environment, sound policies, necessary infrastructures', legal framework, and political backing is vital for the survival, development, and growth of Islamic finance (Abubakar, 2018; Lajuni, Wong, Yacob, Ting, & Jausin, 2017; Ali, 2013). A very good example of the positive influence of government support can be seen in Malaysia; where Islamic banking and finance has advanced much due to such support (Lajuni et al., 2017; Nawi, Yazid, & Mohammed, 2013; Amin et al., 2011).

Government support in this context reflects an aspect of facilitating conditions advanced in prior studies of innovation adoption (Tan & Teo, 2000; Venkatesh et al, 2003; Thompson et al., 1991; Taylor & Todd, 1995; Triandis, 1980). Facilitating conditions as explained by previous empirical studies (Venkatesh et al., (2003), Thompson et al., 1991; Triandis, 1980) refers to the degree to which an individual believes that the necessary environmental and technical support exists to facilitate the adoption of an innovation. Government support is a fundamental factor in influencing the financing decisions of MSMEs. By providing the necessary policies, regulations, incentives and infrastructures, the government can facilitate the adoption of general takaful among MSMEs.

Prior studies in the innovation adoption field have examined the relationship between government support and adoption (Mandari & Chong, 2018; Lajuni et al.,

2017; Nawi, Yazid, & Mohammed, 2013; Amin et al., 2011; Teo & Pok, 2003; Tan & Teo, 2000). Most of the studies found a positive relationship between government support and the adoption of an innovation (Mandari & Chong, 2018; Lajuni et al., 2017; Tan & Teo, 2000). Also, behavioural/adoption studies have shown the active role of government in influencing the adoption or rejection of an innovation (Lajuni et al., 2017; Nawi, Yazid, & Mohammed, 2013; Amin et al., 2011; Amin, Muhammad, Lada, Amran, & Hamid, 2006; Teo & Pok, 2003; Tan & Teo, 2000). Strong governmental support makes an innovation to be widely accepted and used in a country (Lajuni et al., 2017; Nawi, Yazid, & Mohammed, 2013; Amin et al., 2011; Amin et al., 2006). Equally, the lack of government support or commitment can inhibit the diffusion and acceptance of an innovation (Amin et al., 2011; Amin et al., 2006). Amin et al., 2011 examined the influence of government support on the adoption of Islamic personal financing by Islamic bank customers in Malaysia. Results of the study found government support as an insignificant predictor of intention to use Islamic personal financing. In contrast, Lajuni et al., 2017 investigated the determinants of Islamic banking products usage by bank customers in Malaysia. The findings of the study showed that government support is a major determinant of Islamic banking product usage in Malaysia. Obeid, & Kaabachi (2016), suggested that future researchers should include government support to investigate Islamic banking adoption.

In the takaful demand and adoption literature, government support has received less attention. Little is known empirically of the influence of government support on takaful adoption (Sherif & Shaairi, 2013). Although some studies have highlighted the importance of government support in facilitating takaful adoption (Kazaure, 2019; Sherif & Hussnain 2017; Sherif & Shaairi, 2013), no empirical study has validated this claim. Even though Husin & Rahman (2013) have identified facilitating condition (of

which government support is linked) as a potential determinant of family takaful adoption, this assertion has not been empirically tested. However, a few studies using a qualitative approach have revealed the importance of government support in boosting takaful penetration and acceptance (Husin & Haron, 2020a; Yusuf & Babalola, 2015; Fadun, 2015). For instance, a qualitative study by Husin & Haron (2020a) identified government and regulatory support as significant determinants of micro takaful adoption among MSMEs in Malaysia. Furthermore, Yusuf & Babalola (2015) using a case study approach interviewed the existing takaful operators in Nigeria to uncover factors influencing takaful uptake. The results of the interview indicated that government and regulatory support is key in supporting takaful penetration and acceptance. Furthermore, Kazaure (2019), Sherif & Hussnain (2017), Sherif & Shaairi (2013) all pointed out the need to empirically investigate the impact of government policies and regulations on takaful adoption. In the context of MSMEs, the perception of government's favourable disposition towards takaful can have a positive influence on the decision to adopt general takaful by MSMEs owner-managers. Consequently, this study investigates the influence of government support on takaful adoption among MSMEs in North-West Nigeria. To substantiate this assertion, it is hypothesized that:

H6: Government support positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.7 Religiosity and Takaful Adoption

Religiosity is the extent to which an individual values and adheres to Shariah principles and dictates in the conduct of his affairs (Jaffar & Musa, 2014; Amin et al., 2011; Worthington et al., 2003). Religiosity has two sides both reinforcing each other.

The first aspect is the individual's religiosity and enthusiasm which makes him patronize

Islamic finance products (Yasin & Hati, 2017). The second aspect deals with the perception of an individual of the level of adherence to Islamic principles by Islamic financial institutions (Kaakeh et al., 2019; Jaffar & Musa, 2014; Amin et al., 2011). Many studies have studied the impact of religion (also known as religiosity, Shariah-compliance, and religious obligation) on the adoption of Islamic finance products (Janah et al., 2020; Bananuka et al., 2019; Kaakeh et al., 2019; Yasin & Hati, 2017; Jaffar & Musa, 2014; Amin et al., 2014; Echchabi & Abd Aziz, 2012; Amin et al., 2011). Most of these studies found a positive relationship between religiosity and the adoption of Islamic finance products (Obeid & Kaabachi, 2016; Jaffar & Musa, 2014; Tara, Irshad, Khan & Yamin, 2014; Amin et al., 2011). Islamic finance as a religious-based financing paradigm usually appeals to Muslims who are religiously minded. Numerous studies have validated the relationship between religiosity and adoption of Islamic finance (Janah et al., 2020; Kaakeh et al., 2019; Yasin & Hati, 2017; Obeid & Kaabachi, 2016; Tara, Irshad, Khan & Yamin, 2014; Amin et al., 2014; Echchabi & Abd Aziz, 2012; Amin et al., 2011). A recent study by Kaakeh et al., (2019) in UAE was conducted to investigate bank customers' attitudes towards Islamic banking. Their findings showed that Shariah compliance and awareness are significant factors in influencing customers attitudes towards Islamic finance alternatives.

Furthermore, Religiosity has been a subject of study in the takaful adoption literature. Some studies indicated that religiosity was positively related to takaful adoption (Salman & Hassan, 2020; Dandago et al., (2020); Hassan & Abbas, 2019; Ali et.al., 2019; Shaikh et.al., 2019; Aziz et.al., 2019; Kirfi et al., 2019; Hassan, Mwaura-Tenambergen & Eunice, 2017; Khan & Siddiqui, 2017; Ustaoglu, 2015; Kamil & Nor 2014; Siala, 2013; Gustina & Abdullah, 2012), while other studies revealed otherwise (Adamu, 2018; Mokhtar et al., 2017; Husin & Rahman, 2016b; Coolen-Maturi, 2013).

An empirical study conducted in India by Salman & Hassan (2020) revealed that religious factor is among the significant factors influencing takaful patronage. Similarly, Dandago et.al (2020) examined the factors influencing entrepreneurs in Kano, Nigeria, to patronise takaful products. The findings of the study showed that religiosity was among the significant determinants of takaful patronage among entrepreneurs in Kano. Furthermore, Hassan & Abbas (2019), Ali et.al (2019), Shaikh et.al (2019) used extended models of TPB and DOI, respectively, to investigate takaful adoption in Pakistan. Their findings revealed that religiosity is significant in predicting takaful adoption. Additionally, Aziz et.al (2019) investigated the factors impacting family takaful purchase intention in Pakistan. The study findings revealed that religiosity indirectly influences attitude through trust, while attitude was positively related to family takaful purchase intention. Like Aziz et al. (2019), Siala (2013) investigated religious influences on insurance purchase among Muslims in the UK. Findings revealed that religiosity and religious centrism influence takaful brand loyalty through attitude. Also, Kirfi et al. (2019) investigated takaful adoption in Gombe, Nigeria, using an extended TPB. Results from the study showed that religious obligation was an important determinant of takaful adoption.

Moreover, Khan & Siddiqui (2017) employed a quantitative survey to examine takaful purchase intention in Karachi, Pakistan. The results of the study revealed that religiosity was among the significant factors impacting takaful purchase intention. Similarly, Hassan et al. (2017) investigated health insurance uptake among Muslims in Nairobi, Kenya. Findings from the study revealed that religious reasons significantly influence insurance. Another quantitative study conducted in Turkey by Ustaoglu (2015) revealed that religiosity was positively correlated with takaful preference. Additionally, another study by Kamil & Nor (2014) using qualitative methods also

showed that religious motives influence takaful preference in Malaysia. Furthermore, Gustina & Abdullah (2012) conducted a comparative study to examine the demand for family takaful and life insurance in Malaysia. The study used economic and sociodemographic factors as dependent variables. The results of the study showed that religion was significant in determining family takaful demand.

On the contrary, Coolen-Maturi (2013) found that perceived advantages rather than religious motives influence Islamic insurance demand in the UK. Likewise, Mokhtar et al. (2017) corroborated the findings of Coolen-Maturi (2013). The study investigated corporate demand for general takaful in Malaysia. Findings revealed other factors rather than sharia compliance influence general takaful adoption among corporate organizations. Likewise, a study on family takaful purchase intention by Husin and Rahman (2016b) revealed that religiosity was an insignificant predictor of intention to subscribe to family takaful. Moreover, Adamu (2018) investigated insurance patronage in Northern Nigeria using an extended version of TPB. Findings from the study revealed that religion was not significant in predicting insurance patronage. These inconsistent findings require further validation in other contexts and groups. In this study the researcher predicts that the religiosity of an MSME owner-manager influences the adoption of general takaful among MSMEs. To validate this claim, the following hypothesis is tested:

H7: Religiosity positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.8 Social Influence and Takaful Adoption

According to Venkatesh et al (2003), social influence refers to the degree of influence that reference groups have on an individual's decision towards the adoption

and use of an innovation. A colossal number of studies have verified the importance of social influence in determining the adoption of innovations (Badaj & Radi, 2018; Al Balushi et al., 2018; Obeid & Kaabachi, 2016; Abdulkadir et al., 2013; Al-Somali et al., 2009; Blankson et al., 2007; Gerrard & Cunningham, 1997). Blankson et al., (2007) in a study of bank selection criteria across different cultures and national boundaries in the USA, Taiwan & Ghana found that recommendations by parents and peers were important factors in all three countries surveyed.

Additionally, Al Somali et al. (2009) confirmed the effect of social influence on the adoption of online banking in Saudi Arabia. Social influence is the same as subjective norm (Ajzen, 1991; Taylor & Todd, 1995), social factors (Thompson, Higgins & Howell, 1991; Triandis, 1980) and comprises the opinions of significant others (i.e., family, religious leaders, public figures etc.), other people's recommendations and peer group influence (Taylor & Todd, 1995). Interestingly, social influence has been identified in previous studies as a factor influencing entrepreneurial decision making (Al Balushi, Locke & Boulanouar, 2018; Badaj & Radi, 2018). MSME owner-managers rely on both internal (staff, friends, family etc.) and external groups (bankers, financial consultants, industrial influence etc.) for support, advice, and encouragement.

Moreover, social influence is like the herd mentality bias in behavioural finance theories of decision making. The innate drive to mimic others is predominant in humans and other mammals. People tend to imitate others they view as important and more experienced. For example, investment decisions are full of such herd behaviours, particularly in the stock markets (Zhou & Anderson, 2013; Areiqat, et al., 2019). Additionally, studies have shown that financial decisions by firms are influenced by herd mentality (Brendea & Pop, 2019; Farrell & Saloner, 1985; Katz & Shapiro, 1985).

Adoption of a particular innovation by firm A, for example, will lead other firms in the same industry to be biased towards that innovation (Sharfstein & Stein, 1990).

Social influence has also been a subject of investigation in the takaful adoption literature. Several researchers have established that social influence impacts takaful adoption (Kehinde & Sharofiddin, 2021; Aziz et al 2020; Salman & Hassan, 2020; Hassan & Abbas 2019; Bhatti & Husin 2019; Kirfi et.al., 2019; Kazaure, 2019; Hasyim, 2018; Husin et.al., 2016). Aziz et.al (2020) used a modified TPB with a special focus on the antecedents of subjective norm and the influence of subjective norm on attitude and family takaful adoption. The results of the study revealed that subjective norm (social influence) has a direct and indirect (through attitude) influence on family takaful adoption intention in Pakistan. Similarly, Salman & Hassan (2020) employed the new product diffusion theory to investigate takaful adoption in India. A sample of 909 conventional insurance policyholders was analysed. The findings revealed that social factors are among the significant determinants of takaful acceptance in India. Furthermore, social influence was found to be significant in predicting takaful adoption in users and non-users of takaful in Pakistan (Hassan & Abbas, 2019). In the same vein, Bhatti & Husin (2019) examined the influence of TPB constructs on family takaful adoption in the UAE. The findings showed that the TPB constructs (including subjective norm) were all significant in predicting takaful adoption. Moreover, in Nigeria, Kirfi et.al (2019) used a modified TPB to examine takaful adoption in Gombe state. The study found a positive relationship between takaful adoption and social influence (subjective norm).

Likewise, Haysim (2018) used TRA to investigate the determinants of takaful acceptance in Indonesia. The findings of the study showed that both attitude and subjective norm (social influence) were significant in predicting adoption intention and

actual usage. Equally, Husin et.al., (2016) surveyed 384 Muslim consumers to study the impact of word of mouth, mass, media, and subjective norm on family takaful purchase intention in Malaysia. The results indicate that word of mouth, mass media influence family takaful adoption intention through subjective norm, while subjective norm directly influences family takaful purchase intention.

However, contrary findings were reported by other researchers which revealed that social influence is not significant in predicting takaful adoption (Husin & Rahman, 2016a, 2016b; Echchabi, & Ayedh, 2015; Echchabi, Olorogun & Azouzi, 2014; Ayinde & Echchabi 2012). A study by Husin & Rahman (2016a, 2016b) investigated the factors influencing takaful adoption in Malaysia applying an extended TPB and DTPB, respectively. The two studies found that subjective norm was not a significant predictor of takaful adoption intention. Similarly, Echchabi & Ayedh (2015) surveyed 123 individual respondents in Yemen to examine the factors influencing takaful adoption. Results of the study indicate that social influence was not significant in predicting takaful adoption. Equally, Echchabi et.al (2014) found similar results in Tunisia. Additionally, Ayinde & Echchabi (2012) applied an extended DOI model to investigate takaful adoption in Malaysia. Their findings reveal an insignificant relationship between social influence and takaful adoption. Hence, the impact of social influence on takaful adoption is still debatable and requires additional validation in other less explored groups like MSMEs.

In this study, social influence was based on the three groups mentioned previously (i.e., significant others, external groups & internal groups). People live in a social system and their attitudes, habits, principles are shaped by the system in which they are part. A positive view and suggestion by these groups will have a favourable impact on

the adoption of general takaful. To substantiate this claim, the following hypothesis is tested:

H8: Social influence positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.8.9 Prior Loss Experience and Insurance Uptake

Experience has been identified as a strong stimulus affecting behaviour (Weinstein, 1989). The literature in conventional insurance purchase behaviour has shown that prior loss experience with hazards has a significant effect on insurance purchase decisions (Innocenti, et al., 2019; Thistlethwaite et al., 2018; Turner et al., 2014; Norris, Smith & Kaniasty, 1999; Weinstein, 1989). Individuals who had personal experience of loss due to hazards are more likely to adopt preventive measures than those without such experiences. For instance, the severity of past loss experience due to natural disasters increased insurance uptake among individuals and groups that experienced such disasters (Weinstein, 1989). Additionally, Norris et al. (1999) investigated the effect of a hurricane disaster experience on an individual's adoption of protective measures such as insurance cover. Findings from the study revealed that prior experience is positively associated with the adoption of precautionary measures. Similarly, Turner et al. (2014) examined the demand for micro insurance after a rare flood experience in Pakistan. The study findings showed that prior loss experience significantly influences insurance demand.

Additionally, Thistlethwaite et al. (2018) confirmed the impact of prior loss experience on the adoption of protective measures. The results of their study indicated that those individuals with prior flood experience are more likely to take precautionary actions such as purchasing insurance than those without flood experience. Equally,

Innocenti, et al. (2019) used a survey to examine the effect of past negative health experiences on the adoption of income protection insurance. Findings showed a positive correlation between past health experience and the adoption of insurance. However, in the takaful adoption literature, no study is yet to investigate the influence of prior loss experience on takaful adoption. Based on the above studies, the researcher argues that MSME owner-managers with prior loss experience are more likely to adopt general takaful as a precautionary measure than those without such experience. To validate this claim, the following hypothesis is tested:

H9: Prior loss experience positively influence the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

2.9 Religiosity as a Moderator in Behavioural Intention/Adoption Studies

Religion plays a very fundamental role in human society. Religion influences every aspect of society. It also plays a significant role in shaping the attitudes and behaviours of its adherents. Additionally, religion also dictates and informs the attitudes and behaviours of people towards financial and non-financial products (Nawawi, Roslin & Hamid, 2018). For instance, Islam is such a religion that guides and directs the consumption behaviour of Muslims. This has profound implication for those that want to tap into the lucrative halal and halal related market. Although, religion, which implies one's beliefs about the complete credibility and integral truth of religious teachings and scriptures (Moschis & Ong, 2011) is key in determining behaviour; it is the intensity and devotion to the dictates of the religion (i.e., religiosity) that has a significant impact on individual behavioural intention and actual behaviour (Mukhtar & Butt, 2012).

Religiosity is the extent to which a person is devoted to his religion and expresses such through his attitude and behaviour (Johnson 2001). The intensity of an individual's religiosity influences his consumption and financial behaviour (Mukhtar and Butt 2012). Likewise, individuals may vary in their consumption and buying behaviour based on their level of religiosity (Ibrahim & Ismail, 2015). Moreover, Muslims with high religiosity would be more likely to adopt or purchase halal and halal related products than Muslims with a low level of religiosity (Nawawi et al., 2018). Consequently, based on the previous arguments, it is proposed that the intensity of one's religiosity can affect his behaviour towards adopting a religious labelled product.

Several studies in the Islamic finance adoption literature have investigated the moderating role of religiosity on adoption behaviour (Ku Amir, Tunku Salha & Mohd Zukime, 2021; Masnita, Yakub, Nugraha & Riorini, 2019; Nawawi et al., 2018; Farouk, Idris & Saad, 2018; Patwary, Mohammed, Hazbar & Kamal, 2018; Ajetunmobi, Ibrahim & Hamid, 2018; Husin & Rahman, 2013; Thambiah et al., 2013). For instance, Thambiah et al. (2013) employed Rogers Innovation Diffusion theory to study the moderating effect of religion on the adoption of Islamic retail banking products in Malaysia. Findings showed that religion moderates the interaction between Rogers perceived attributes of innovation and intention to adopt Islamic retail banking products. Similarly, Husin & Rahman (2013) proposed a conceptual model for family takaful adoption based on the review of the literature. The study identified religiosity as a potential moderator in family takaful adoption studies. Furthermore, Ajetunmobi et al. (2018) applied DTPB to investigate the moderating role of religion on the adoption of Islamic home financing in Nigeria. Findings revealed that religion has a moderating effect on the adoption of Islamic home financing. Equally, Patwary et al. (2018) investigated the factors influencing consumers to purchase Islamic hotel services. The

study findings showed that religiosity has a moderating effect on the relationship between the independent variables and purchase of Islamic hotel service.

Additionally, Nawawi et al (2018) used DTPB to examine the factors that may influence customers' intention to purchase halal personal care products. The results from the study revealed that religiosity moderates the relationship between the TPB constructs and intention to purchase halal products. Also, Farouk et al. (2018) used TRA to investigate the factors that may influence intention to comply with Zakat on employment income among civil servants in Kano, Nigeria. Religiosity was found to have a moderating influence on the relationship between subjective norm and zakat compliance behaviour, but it failed to moderate between attitude and zakat compliance behaviour. In the same vein, Masnita et al. (2019) examined the influence of government support, technology Support and Islamic banking awareness on Islamic Banking Choice in Indonesia with the moderating role of religiosity. The study findings revealed that religiosity has a moderating effect on two of the independent variables' relationship with Islamic banking, but it failed to moderate the relationship between government support with Islamic banking choice. Finally, Ku Amir et al. (2021) investigated the moderating effect of religious orientation on the relationship between the pricing of general takaful products and Muslim purchasing behaviour. Findings showed that religious orientation moderates the relationship. However, the moderating effect of religiosity on MSMEs general takaful adoption behaviour has not been tested in previous research. Hence, this study tests the following hypotheses:

H10a: Religiosity moderates the positive relationship between relative advantage and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity.

- H10b:** Religiosity moderates the positive relationship between compatibility and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity
- H10c:** Religiosity moderates the negative relationship between complexity and general takaful adoption. Specifically, this relationship will be weaker for MSME owner-managers with high religiosity than those with low religiosity
- H10d:** Religiosity moderates the negative relationship between uncertainty and general takaful adoption. Specifically, this relationship will be weaker for MSME owner-managers with high religiosity than those with low religiosity
- H10e:** Religiosity moderates the positive relationship between awareness and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity
- H10f:** Religiosity moderates the positive relationship between social influence and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity
- H10g:** Religiosity moderates the positive relationship between government support and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity
- H10h:** Religiosity moderates the positive relationship between prior loss experience and general takaful adoption. Specifically, this relationship will be stronger for MSME owner-managers with high religiosity than those with low religiosity

2.10 Summary of Empirical Review on Takaful Adoption and Research Gap

The review of studies related to takaful adoption reveals some interesting trends and observations. First, most of the studies on takaful adoption were conducted mostly in specific regions of the globe. Specifically, majority of these studies emanated from two sub regions of the globe (specifically, South Asia & Southeast Asia). Malaysia and Pakistan have the highest number of publications in takaful adoption. Other regions have received less attention in the literature. This trend can result in biased conclusions that cannot be applied in other research settings with different demographic and socio-cultural compositions.

Second, only a handful of empirical studies examined general takaful adoption. Most of the studies were general and did not focus on specific takaful products for investigation. Although studies on family takaful have increased rapidly in the past 5 years; general takaful adoption remains an underexplored area of research. Focusing on a specific takaful product will provide useful insights in devising product-specific marketing and segmentation strategies. This study is hoped to augment these few studies and enrich the literature in general takaful adoption.

Third, previous studies in takaful adoption gave less attention to the use of an integrated model based on DOI and UTAUT to investigate MSMEs behaviour towards general takaful products. All the earlier studies used either DOI, TRA OR TPB (and its decomposed version) as their theoretical underpinning. An approach that integrates the strength of two or more theories provides a more comprehensive view and improves the viability of predicting the adoption of innovations (Taylor & Todd, 1995).

Fourth, the literature on takaful adoption shows mixed results on the impact of awareness, relative advantage, social influence, uncertainty, and religiosity on behavioral intention towards takaful. Some studies have shown significant influence of

these factors on takaful adoption (Kazaure et al., 2019; Ali et al., 2019), while others have found otherwise (Husin & Rahman, 2016b; Echchabi & Ayedh, 2015). This requires further validation of these factors in other research settings.

Fifth, previous studies on takaful adoption have mainly concentrated on the individual adoption intention; MSMEs have received less attention from researchers. MSMEs are recognized as the backbone of an economy and therefore deserve to be specifically examined. Furthermore, MSMEs are also known to be the most vulnerable among the business sector groups. General takaful can be of significance in shielding MSMEs from unanticipated hazards. Hence, studying what influences MSMEs owner-managers to adopt general takaful is key in providing tailor-made takaful products commensurate to their needs.

Sixth, majority of the extant literature reviewed on takaful adoption behaviour applied non-probability sampling technique (mostly convenience sampling) to select study samples. This trend can significantly limit the generalizability of these studies findings. Therefore, this study applies a probability sampling technique to avoid this drawback.

Seventh, the influence of government support on takaful adoption has been underscored in the takaful literature but yet there are lack of empirical studies to validate this claim in the takaful adoption literature.

Eight, the influence of prior loss experience on insurance uptake has been empirically substantiated in the conventional insurance literature, however, there exist a dearth of studies on its effect on takaful adoption.

Finally, the literature in innovation adoption and behavioral intention studies have highlighted the importance of moderator variables. Specifically, religiosity have been highlighted in the literature on Islamic finance adoption behavior as a potential

moderator. However, in the field of takaful adoption, there are lack of studies investigating the moderating role of religiosity on takaful adoption. Husin & Rahman (2013) proposed a conceptual framework for family takaful which included religiosity as a potential moderator. Furthermore, Khan et al (2020) suggested that future studies should investigate the role of religiosity in takaful adoption. Thus, this study investigates the moderating role of an MSME owner-manager's religiosity on the adoption of general takaful among MSMEs.

2.11 Research Conceptual Model

The research conceptual model was developed based on the review of research constructs and underpinning theories of previous studies in the innovation adoption literature, especially studies related to takaful and Islamic finance adoption. The constructs of the conceptual framework for this study were in part adapted from Roger's (2003) Diffusion of Innovation theory (DOI), Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh et al., (2003), and religious (Shariah) principles. Relative advantage, compatibility, complexity, uncertainty, and awareness constructs were adapted from DOI and extended models of DOI (Yahaya, Hamid, Idris & Haji-Othman, 2016a; Echchabi & Ayedh, 2015; Thambiah et al., 2013), and were selected based on their wide applicability and significance in influencing the adoption of diverse innovations in different environments and cultures (; Mahdzan et al., 2017; Yahaya et al., 2014; Jamshidi & Hussin, 2012; Thambiah et al., 2010). Social influence, also known as subjective norm, was adapted from UTAUT due to its significance in predicting adoption behaviour (Abdulkadir et al., 2013; Al-Somali et al., 2009; Blankson et al., 2007; Venkatesh et al., 2003; Teo & Pok, 2003).

Government support is another construct derived from UTAUT (facilitating conditions) which was added to the model due to its weight in the context of MSMEs development. Innovations backed by the government of a country are more likely to be accepted than innovations lacking such support. Additionally, religiosity (also known as religious obligation and Shariah-compliance) is a significant factor when it relates to Islamic finance adoption and hence included both as an independent construct and a moderator in the research model (Salman & Hassan, 2020; Dandago et al., 2020; Jaffar & Musa, 2014; Thambiah et al., 2013).

Islam, unlike other world religions, encompasses every aspect of life, including the economic and financial spheres. It is expected that the religiosity of an MSME owner-manager will have both direct (Dandago et al., (2020); Hassan & Abbas, 2019; Ali et al., 2019; Shaikh et al., 2019; Aziz et al., 2019; Kirfi et al., 2019) and moderating influence (Ku Amir, Tunku Salha & Mohd Zukime, 2021; Masnita, Yakub, Nugraha & Riorini, 2019; Nawawi et al., 2018) on the relationship between the predictor variables and the adoption behaviour of MSMEs towards general takaful. Husin & Rahman (2013) included religiosity as a moderator based on the review of literature on family takaful adoption. Finally, Prior loss experience was included in the model due to its significance in influencing conventional insurance adoption behavior (Innocenti, et al., 2019; Thistlethwaite et al., 2018; Turner et al., 2014). It is expected that takaful adoption as a substitute of conventional insurance will be influenced by prior loss experience. All constructs in the research conceptual model with the exception of prior loss experience (which is a categorical predictor variable) were measured reflectively. The conceptual framework for the study is presented below:

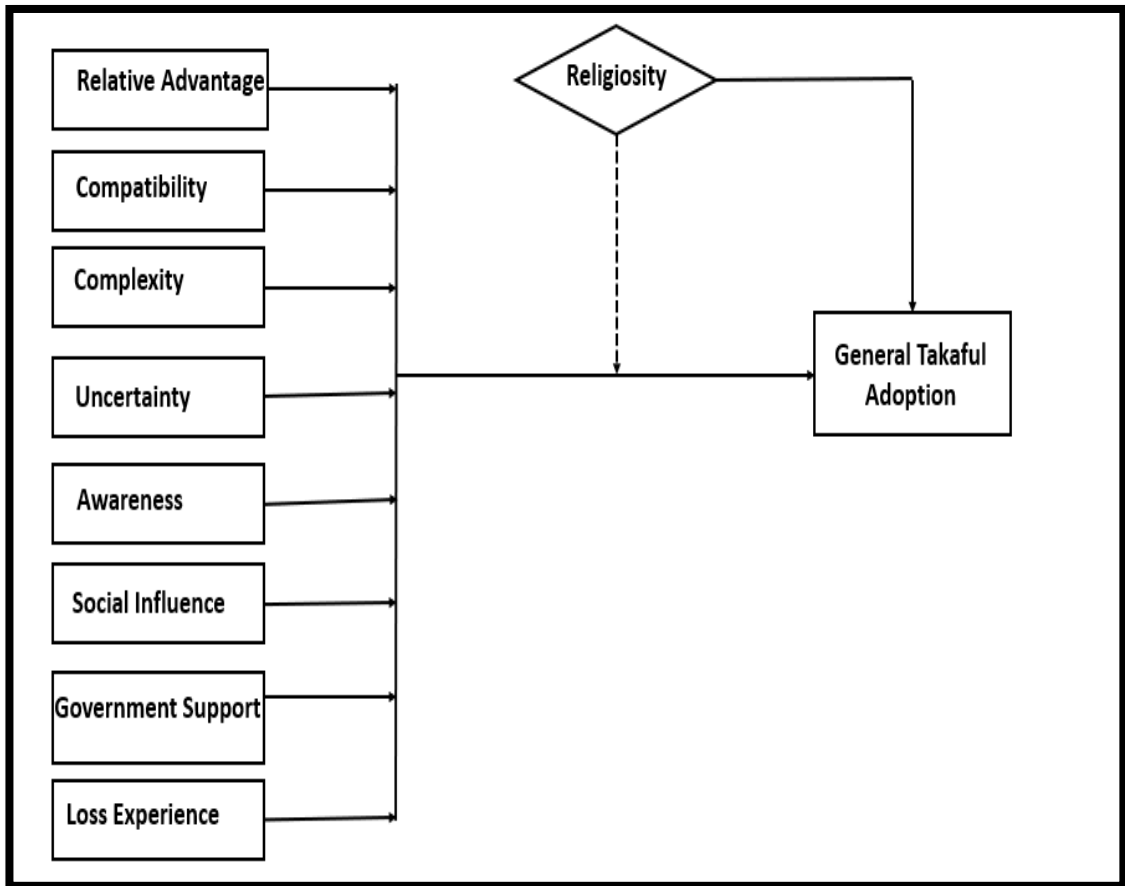


Figure 2.3: Conceptual Framework

2.12 Chapter Summary

This chapter elaborated and discussed the main concepts in the study. The concept of takaful, types, models, global and local trends were discussed. Also, the concept of MSME and its status in the Nigerian context was further explained. Additionally, the relevant behavioural/adoption theories supporting the study were reviewed. Furthermore, past studies on takaful adoption were reviewed, prominent constructs influencing takaful adoption were discussed and research gaps were identified. Finally, based on the literature review, the research hypotheses and conceptual framework was developed. The next chapter introduces and explains the research methodology used in this study.