

CHAPTER 1

INTRODUCTION

1.1 Introduction

We live in a risk pervasive world wherein individuals and businesses are constantly exposed to various perils that if left unchecked will result in a chain of negative reactions affecting the quality of life, business continuity and socio-economic stability (Jonas, 2013). Takaful (Islamic insurance) is a means of mitigating such risk factors by reducing the impact of such mishaps through financial compensation. The need for insurance coverage is even more pertinent to Micro, Small and Medium-sized Enterprises (MSMEs) due to their fragile nature compared to large enterprises. However, most MSMEs operate their businesses without insurance coverage. This trend is even more evident in the least developed economies. Thus, the primary aim of this study was to investigate the noneconomic factors that influence MSMEs owner-managers behavioural intention (BI) to adopt general takaful (Islamic insurance) in North-West Nigeria as a risk mitigation strategy against financial loss and property damage.

This chapter presents the background information about the research problem, the statement of the problem, followed by the research objectives, research questions and hypotheses, the significance of the study, the research scope, definitions of key terms, and the chapter summary.

1.2 Background of the Study

Modern-day insurance has evolved as one of the key risk management tools employed by business enterprises to mitigate the negative impact of future uncertainties. Businesses are exposed to various types of risk which may threaten their continuity and long-term sustainability. The risk of death, accident, property damage, disease, natural and man-made disasters are ever-present, which can affect the quality of life, business continuity and by extension a country's economic development. Insurance serves as a means of diminishing the effect of such misfortunes by compensating the victims through reinstating them to their previous status (COMCEC, 2019; Sherif & Hussnain, 2017; Yusuf, 2012). Today, the insurance sector is one of the key pillars of the global business and financial ecosystem. It is the only sector that ensures the stability and sustainability of all other sectors by reinstating them to their pre-disaster condition (Yusuf, 2012; Atkins & Bates, 2007). The absence of insurance cover, especially by business entities, threatens their viability and long-term sustainability, which also stagnates economic growth and development (Husin & Haron, 2020a; Hoffman, 2015).

Businesses, particularly large corporations in developed economies devote a substantial amount of money to insurance covers to mitigate and manage the diverse risk factors they face in their business dealings (Hoffman, 2015). However, MSMEs, particularly in developing and emerging economies, give little consideration towards insuring their businesses against unanticipated perils (Husin & Haron, 2020a; Dandago, Muhammad & Sabiu, 2020; Central Bank of Nigeria [CBN], 2018).

The insurance density and penetration level are very low in the Muslim-majority, emerging market economies (EMEs) (Hoffman, 2015). Conventional insurance, albeit its noble goals, has faced stiff resistance and apathy in Muslim-majority countries because it conflicts with the beliefs and laws (Shariah) of the Muslims (COMCEC,

2019; Akhter, Pappas & Khan 2017). Conventional insurance was deemed invalid because it entails elements of *gharar* (excessive uncertainty), *maysir* (gambling) and *riba* (usury) which are prohibited in the Islamic economic and financial system (Salman & Hassan, 2020). Thus, the need for an alternative insurance mechanism, achieving the same noble objectives, that is Shariah-compliant and in harmony with the Islamic finance worldview was justified (COMCEC, 2019; Akhter et al., 2017).

Present-day Takaful (Islamic insurance) was developed four decades ago as an alternative to conventional insurance (COMCEC, 2019; Swartz & Coetzer, 2010; Billah, 1998). In contrast with conventional insurance that is a risk transfer mechanism, Takaful is a risk-sharing tool that pools financial resources together to compensate participants in the event of the occurrence of identified risks. 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 (Billah, 2001). 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 (Husin, Ismail & Rahman, 2016). It is fundamentally based on the spirit of cooperation, brotherhood, and solidarity among members of a group (Nasir, Farooq & Khan, 2021).

The Islamic Financial Services Board (IFSB) defines 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" (Islamic Financial Services Board [IFSB], 2018). 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).

As in conventional insurance, Takaful consists of two main product categories: family (life) takaful and general (non-life) takaful. Family takaful is usually a long-term contract that includes savings, investment and protection for members and their dependents in the event of death, incapacity, or survival difficulties. While general takaful is traditionally a short-term contract, usually a year, to provide insurance cover for properties and liabilities against unanticipated hazards. Typical insurance covers in general takaful include protection against fire, theft, natural disasters, accidents, among others (Husin & Haron, 2020a; Aziz, Husin, Hussin & Afaq, 2019). This present study is limited to general takaful because it is more relevant to the needs of small business enterprises.

Recently, there has been a renewed interest in the takaful subsector in Muslim-majority countries. The takaful subsector has attracted the attention of academicians, practitioners as well as policymakers as a veritable tool in enhancing societal welfare, business resilience and long-term sustainability. The takaful segment has maintained a steady, albeit slow growth rate in terms of gross contributions from USD 5 billion in 2006 to USD 27.07 billion in 2018 (IFSB, 2020, 2015). 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). These countries are in three sub regions of

the world, namely the Middle East, Gulf Cooperation Council (GCC) and Southeast 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). Empirical data has shown that, on a global scale, nearly 70% of valuable properties subjected to financial and physical losses are not insured. Africa, excluding South Africa, accounts for the bulk of this percentage due to the low insurance penetration rate across the region (Faber Consulting, 2020). Nigeria stands out in the continent as one of the countries with the lowest insurance penetration rate ranging between 0.2 to 0.3% (Faber Consulting, 2020; Oxford Business Group, 2019; Dias, Garand & Swiderek, 2013; Yusuf, 2012). Surprisingly, despite Nigeria having nearly all the positive indicators for the insurance sector to flourish, the insurance industry is still stagnant (Ardo & Saiti, 2017). Nigeria has the largest population, economy, and market in Africa. It also has a rising affluent middle class, coupled with a significant number of youths in the population. All these factors make Nigeria an ideal market for insurance (Ismail, 2015). Regrettably, the insurance industry is the least developed sector of the Nigerian financial ecosystem (Yusuf, 2012).

According to a survey report by Enhancing Financial Inclusion & Access [EFInA] (2020), only 2% of the total adult population (estimated at 106 million in 2020) participate in the insurance sector. Reports further revealed that women, youths, the less educated, MSMEs, and the North-West region are the least consumers of financial services in the country (EFInA, 2020, 2018; Central Bank of Nigeria [CBN], 2018). The glaring apathy towards conventional insurance is even more pronounced in the northern region of the country where Muslims dominate (Ardo & Saiti, 2017). Religious reasons, affordability, low awareness, cultural compatibility and lack of confidence have been

identified as some of the major impediments to the penetration and adoption of conventional insurance in the North (CBN, 2018; Yusuf & Babalola, 2015). This led to the development of the takaful (Islamic insurance) sector in Nigeria. Before its debut, takaful advocates expressed strong optimism about the prospects of takaful in Nigeria, especially in the Muslim dominated Northern region (Yusuf & Babalola, 2015). Takaful is now nearly two decades old in the country, yet its market-share and contribution to the whole insurance industry is less than 1% (Anaesoronye, 2020; Okoye, 2020).

Furthermore, due to the extreme level of financial exclusion in Nigeria, specifically in the North-West and North-East regions, the country's apex bank, the Central Bank of Nigeria (CBN) in 2012 established the National Financial Inclusion Strategy (NFIS) to serve as a guide in achieving 70% financial inclusion rate in the country by the year 2020 (CBN, 2018). Subsequently, to further support this goal, the National Insurance Commission of Nigeria (NAICOM) in 2013 released the operational guidelines for takaful as a step towards developing the takaful sector, increasing insurance penetration rate, and enhancing financial inclusion (Ardo & Saiti, 2017). NAICOM target for financial inclusion was to achieve a 40% insurance penetration rate in the country by the year 2020 (Anaesoronye, 2020; CBN, 2018). Sadly, this goal is far from being realised to date.

1.3 Problem Statement

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 (Husin & Haron, 2020a; Al Balushi, Locke & Boulanouar, 2019; Hussaini & Muhammad, 2017; Ali, 2013; Abor & Quartey, 2010). In Nigeria, MSMEs constitute more than 95% of all businesses in the country (Oke, 2019; Gbandi & Amisah, 2014). Furthermore, MSMEs are one of the target priority segments identified in the National Financial Inclusion Strategy (NFIS).

However, MSMEs in Nigeria are among the most financially excluded segment in the country (CBN, 2018). Specifically, MSMEs have been identified as one of the least sectors adopting insurance cover to protect their businesses and financial assets (Husin & Haron, 2020a; Dandago, et al., 2020; CBN, 2018; Ibrahim, Salleh & Awang, 2015). Despite their risk vulnerabilities, most MSMEs are without appropriate risk mitigation strategies. Additionally, notwithstanding their central role in the economy and their exposure to numerous risk factors, research has shown that most MSMEs are uninsured (Husin & Haron, 2020a; Crovini, Santoro & Ossola, 2020; Mokhtar, Aziz & Hilal, 2017; Salleh, Ibrahim, Redzuan, & Remli, 2017; Ibrahim et al., 2015; Md. Jadi, Manab & Ahmad, 2014). Similarly, most MSMEs in Nigeria operate their business bereft of insurance cover. A recent survey by the Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] & National Bureau of Statistics [NBS], (2017) revealed that 96.61% of micro-enterprises and 63.9% of small and medium-sized enterprises are uninsured. In the event of the occurrence of any calamity, these businesses are left vulnerable to closure and collapse. They are left to the mercy of external assistance in the form of government relief support, donor agencies and philanthropists which may never materialize (Dandago et al., 2020).

For instance, a recent fire incident in the central market of Kano (Sabon Gari Market) in North-West Nigeria, destroyed more than 75% of the market, burnt down 3,800 shops, injured 15 persons, and destroyed assets worth more than USD 5 billion. Moreover, incidences of fire outbreaks in market places and business areas have increased dramatically within the past two years. Records from the Fire service commission in Nigeria showed that 4,541 distress calls were received between 2020 and 2021. 31 market fires occurred within 18 months driving inflation figures, poverty and crime rates across the country (Abeku et al., 2021). Instances of fire outbreaks negatively impacting micro and small businesses are numerous. For example, in 2021 a fire incident occurred in Katsina central market which affected 680 micro and small business owners. Recounting the loss, an NGO (International Human Rights Movement) representative, Mr. Salisu Musa said: "...traders affected by the recent fire outbreak in Katsina central market lose over N50 million daily" (Abeku et al., 2021). Other instances of fire outbreaks affecting small businesses include Kugbo furniture market in the Federal Capital Territory (FCT) Abuja; Ladipo spare parts markets in Lagos and another spare parts market in Ibadan; Sabo market in Oyo State; Alade market, Lagos; market fires in Sokoto and Maiduguri, to name a few, leaving behind tales of woes, devastations, loss of lives and properties (Abeku et al., 2021). The negative consequence of all these losses could have been mitigated if the MSMEs had insurance coverage (Dandago et al., 2020; Campbell, 2016).

Besides, the literature is unclear on the prominent noneconomic factors influencing general takaful adoption. Hence, this study hypothesized that understanding the salient noneconomic factors influencing takaful adoption among MSME owner-managers can help in devising suitable marketing strategies and policies that will increase general takaful adoption rate in the MSME segment.

Past studies have shown that the factors affecting the adoption of takaful (Islamic insurance) include awareness, affordability, uncertainty (i.e., lack of confidence), poor understanding of takaful benefits, negative perceptions, among others (Husin & Haron, 2020a; Salleh et al., 2018; Yusuf & Babalola, 2015). Moreover, the literature on takaful adoption and acceptance can be divided into three streams. The first stream applied economic (microeconomic and macroeconomic) and socio-demographic factors to investigate the factors influencing takaful demand and acceptance (Akhter & Khan, 2017; Sherif & Hussain, 2017; Sherif & Shaairi, 2013; Redzuan, Rahman, & Aidid, 2009; Hamid, Osman & Nordin, 2009). Notable factors related to takaful demand and acceptance identified in this stream include income, Islamic banking development, inflation, young population, unemployment rate, leverage, company size, tax consideration, bankruptcy cost, Muslim population, education, urbanization, dependency ratio, among others.

The second stream focused on customer perception, awareness, and preference of takaful insurance (Ustaoğlu, 2015; Akhter & Hussain, 2012; Swartz & Coetzer, 2010; Maysami & Williams, 2006). The third stream applied marketing and behavioural theories to investigate the adoption of takaful insurance. Prominent theories applied in these studies include Theory of Reasoned Action (TRA) (Hasyim, 2018; Siala 2013; Rahim & Amin, 2011), Theory of Planned Behaviour (TPB) (Kazaure, 2019; Mas'ud, 2017; Husin & Rahman 2016a; Husin et al., 2016), and Diffusion of Innovation (DOI) theory (Ali, Raza, Pua & Amin, 2019; Shaikh, Noordin, Arijo, Shaikh & Alsharief, 2019; Echchabi & Ayedh, 2015; Ayinde & Echchabi 2012). Associated factors investigated in this stream include attitude, subjective norm, perceived behavioural control, awareness, religiosity, uncertainty, trust, relative advantage, and compatibility.

However, despite the above studies, the literature is still limited in explaining general takaful adoption, especially from the behavioural perspective. A recent review of takaful literature revealed that notwithstanding the importance of takaful in the Islamic financial system, it is the least investigated area in the Islamic finance literature (Khan, Hassan, Paltrinieri, Dreassi & Bahoo, 2020). Additionally, the review highlighted that few studies applied behavioural theories to investigate the adoption of general takaful (Khan et al., 2020; Husin et al., 2016). Besides, the business sector has received little attention in research related to factors influencing demand and acceptance of takaful (Husin & Haron, 2020b). Equally, research on takaful adoption is heavily concentrated in one country, namely Malaysia, this could result in biased conclusions (Khan et al., 2020).

Furthermore, little is known of the influence of noneconomic variables on general takaful adoption (Zerriaa & Noubbigh, 2016; Husin et al., 2016). For instance, the literature on takaful adoption suggests that government support can be a significant determinant of adoption intention (Kazaure, 2019; Sherif & Hussnain 2017; Sherif & Shaairi, 2013), yet no empirical study on takaful adoption has examined this factor. Similarly, the literature shows inconsistent findings on the influence of awareness, social influence, and religiosity on takaful adoption. Husin & Rahman (2016b) found that awareness, social influence, and religiosity are not significant in predicting takaful adoption. While other studies found significant effects (Hassan & Abbas, 2019; Ali et al., 2019).

Additionally, the literature in conventional insurance purchase behaviour shows that prior loss experience has a significant effect on the purchase of conventional insurance coverage. Individuals with prior loss experience are more likely to purchase insurance coverage than those without such experience (Innocenti, Clark, McGill &

Cuñado, 2019; Thistlethwaite, Henstra, Brown & Scott, 2018; Turner, Said, & Afzal, 2014). However, there are lack of empirical studies that examined the influence of prior loss experience in the takaful adoption literature. Moreover, Husin & Rahman (2013) identified religiosity as a moderator based on the review of the extant literature on takaful adoption, but this assertion is yet to be empirically validated in the general takaful adoption domain.

Therefore, to fill this gap, this study examined the impact of prior loss experience on an MSME owner-manager's adoption intention towards general takaful. In addition, the study also examined the moderating effect of an MSME owner-manager's religiosity on the relationship between the predictor variables in the study and general takaful adoption. In essence, can the religiosity of an MSME owner-manager moderate the influence of predictor variables in the study on the adoption of general takaful?

Besides, most studies investigating behavioural intention towards takaful used a single theory (mostly TPB or DOI) to test the validity of the hypotheses advanced (Salman & Hassan, 2020; Aziz, Afaq, Muhammad & Khan, 2020; Raza, Ahmed, Ali & Qureshi, 2019; Ali et al., 2019; Hassan & Abbas, 2019; Husin & Rahman, 2016; Husin et al., 2016; Echchabi & Ayedh, 2015). An integrated approach that combines the strength of two or more theories had proven to be more comprehensive in understanding and predicting the adoption of innovation (Al-Zoubi, 2013; Lippert & Govindarajulu, 2006; Taylor & Todd, 1995). DOI is a theory that has been widely applied in studying financial products adoption in the Islamic finance literature (Mahdzan, Zainudin & Au, 2017; Latip, Yahya & Junaina, 2017; Jamshidi & Hussin, 2015; Echchabi & Ayedh, 2015; Thambiah, Ismail, Ahmed, & Khin, 2013). However, the DOI model is limited and considers only internal factors. Other personal characteristics such as an MSME owner manager's loss experience and religiosity are excluded. Additionally, the

influence of external factors such as awareness, social influence, and government support that have a significant influence on potential adopters are absent in the model (Al-Zoubi, 2013; Lippert & Govindarajulu, 2006). Hence, this study employed a conceptual framework derived from existing behavioural/adoption theories, specifically DOI and Unified Theory of Acceptance and Use of Technology [UTAUT]), prior loss experience and religiosity to examine the adoption behaviour of MSMEs owner-managers towards general takaful.

Therefore, if previous studies have not examined the moderating role of an MSME owner-manager's religiosity on general takaful adoption, and if little is known on the influence of noneconomic variables on the adoption of general takaful, then there is a need to investigate the factors that propel MSMEs owner-managers to adopt general takaful in Nigeria in the quest to enhance takaful penetration rate, boost MSMEs resilience, continuity, growth, and long-term sustainability. Thus, the purpose of this empirical survey study was to investigate the noneconomic factors that influence general takaful adoption among MSMEs owner-managers in North-West Nigeria.

1.4 Research Objectives

The main objective of this research was to examine the noneconomic factors influencing general takaful adoption among MSMEs owner-managers in North-West Nigeria. Specifically, the objectives of the study include the following:

1. To examine the influence of relative advantage, compatibility, complexity, uncertainty, awareness, social influence, government support, religiosity, and prior loss experience on general takaful adoption among MSMEs owner-managers in North-West Nigeria.

2. To investigate the moderating effect of MSME owner-manager's religiosity on the relationship between relative advantage, compatibility, complexity, uncertainty, awareness, social influence, government support, prior loss experience and general takaful adoption among MSMEs owner-managers in North-West Nigeria.

1.5 Research Questions

The major research question is: What are the noneconomic factors influencing general takaful adoption among MSMEs owner-managers in North-West Nigeria? Specifically, the research questions examine the following:

1. Do relative advantage, compatibility, complexity, uncertainty, awareness, social influence, government support, religiosity, and prior loss experience influence general takaful adoption among MSMEs owner-managers in North-West Nigeria?
2. Does religiosity moderate the impact of relative advantage, compatibility, complexity, uncertainty, awareness, social influence, government support and prior loss experience on general takaful adoption among MSMEs owner-managers in North-West Nigeria?

1.6 Research Hypotheses

The following are hypotheses derived from the research questions:

- H1:** Relative advantage positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H2:** Compatibility positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.

- H3:** Complexity negatively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H4:** Uncertainty negatively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H5:** Awareness positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H6:** Social influence positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H7:** Government support positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H8:** Religiosity positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- H9:** Prior loss experience positively influences the adoption of general takaful among MSMEs owner-managers in North-West Nigeria.
- 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.

1.7 Significance of the Study

The researcher expects that the study will be of relevance in two key areas: theory and practice/policy. Theoretically, it adds to the expanding body of knowledge and literature in the field of general takaful adoption. Relative to other segments of Islamic finance, academic research on takaful is limited, particularly studies on takaful adoption. Most of the extant studies are limited in terms of geographical scope which might not apply in other research contexts with different socio-cultural compositions. Hence, this study is expected to expand the literature on takaful adoption by studying other less explored geographical locations. Furthermore, most studies focus on

individual adoption with less attention giving to small business enterprises. Despite the significance of takaful to the MSME sector, very few studies have investigated the factors influencing them to adopt takaful as a risk mitigation tool. Additionally, a review of takaful literature by Khan et al. (2020) revealed that there is a dearth of research applying behavioural/adoption models to examine takaful adoption. Hence, this study is expected to fill this gap by integrating DOI and UTAUT to examine general takaful adoption.

In addition, government support is an important factor affecting the adoption of financial and non-financial products, but yet there is a lack of studies that empirically validated this factor in the context of takaful adoption. Thus, this study contributes to the wider takaful adoption literature by examining this factor. Moreover, this study demonstrates the applicability of DOI and UTAUT constructs in explaining the significant factors predicting MSMEs owner-managers behavioural intention towards takaful alternative. Integrating the predictive power of established theories and concepts may help maximise understanding of MSMEs owner-managers behavioural intentions (Abdulkadir, Galoji & Razak, 2013; Wu & Wang, 2005; Taylor & Todd, 1995). Additionally, the study can serve as a useful source of reference and information for academicians and researchers alike investigating in a similar field. It will fill a gap in the literature of takaful adoption in the African continent, particularly Nigeria. The study also enhances understanding of determinants of general takaful adoption among MSMEs in Nigeria.

Furthermore, the study highlights the significance of the moderating role of religiosity; hence, it adopts a realistic approach (i.e., real-life situations suggest complex relationships between variables of interest). The utilization of suitable moderator variables will provide a richer picture and an in-depth understanding of the determinants

of takaful adoption. Using relevant moderators provide useful insights over and above examining only the direct effects. Moderators (i.e., religiosity) can assist takaful operators' device appropriate marketing and promotional strategies for each of their customer segments. Few studies in the takaful adoption literature employed complex models that closely conceptualize reality to investigate determinants of takaful adoption.

Practically, the study is expected to benefit takaful operators by assisting them in developing marketing strategies that will meet the needs of MSMEs. It is no longer a matter of debate that customers are the driving force and supporting pillars of any organization. No organization can thrive without a large, robust, and loyal customer base. Thus, knowing what influences them to adopt a certain product or service is of paramount importance to business organizations, including takaful operators. As the takaful operators are still struggling to win over customers, they will gain some insight from the study, particularly those already established and potential investors in the Nigerian insurance market. Potential takaful operators can utilize the research to strategize and capture the market right from inception, without facing trials and errors that can cost them an enormous amount of money. This research is expected to provide a free consultancy service to such institutions.

Likewise, this study, if applied in the practical arena by the authorities and institutions concerned, can be of immense benefit to a variety of stakeholders. It will be a win-win situation for the government, financial regulators, takaful institutions, and MSMEs. Moreover, as lack of awareness/knowledge has been identified as a contributing factor to low insurance penetration (EFInA, 2020, 2018); this study may contribute to raising the awareness and knowledge of MSME owner-managers in North-West Nigeria of the availability and benefits of takaful to their businesses.

In the area of policy formulation, this study can serve as a source document and working paper for the financial regulatory authorities. It could be used to formulate policies favourable to the growth, acceptance, and adoption of takaful by MSMEs in the country. With the present economic and financial hiccups experienced in the country, this research work is timely and can support the effort of government, financial regulators, and takaful institutions towards extending insurance services to the underserved segments of the economy (i.e., MSMEs). As the importance of takaful to MSMEs long-term sustainability is irrefutable; understanding what influences MSMEs to adopt it will help in policy design. The northern region, particularly the North-West region of the country, lags in terms of insurance penetration; therefore, this study is expected to contribute to policy formulation favourable to the needs of the region.

1.8 Scope of the Study

It is essential to define the boundary of the study to restrict the researcher's focus on the main objectives of the study. It is also critical to set the research scope within the limited resources available. The scope of this study is summarised below:

The study was confined to Nigeria, specifically the North-West region of the country. This choice of scope was due to the low level of insurance penetration in the region compared to other regions in the country (EFInA, 2020, 2018; CBN, 2018). Precisely, two states within the region having the highest concentration of MSMEs formed the population of the study.

Second, the study was limited to MSMEs within the North-West region. The category of MSMEs investigated were micro and small business enterprises. This is because more than 98% of the business enterprises in Nigeria consists of these two

categories. Micro and small business enterprises are businesses having employees between 1-50 (SMEDAN, 2015).

Third, the MSMEs owners-managers or their representatives responsible for decision making in each firm constituted the respondents of this study. It is presumed that MSMEs decisions, unlike large companies, is determined by the owners and their representatives therein. Hence, owner-managers and their representatives are the most suitable candidates to be the respondents in this study.

Fourth, the study examined only Muslim MSMEs owner-managers. The predominant religion in the North-West region of Nigeria is Islam (Pierri & Barkindo, 2016) and therefore focusing on Muslim MSME owner-managers was considered appropriate.

Finally, the research focused only on general takaful adoption. Other takaful products like family takaful were outside the scope of this study. MSMEs are business entities that have a presumable insurable interest in their properties and are therefore more likely to insure such against loss.

1.9 Definition of Key Terms

The following definitions are presented to clarify some key terms used in the proposed study and are meant to assist readers to know how these concepts are being used in the research study.

Adoption: An MSME owner-manager's willingness to participate and make use of general takaful products and services in the future (Rogers, 1995; Ajzen, 1991). In this study behavioural intention and adoption are used synonymously.

Family Takaful: is a takaful scheme that provides a combination of long-term savings and protection for participants and their dependents due to death, disability, or survival. (Bank Negara Malaysia [BNM], 2005)

General Takaful: is a takaful scheme that protects participants against losses due to hazards such as accident, fire, flood, liability, and burglary. General takaful aims at providing short-term protection of properties and liabilities against loss or damage (Ayuba, 2014; BNM, 2005).

Innovation: “is an idea, practice, or object that is perceived as new by an individual or other unit of adoption” (Rogers, 1995, p. 11). In this study, the concept of general takaful is the innovation.

MSMEs: In this study MSMEs are business enterprises with employees between 1-50 (SMEDAN & NBS, 2017).

Participants: Are the contributing parties to the takaful policy whose property and liabilities are insured through the mutual protection and solidarity of the takaful policy (Ayuba, 2014).

Religiosity: 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).

Shariah: Islamic law derived primarily from the Qur'an and the Hadith (Ayuba, 2014).

Takaful: The term takaful originates from the Arabic language which means mutual guarantee and cooperation, whereby a group of participants agree to mutually guarantee among themselves against a defined loss. This concept of takaful is the foundation of the takaful industry, which is the present Islamic insurance (BNM, 2005).

Tabarru: The concept of Tabarru means an agreement by participants in a takaful scheme to relinquish, as a donation, a certain part of their contribution which will be

used to fulfil the objective of mutual help and joint guarantee should any of the participants suffer a defined loss (BNM, 2005).

Uncertainty: is the degree of apprehension and the perception of negative consequences associated with the purchase or use of a service or product (Bauer,1960).

In this study uncertainty and perceived risk are used synonymously.

1.10 Chapter Summary

This chapter presented an overview of the study. The background of the study, the problem statement, the purpose, and the significance of the study were discussed. Additionally, the research objectives, research questions and hypotheses, the research scope and definitions of key terms were presented. The next chapter reviews the relevant concepts and literature related to takaful adoption.