

Development of a Conceptual Model to Understand the Purchase Intentions of Takaful (Islamic insurance) Customers

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ABSTRACT

Despite being among the pioneers of the Takaful industry, the UAE's share of the Takaful (Islamic insurance) business is less than 10 percent. Against this background, this study was conducted with the main objective of developing a conceptual model that combines the potential factors contributing towards robust and sustainable growth of the Takaful business in the second largest economy of the Arab world. The study utilizes the Theory of Planned Behavior (TPB) to examine the impact of brand equity and customer perceptions on the purchase intentions of Health Takaful customers through the moderating role of age, income, education, and religion. A quantitative study was adopted, using random sampling technique for data collection from 400 respondents through a self-administered questionnaire. The major findings of the study confirmed that brand equity and customer perceptions have a significant positive influence on the purchase intentions of Health Takaful customers in the UAE. Analyses of the moderating variables showed that while age, income and education are significant moderators, religion is a non-significant moderator for the above relationships. An interesting finding of the study is the non-significant moderating role of religion, indicating that every resident of the UAE can be a potential buyer of Takaful, regardless of his religion. The study is, to the best of the researcher's knowledge, a pioneer attempt to propose a conceptual model to understand the purchase intentions of Takaful customers in a dynamic Arab country like the UAE. This model can be utilized and explored further by academia, industry practitioners and government bodies through its application in various business industries across the globe.

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ملخص

على الرغم من كونها تُعد من بين رواد صناعة التكافل، فإن حصة الإمارات العربية المتحدة في أعمال التكافل (التأمين الإسلامي) أقل من 10 في المائة. وفي هذا السياق، أجريت هذه الدراسة بهدف رئيسي يتمثل في تطوير نموذج مفاهيمي يجمع بين العوامل المحتملة التي تساهم في تحقيق نمو قوي ومستدام لأعمال التكافل في ثاني أكبر اقتصاد في العالم العربي. وتستخدم الدراسة نظرية السلوك المخطط (TPB) لفحص تأثير ملكية العلامة التجارية وتصورات العملاء على نوايا الشراء لعملاء التكافل الصحي من خلال دور الوسيط لكل من العمر والدخل والتعليم والدين. وتم اعتماد دراسة كمية باستخدام طريقة أخذ العينات العشوائية لجمع البيانات من 400 مجيب من خلال استبيان ذاتي. وأكدت النتائج الرئيسية للدراسة أن لدى ملكية العلامة التجارية وتصورات العملاء تأثير إيجابي كبير على نوايا الشراء لعملاء التكافل الصحي في الإمارات العربية المتحدة. كما أظهرت تحليلات المتغيرات الوسطية أنه في حين أن العمر والدخل والتعليم يعتبرون وشكاء مهمون، فإن الدين ليس كذلك بالنسبة للعلاقات المذكورة أعلاه. ومن النتائج المثيرة للاهتمام دور الوسيط غير المهم للدين، مما يشير إلى أن كل مقيم في الإمارات العربية المتحدة يمكن أن يكون مشتري محتمل للتكافل، بغض النظر عن دينه. وتعد الدراسة، حسب معرفة الباحث، محاولة رائدة لاقتراح نموذج مفاهيمي لفهم نوايا الشراء لعملاء التكافل في بلد عربي ديناميكي مثل الإمارات العربية المتحدة. ويمكن استخدام هذا النموذج واستكشافه بشكل أكبر من قبل الأوساط الأكاديمية وممارسي الصناعة والهيئات الحكومية من خلال تطبيقه في مختلف الصناعات التجارية في جميع أنحاء العالم.

ABSTRAITE

Bien qu'ils fassent partie des pionniers du secteur du Takaful, la part des Émirats arabes unis dans le secteur du Takaful (assurance islamique) est inférieure à 10 %. Dans ce contexte, cette étude a été menée avec l'objectif principal de développer un modèle conceptuel qui combine les facteurs potentiels contribuant à une croissance robuste et durable de l'activité Takaful dans la deuxième plus grande économie du monde arabe. L'étude utilise la théorie du comportement planifié (TPB) pour examiner l'impact de la valeur de la marque et des perceptions du client sur les intentions d'achat des clients de Health Takaful à travers le rôle modérateur de l'âge, du revenu, de l'éducation et de la religion. Une étude quantitative a été adoptée, en utilisant une technique d'échantillonnage aléatoire pour la collecte de données auprès de 400 répondants au moyen d'un questionnaire auto-administré. Les principaux résultats de l'étude ont confirmé que le capital de la marque et les perceptions des clients ont une influence positive significative sur les intentions d'achat des clients de Health Takaful aux EAU. Les analyses des variables modératrices ont montré que si

l'âge, le revenu et l'éducation sont des modérateurs significatifs, la religion est un modérateur non significatif pour les relations ci-dessus. Un résultat intéressant de l'étude est le rôle modérateur non significatif de la religion, ce qui indique que tout résident des EAU peut être un acheteur potentiel de Takaful, quelle que soit sa religion. Cette étude est, à la connaissance du chercheur, une tentative pionnière de proposer un modèle conceptuel pour comprendre les intentions d'achat des clients du Takaful dans un pays arabe dynamique comme les EAU. Ce modèle peut être utilisé et exploré plus avant par le monde universitaire, les praticiens de l'industrie et les organismes gouvernementaux par le biais de son application dans diverses industries commerciales à travers le monde.

Keywords: Takaful, brand equity, customer perceptions, purchase intention, demographic factors, religion, UAE.

1. Introduction

The global Takaful industry has reached US\$26.1 billion in 2017 in terms of Gross Written Premiums (GWP) and contributing 44 percent of the total contributions from the GCC (Gulf Co-Operation Council) region (IFSB Stability Report, 2019). Among the GCC nations, Saudi Arabia, Bahrain, Kuwait, and Oman demonstrated double digit market share of the Takaful business while the UAE and Qatar hardly reached the threshold of 10 percent (IFSB Stability Report, 2019). It is important to note that the market share of Takaful in Oman is more than that of the UAE although Oman started Takaful operations only in 2014 while the UAE had started the Takaful business earlier, in 1979 (ICD-Thomson Reuters Report, 2017). This is despite His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice-President, Prime Minister of the UAE, and Ruler of Dubai, unveiling in 2013, of his vision to make Dubai the hub of Islamic economy (Global Islamic Finance Report, 2016).

In 2005, the law on mandatory health insurance for all non-citizen residents of Abu Dhabi was implemented and a similar law was also implemented in Dubai in 2014 (Alpen Capital Report, 2016). According to mid-year estimates of 2019, Abu Dhabi has an estimated total population of 3.2 million (GMI Statistics, 2019) while year-end estimates of 2018 showed that Dubai has a total population of over 3.2 million (DSC Annual Report, 2019). Based on current estimates, in both the states, a total of 5.82 million individuals were insured by conventional health insurance while 0.576 million individuals were insured by Health

Takaful. Overall, the conventional insurance sector dominated the UAE market with a 91 percent market share (IFSB Stability Report, 2019) even though the country has an almost 76 percent Muslim population (Pew Research Centre, 2011).

To address the issue of low market share of Takaful in the UAE, a study was conducted with the aim of developing a conceptual model which combines the key factors which are significant for the growth and development of the insurance industry. These factors were identified from the findings of previous studies conducted within the insurance industry across different regions of the world. Gunawardane *et al.*, (2016) and Noormahmoudi & Zomorrodian (2016) conducted studies on the insurance industry and concluded that creating a strong brand equity is vital to promoting the insurance business. Another study by Sarlak (2013) on financial institutions concluded that strong brands have better brand equity, therefore financial institutions should primarily focus on building themselves as a strong brand. Previous studies have shown that for the past three decades, brand equity was found to be one of the most valuable assets of any insurance firm to ensure the growth and expansion of the business (Noormahmoudi & Zomorrodian, 2016). Similarly, other studies in the insurance industry suggest that customer perceptions greatly influence the purchase intentions of customers (Tubio *et al.*, 2016) while demographic factors are also significant to affect the choice of customers in the insurance industry (Rizwan *et al.*, 2016).

The impact of brand equity on purchase intentions has been explored in various past studies (Awan *et al.*, 2020; Bashir *et al.*, 2019). Moreover, individual dimensions of brand equity including brand awareness, brand association, perceived quality and brand loyalty have also been studied, as shown in previous literatures (Sasirekha & Sathish, 2017; Tariq *et al.*, 2017). Similarly, the relationships of customer perceptions and demographic factors with purchase intentions have also been examined in many studies (Kiran & Lakshmana, 2017; Maina, 2016). However, key variables such as brand equity, its four dimensions, customer perceptions and demographic factors (including religion) have not been previously examined in a single study. Thus, this paper aims to highlight a study, a pioneer attempt, to bridge the gap in existing literature by combining the various key variables, and to come up with a comprehensive conceptual model to understand the purchase intentions of Health Takaful customers. Various reasons have been put forward for selecting the UAE in the study.

Firstly, the UAE is among the pioneers of the Takaful industry in the world, in which the second Takaful company was established in 1979. Secondly, population-wise, the UAE is the second largest GCC nation and is known as the most vibrant and modern Islamic economy providing ample opportunities to businesses of all domains. Therefore, the UAE can be used as a model for other regional and emerging markets. Finally, current available literature is quite limited about purchase intentions of Health Takaful customers in the GCC region in general, and in the UAE.

Section two of this paper discusses the literature review. In the third section, the hypotheses and conceptual framework of the study are given, while the fourth section describes the research methodology. Section five presents the results while the last section provides the conclusion and limitations of the study, and suggestions for further research.

2. Literature Review

2.1 Underpinning Theory

Considering the relevance of the Theory of Planned Behavior (TPB), this study utilizes TPB as the underpinning theory. Over the past three decades, TPB has been utilized by numerous studies which aim to understand the key factors that influence the intentions of individual human beings (Ajzen, 1985). It is important to note that TPB is among the theories of social sciences that have attracted over 50000 scholarly citations globally. Due to its significance and practical implications, TPB has been successfully applied in multiple domains of various business segments across the globe (Ashraf *et al.*, 2017).

In 1985, Icek Ajzen developed the Theory of Planned Behavior (TPB) which is an extension of the Theory of Reasoned Action (TRA) that was jointly developed by Martin Fishbein and Icek Ajzen in 1967 (Ozer & Yilmaz, 2010). TRA believes that human intentions are influenced by attitude and subjective norms while TPB believes that human intentions are influenced by attitude, subjective norms and perceived behavioral controls (Wang, 2014). The following presents details of each of the factors of the TPB.

Ajzen (1985, p. 188) believes that an attitude towards a behavior is “the degree to which a person has favorable or unfavorable evaluation of the

behavior in question” while Muzaffar (2015) defines attitude as a psychological emotion that comes from the positive or negative evaluation of a situation. According to the TPB, attitude directly impacts the intention of an individual that ultimately influences his behavior (Kassim *et al.*, 2016). Since the study aims to evaluate the purchase intentions of the customer, therefore the element of attitude is included in the study.

According to Ajzen (1985, p. 188), subjective norms are “the perceived social pressure to perform or not to perform the behavior”. Subjective norms are also known as the perceptions that an individual collects from people around him such as his family, friends, and colleagues. Opinion of people is important to an individual as he/she always considers the reaction of people around him before he/she performs a particular behavior (Muzaffar, 2015). Studies of consumer behavior have shown that the purchase intentions of customers are greatly influenced by subject norms (Kumar, 2012).

The TPB defines perceived behavior controls as “the perception of an individual about the difficulty or ease that he/she might face while performing a particular behavior” (Ajzen, 1985, p. 457). Perceived behavioral controls consist of two basic elements known as controllability and self-efficacy. Controllability means the availability of resources to perform a behavior while self-efficacy is the confidence of an individual to perform a behavior (Tuan & Vinh, 2016). Lama (2017) found in his study that perceived behavioral controls have a direct impact on the purchase intentions of customers. Since this paper examines “customer perceptions” as an independent variable and past studies have shown the link of “customer perceptions” with subjective norms and perceived behavioral control, therefore, both elements are included in the study.

According to TPB, attitude, subjective norms and perceived behavioral controls are influenced by various background factors including personal, information and social factors (Ajzen, 1985). To achieve the objectives of this study, potential variables of the conceptual framework are derived from the background factors of TPB. For instance, brand equity and its four dimensions are derived from information factors, customer perceptions are acquired from personal factors while demographics factors are taken from social factors.

2.2 Brand Equity

According to Keller (1993, p. 2), “brand equity is the differential effect that brand knowledge has on customer response to the marketing of that brand”. This definition is one of the most comprehensive definitions of brand equity as it comprises three core elements of brand equity known as differential effect, brand knowledge and customer response to marketing. According to Adam & Akbar (2016), differential effect is the difference that a customer establishes while comparing one brand with another. Similarly, knowledge about a brand that comes from the past experience of customers with the brand is called brand knowledge while reaction of customer against the marketing campaign of a brand or product is known as customer response to marketing.

Primarily, the concept of brand equity emerged in 1980 and since then, it has been extensively researched by the academia and marketing practitioners to know its effect on the purchase intentions of customers across various business industries (Bashir *et al.*, 2019). Aaker (1991), opines that brand equity consists of five dimensions which are brand awareness, brand association, perceived quality, brand loyalty and other proprietary assets. Most of the studies on customer-based brand equity suggest that the fifth dimension of brand equity known as other proprietary assets is not significant enough to measure brand equity (Buil *et al.*, 2013). Therefore, four core dimensions of brand equity are considered for this study which include brand awareness, brand association, perceived quality, and brand loyalty.

Brand awareness is imagination of a brand that exists in the mind of a customer and it is the power of a customer to recall and identify a brand in various situations (Aaker, 1991). Brand awareness greatly helps a customer to differentiate one brand from its competitors during the brand selection process (Awan *et al.*, 2020). Past studies of Tariq *et al.*, (2017) conclude that brand awareness is the core component of brand equity that has a direct influence on the purchase intentions of customers.

Brand association is the sum of certain characteristics of brand which are developed in the mind of a customer through the passage of time. According to Bashir *et al.*, (2019), every brand strives to build stronger brand association in order to enjoy long-term relationship of a brand with its customers. Studies of Gordon *et al.*, (2016) show that brand association

plays a significant role in the marketplace when the customer finalized his purchases.

According to Kotler (2003), perceived quality is the combination of product features and it demonstrates the ability of a product to fulfill the needs of the customer. Perceived quality positions a brand at higher level, differentiates it from its competitors and becomes a reason to buy a brand (Lee *et al.*, 2000). Previous studies by Bashir *et al.*, (2019) show that customers give high preference to quality brands and that is why perceived quality has a significant role in the brand selection process.

Brand loyalty is the attachment that a customer has towards a brand and it is the most important dimension of brand equity (Aaker, 1991). Brand loyalty is conceived through the features and benefits of a brand and it influences customers to prefer one brand over others (Sharma *et al.*, 2013). According to Aaker (1991), if a brand can develop large groups of loyal customers, then the brand will have multiple benefits of premium positioning, enhanced market share and feasible profit margins. Based on the above discussion, brand equity and its four dimensions are included in this study.

2.3 Customer Perceptions

According to Kotler (2003), the overall understanding of a customer about a product or service is called customer perceptions. Marketers of various business industries allocate healthy budget to build positive perceptions about their brand as purchase intentions are intricately linked to customer perceptions (Kiran & Lakshmana, 2017). Customer perceptions have a high impact on purchase intentions since customers always consider those perceptions which are stored in their mind before they decide to buy a product or service (Sheth *et al.*, 1999). Considering the significance of customer perceptions, this study has examined their impact on the purchase intention of Health Takaful customers.

2.4 Demographic Factors

According to Kotler (2003), the characteristics of a population, such as age, gender, income, education, religion, race, ethnicity, nationality, and social status are known as demographic factors. Demographic factors remain the key focus of marketers in business research because of their

ability to provide the essential information about the needs, wants, attitude and preference of a population. Mendes (1998) believes that the long-term success of a business is linked to demographical studies as they help businesses to design effective and efficient marketing strategies based on demographical characteristics of their target population. Studies by Maina (2016) concluded that demographical factors have a contingent impact on the purchase intentions of insurance products. Therefore, demography should be a primary focus in studies of the insurance industry. Considering the recommendations of past studies, this study has included four core elements of demography i.e., age, income, education, and religion.

2.5 Purchase Intentions

According to Padhy & Sawlikar (2018), purchase intentions are defined as the plan, desire and possibility of buying a product or service. Madahi & Sakati (2012) believe that purchase intentions are the sign of repetitive purchases of the same product by a customer if it fulfills his requirement. Studies of consumer behavior suggest that the strength of relationship between a customer and a product or brand can be seen through purchase intentions (Khan *et al.*, 2012). Purchase intentions are among the few variables of business studies which are heavily explored by marketers and academia. It is due to this fact that businesses are always keen to know those factors which affect the purchase intentions of their customers and by knowing this, businesses can enjoy long-term relationship with the customer and yield substantial profits (Tariq *et al.*, 2017).

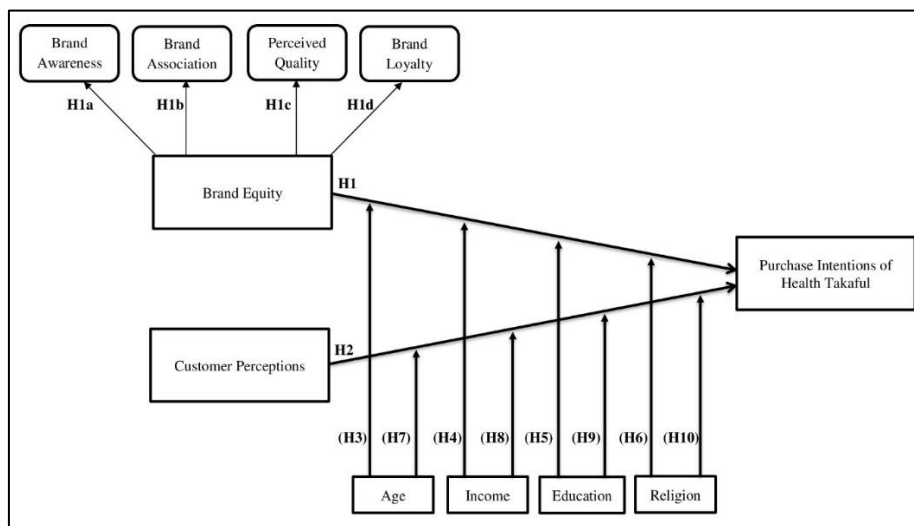
3. Conceptual Framework and Research Hypotheses:

Based on the literature discussed above and consistent with the Theory of Planned Behavior (TPB), we propose the following research hypotheses and conceptual framework for the study:

- H1: Brand equity influences the purchase intentions of Health Takaful customer in the UAE.
- H1a, 1b, 1c, 1d: Brand awareness/brand association/perceived quality/brand loyalty are significant dimensions of brand equity in terms of Health Takaful buying in the UAE.

- H2: Customer perceptions influence the purchase intentions of Health Takaful customer in the UAE.
- H3, 4, 5, 6: Age/income/education/religion moderate the relationship between brand equity and purchase intentions of Health Takaful customer in the UAE.
- H7, 8, 9, 10: Age/income/education/religion moderate the relationship of customer perceptions with purchase intentions of Health Takaful customers in the UAE.

Figure 1: Conceptual framework of the study



4. Research Methodology

In the study, Structural Equation Modeling (SEM) technique of Smart PLS (Partial Least Squares) was utilized to analyze the data collected from 400 respondents.

4.1 Population, Sample and Data Collection

The target population of the study included existing and potential customers of health insurance (Islamic & conventional both) in Abu Dhabi and Dubai which are the two largest states of the UAE. Sample size table of Krejcie & Morgan (1970) suggests a sample size of 384

respondents for any study spanning over one million people. Therefore, a total of 400 respondents were selected for the study. Details of market share of insurance companies in the UAE were taken from “Milliman Market Monitor UAE, 2019”. A total of ten insurance companies were selected for this study that included five conventional insurance and five Takaful (Islamic insurance) companies. All the companies included in this study have branch offices in Abu Dhabi and Dubai. Respondents of the study were chosen through simple random technique considering average daily customer flow. To achieve the desired sample size, a total of 670 questionnaires were distributed which included 350 and 320 questionnaires in Abu Dhabi and Dubai respectively. Out of 670, 417 questionnaires were collected, yielding a response rate of 62 percent. All 417 questionnaires were tested for validity and completion. Seventeen (17) questionnaires were discarded since they were incomplete. Finally, 400 questionnaires were finalized for data analysis which included 203 (50.75%) questionnaires from Abu Dhabi and 197 (49.25%) questionnaires from Dubai.

4.2 Questionnaire and Measurement Scales

The study used six measurement scales, namely brand awareness, brand association, perceived quality, brand loyalty, customer perceptions and purchase intentions. The questionnaire was divided into two sections and consisted a total of 36 questions. Section one was on the demographic profile of the respondents and a total of six questions were designed to collect relevant information about age, gender, income, education, religion, and nationality. Section two contained a total of thirty questions, in which each measurement scale used had five questions. A pilot test of the questionnaire was conducted prior to the main test, with a sample size of ten respondents as suggested by Saunders *et al.*, (2009) to ensure the overall understanding of each item by the respondents. A five-point Likert scale was used to measure all the six measurement scales, in which 1 denotes “strongly disagree”, 2 - “disagree”, 3 - “undecided”, 4 - “agree” and 5 - “strongly agree”.

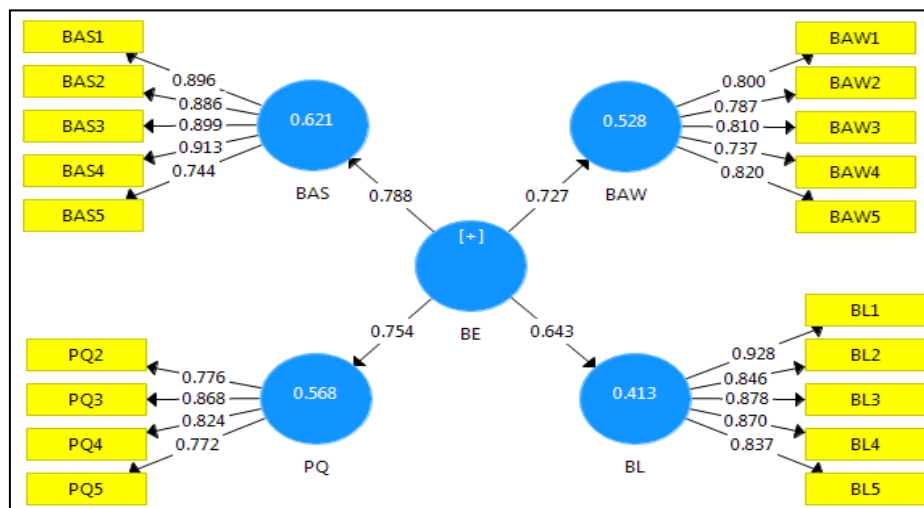
4.3 Data Analysis

The Smart PLS (Partial Least Square) data analysis comprises two stages. In the first stage, we evaluate the measurement (outer) model while in second stage we evaluate the structural (inner) model of the study.

4.3.1 Second Order CFA

In this study, brand equity (BE) was the exogenous variable and it included four dimensions, namely brand awareness (BAW), brand association (BAS), perceived quality (PQ) and brand loyalty (BL). All four dimensions were analyzed in terms of their influence on brand equity (BE). In Smart PLS, dimensions of a construct (also known as second-order construct) are measured through second order confirmatory factor analysis (CFA). The following chart shows the results of second order CFA for four dimensions of brand equity.

Figure 2: Second order CFA for brand equity dimensions



Hair *et al.*, (2012) suggested four primary assessments to analyze the dimensions of a construct which include assessment of path coefficient (β), t-statistics value, p-value and R-square (R^2) which is also known as coefficient of determination. Cohen (1992) suggested the criterion of significance of path coefficient and mentioned path coefficient values of 0.02, 0.15, and 0.35 as small, medium, and large, respectively. The acceptable values for t-test and p-test are greater than 1.96 and less than 0.05 respectively (Rifai & Hasan, 2016). According to Hair *et al.*, (2012), in studies of consumer behavior, an R^2 value of 0.20 is considered as high. Table 1 below combines the detail of results derived through the second order CFA.

Table1: Consolidated results of second order CFA of brand equity dimensions

Path	(β)	p-value	t-value	R ²
BAW→BE	0.727	0.000	27.518	0.528
BAS→BE	0.788	0.000	27.875	0.621
PQ→BE	0.754	0.000	24.395	0.568
BL→BE	0.643	0.000	11.978	0.413

Notes: BAW= Brand awareness, BAS= Brand association, BE= Brand equity, BL= Brand loyalty, PQ= Perceived quality

The overall results of the second order CFA confirmed that all four dimensions of brand equity had important contributions to build brand equity. Among the four dimensions of brand equity, brand association had the highest impact on brand equity followed by perceived quality, brand awareness and brand loyalty.

4.3.2 Evaluation of Measurement Model

Evaluation of the measurement model (also known as the outer model) includes the assessment of relationships between the observed variables and principal construct. Hair *et al.*, (2012), proposed four basic assessments to evaluate the measurement model which include composite reliability, indicator reliability, convergent validity (average variance extracted) and discernment validity.

According to Urbah & Ahleman, (2010) the value of composite reliability should be greater than 0.70 while the acceptable value for indicator reliability is 0.70 and above (Hair *et al.*, 2014). In this study, one item (PQ1) of “perceived quality scale” showed a value of 0.491, and was thus removed, since previous studies have suggested removal of items with factor loading of less than 0.50 (Ghozali & Latan, 2015). Commonly used method to measure convergent validity is average variance extracted (AVE) and the acceptable value of AVE is greater than 0.50 (Hair *et al.*, 2014). The rule of thumb for discriminant validity is that the items of a scale should load strongly on the intended construct and weakly on the unintended constructs (Gefen & Straub, 2005). Tables 2 and 3 below combine the results of all tests conducted to evaluate the measurement model of the study.

Table 2: Combined results for validity and reliability of measurement model

Latent Variable	Indicator	Indicator Loading	Composite Reliability	AVE
Brand Association	BAS1	0.896	0.939	0.757
	BAS2	0.886		
	BAS3	0.899		
	BAS4	0.913		
	BAS5	0.744		
Brand Awareness	BAW1	0.800	0.893	0.626
	BAW2	0.787		
	BAW3	0.810		
	BAW4	0.737		
	BAW5	0.820		
Brand Loyalty	BL1	0.928	0.941	0.761
	BL2	0.846		
	BL3	0.878		
	BL4	0.870		
	BL5	0.837		
Customer Perceptions	CP1	0.914	0.966	0.850
	CP2	0.933		
	CP3	0.917		
	CP4	0.912		
	CP5	0.935		
Purchase Intentions	PI1	0.911	0.960	0.827
	PI2	0.943		
	PI3	0.930		
	PI4	0.928		
	PI5	0.830		
Perceived Quality	PQ2	0.776	0.885	0.658
	PQ3	0.868		
	PQ4	0.824		
	PQ5	0.772		

Notes: BAS= Brand association, BAW= Brand awareness, BL= Brand loyalty, CP= Customer perceptions, PI= Purchase intentions, PQ= Perceived quality

Table 3: Discriminant validity of latent variables

	BAS	BAW	BL	CP	PI	PQ
BAS	0.870					
BAW	0.511	0.791				
BL	0.251	0.215	0.872			
CP	0.484	0.444	0.265	0.922		
PI	0.429	0.463	0.253	0.533	0.909	
PQ	0.435	0.403	0.448	0.437	0.431	0.811

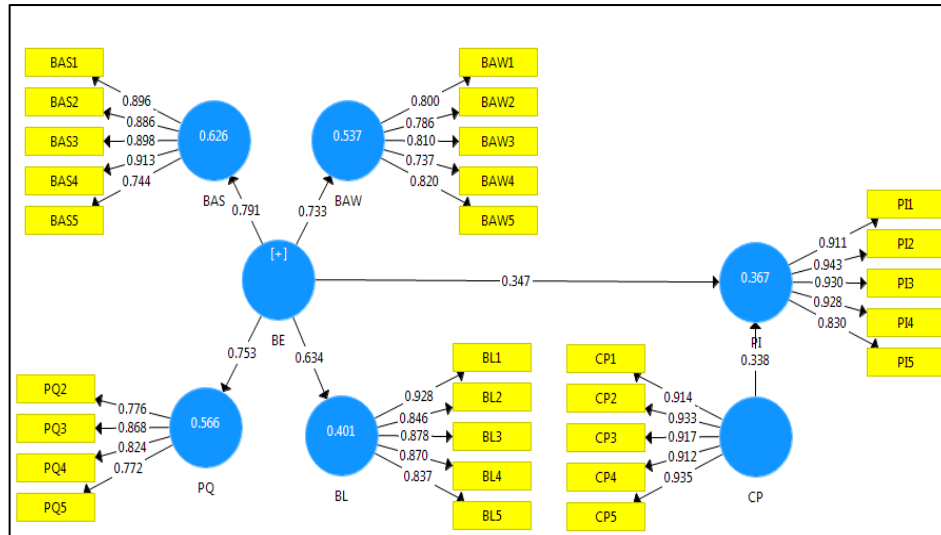
Notes: BAS= Brand association, BAW= Brand awareness, BL= Brand loyalty, CP= Customer perceptions, PI= Purchase intentions, PQ= Perceived quality

Both foregoing tables confirmed that the measurement model of the study is valid and reliable since the four primary assessments (composite reliability, indicator reliability, convergent validity & discriminant validity) meet the standard evaluation criteria of Hair *et al.*, (2012).

4.3.3 Evaluation of Structural Model

The next step of Smart PLS analysis is evaluation of the structural model which is also known as the inner model. The evaluation of the structural model includes three steps which are collinearity assessment through VIF (variance inflation factor), R-square (coefficient of determination) and significance of path coefficient. According to Hair *et al.*, (2012), the acceptable value of VIF is less than 5 while the path coefficient values of 0.02, 0.15 and 0.35 are considered as small, medium, and large respectively (Cohen, 1992). Similarly, Hair *et al.*, (2012) suggested that the R² value of below 0.20 is considered as high in studies of consumer behavior. Figure 3 below depicts the structural model of the study including exogenous variables (brand equity & customer perceptions) and endogenous variable (purchase intentions).

Figure3: Structural model of the study



The first step of structural model evaluation is variance inflation factor (VIF) and analysis of Smart PLS showed that the value of VIF for both the predictor constructs (brand equity & purchase intentions) is less than 5 which meets the standard evaluation criteria for VIF value. The next assessment of the structural model is the R^2 which represents the combined effect of exogenous variables on endogenous variable. Analysis of Smart PLS showed that the value of R^2 is 0.367 which is significant as per standard evaluation criteria. This means that brand equity and customer perceptions explained a total of 36.70 percent of the variance of the endogenous variable.

4.3.3.1 Interaction Effect (Moderation)

Moderation is a situation in which the relationship of two variables is dependent on a third variable which is known as a moderator or moderating variable (Hair *et al.*, 2012). In the study, age, income, education, and religion are moderating variables which are analyzed in terms of their moderating role for the relationship of brand equity and customer perception with purchase intentions. In Smart PLS, the effect of the moderating variable is measured through values of interaction effect, and the criteria for evaluation of interaction effect is suggested by Ghozali & Latan (2015) where values of 0.02, 0.15 and 0.35 show weak, moderate,

and strong interaction effects, respectively. Table 4 summarizes the results of path coefficient significance for direct and indirect (moderating) relationships tested through a total of fourteen hypotheses.

Table 4: Consolidated results of path coefficients analysis

Path	Type	(β)	p-value	t-value	Result
BE→PI	Direct	0.538	0.000	13.498	Significant
BAW→BE	Direct	0.727	0.000	27.518	Significant
BAS→BE	Direct	0.788	0.000	27.875	Significant
PQ→BE	Direct	0.754	0.000	24.395	Significant
BL→BE	Direct	0.643	0.000	11.978	Significant
CP→PI	Direct	0.535	0.000	14.080	Significant
Age →BE	Moderating	0.526	0.237	1.183	Non-significant
Income →BE	Moderating	0.533	0.412	0.822	Non-significant
Education →BE	Moderating	0.544	0.050	1.969	Significant
Religion →BE	Moderating	0.502	0.617	0.497	Non-significant
Age →CP	Moderating	0.523	0.021	2.323	Significant
Income →CP	Moderating	0.541	0.004	2.881	Significant
Education →CP	Moderating	0.525	0.031	2.168	Significant
Religion →CP	Moderating	0.511	0.385	0.869	Non-significant

Notes: BAS= Brand association, BAW= Brand awareness, BE= Brand equity, BL= Brand loyalty, CP= Customer perceptions, PI= Purchase intentions, PQ= Perceived quality

4.3.4 Goodness of Fit

In order to evaluate the research model, Tenenhaus *et al.*, (2004) suggested the global criteria to measure goodness of fit. Goodness of fit test evaluates both the measurement and structural models and primarily focuses on the predictive power of the model. Standard criteria to evaluate goodness of fit is suggested by Ghozali & Latan, (2015) where the values of 0.35, 0.50 and 0.61 are considered as small, moderate, and large, respectively. According to Tenenhaus *et al.*, (2004), the following formula is used to obtain goodness of fit indices (GFI).

$$\text{GFI} = \sqrt{(\text{Average of AVE} * \text{Average of R}^2)}$$

In this study the average of AVE is 0.746 while the average of R² is 0.498, thus the GFI value of the research model is 0.61 which confirmed that the model is significantly fit to predict purchase intentions of Health Takaful customers in the UAE.

5. Results and Discussion

As seen in Table 5, majority of the respondents of this study were male and aged between 41 to 48 years holding university degrees. Moreover, most of the respondents were Muslims, Arab nationals (non-Emiratis) and having monthly income between AED 6000 to 12000.

Table 5: Demographic profile of respondents

Variable	Description	Frequency	Percentage
Gender	Male	328	82%
	Female	72	18%
Age	Between 25-32 years	23	6%
	Between 33-40 years	138	34%
	Between 41-48 years	182	46%
	Between 49-56 years	57	14%
Education	Less than high school	8	2%
	High school	40	10%
	College graduate	96	24%
	University graduate	183	46%
	Postgraduate or equivalence	73	18%
Religion	Islam	276	69%
	Christianity	73	18%
	Hinduism	51	13%
Nationality	Arab (Emiratis)	110	28%
	Arab (non-Emiratis)	151	38%
	Pakistani	53	13%
	Indian	86	21%
Income (monthly)	Less than AED 6000	20	5%
	Between AED 6000 to 12000	122	30%
	Between AED 13000 to 19000	85	21%
	Between AED 20000 to 26000	67	17%
	More than AED 26000	106	27%

The core objective of this study is to develop a conceptual model that combines potential factors which can significantly contribute towards the robust and sustainable growth of the Takaful business in the UAE. In order to achieve the objectives of the study, potential factors were identified from the extensive review of literature, relevant to this study.

Finally, brand equity, its four dimensions and customer perceptions were included as exogenous variables, demographic factors as moderating variables while purchase intentions as endogenous variable. Data analysis of this study was conducted through Smart PLS using structural equation modelling (SEM) technique to test the direct and indirect (moderating) relationships among variables.

For the study, a total of fourteen hypotheses were tested which include six hypotheses of direct relationships and eight hypotheses of indirect relationships. Based on the findings, all six hypotheses of direct relationships are supported while out of eight hypotheses of indirect relationships, only four hypotheses are supported.

The results show that brand equity has a strong positive impact on purchase intentions of Health Takaful customers and all four dimensions of brand equity play a vital role in building overall brand equity. This shows that the marketers of the Takaful industry should focus on building strong brand equity of Takaful products and services. Similarly, customer perceptions also have an equally significant role towards the buying of Takaful products in the UAE. Therefore, marketing campaigns should focus on building positive perceptions of customers towards Shariah compliant insurance products. Other important points derived from the study suggest focusing on creating awareness, better product quality, better pricing, large network of hospital/clinics, wide product range, better customer service and positive perceptions to make Takaful as a powerful and well-known brand in the UAE.

Similarly, evaluation of the demographic factors (moderating variables) shows that age, income, and education are significant moderators while religion is a non-significant moderator. These results can help Takaful operators strategize for effective market segmentation.

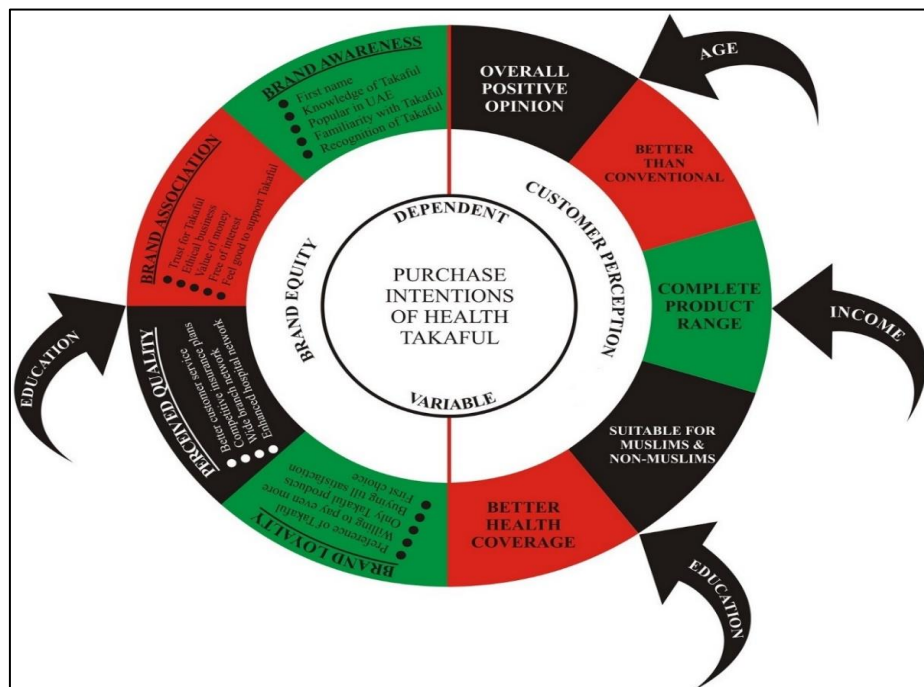
6. Concluding Remarks

The results show that brand equity has a significant positive influence on purchase intentions of Health Takaful customers in the UAE. Secondly, brand awareness, brand association, perceived quality and brand loyalty are significant dimensions of brand equity in terms of Health Takaful buying in the UAE. Thirdly, customer perceptions have a significant positive influence on the purchase intentions of Health Takaful customers

in the UAE. Lastly, analysis of moderating variables reveals that education moderates while age, income and religion do not moderate the relation of brand equity with purchase intentions. Similarly, age, income and education moderate the relation of customer perceptions with purchase intentions, while religion does not.

The present study provides significant contributions to the body of knowledge and offers some implications to the industry. This study bridges the gap of previous studies by combining brand equity, its four dimensions, customer perceptions and demographic factors in a single study. An important aspect of this study is the inclusion of ‘religion’ in demographic factors since recent studies on Shariah-compliant financial products suggest exploring the ‘religion’ aspect of customers while studying their purchase intentions.

Figure 4: Contribution/end-product of the study



As shown in Figure 4, the primary theoretical contribution of this study is the development of a conceptual model that includes those key elements which are considered by customers before they buy Takaful products.

Basically, these elements are items (questions) of each measurement scale of the questionnaire which have been tested individually for their validity and reliability, based on the respondents' response. Importantly, this study is a pioneer attempt to develop a conceptual model and the scope of this model is not limited to the Takaful industry. Researchers from various domains can apply this model to other industries such as retail, healthcare, hospitality, banking, tourism and others to understand the purchase intentions of their customers.

Furthermore, findings of the study lend support to the application of the Theory of Planned Behavior in the Takaful industry. Although numerous studies have applied TPB, they were not used to examine the purchase intentions of Health Takaful customers.

In relation to the industry, the model developed in this study can help Takaful companies to expand their customer portfolio to enjoy long term benefits and increase their market share. In addition, marketing activities should reinforce Takaful as a brand, built on stronger brand equity. Takaful operators should provide better experience for customers with Takaful products to create positive customer perceptions. Lastly, marketers of Takaful should adopt standardized marketing approach to attract customers of different beliefs.

Like other studies, this study is not free from limitations. Firstly, the study was based only on a single country namely the United Arab Emirates, which may limit its generalization. Secondly, data collection of this study was done through individual customers, therefore, the model developed through this study may limit its application to corporate clients since corporate clients follow company policies to facilitate their employees with compulsory health insurance. Finally, there are limitations inherent in questionnaire-based research and this study is no exception.

The present study proposes various areas for future research. Firstly, this paper can be extended to cross-country dimension. Secondly, it is recommended to examine the role of regulatory framework and government support towards the growth of the Takaful industry. Finally, further research can be conducted within those countries where most of the population are non-Muslim.

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