Measuring Customers Satisfaction And Preferences For Takaful And Insurance CompaniesIn Pakistan

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Abstract

This research has been conducted to measure customers' satisfaction and preferences for Insurance with Takaful companies from the perspective of Pakistan. The data was collected through a questionnaire. Based on Random sampling, 400 customers of Insurance and Takaful companies were examined. Samples were taken from Mardan and Peshawar Divisions. It was found that Takaful companies' customers were satisfied with their Takaful companies due to their Shariah compliance. At the same time, Insurance companies' customers also demanded Shariah compliance products from their insurance companies. Takaful/Insurance companies' customers have approximately the same level of satisfaction from reliability, responsiveness, empathy, convenience and shariah compliance. Findings of the study also include: Takaful and Insurance companies have to concentrate on return on investment and easy access for the customers; they have to focus on students, Travel policies, 61 & above age people, medical graduates, above masters and five to fifteen thousand salaried persons.

Keywords; Customers Satisfaction, Takaful, Insurance, ServiceQuality, Demographics, Preferences, SERVQUAL model.

Introduction

Insurance is the act of assigning the insured's risks to the insurers. Its non-conformity to Shariah is mostly due to the transfer of risk in exchange for a price, whereas Takaful is a collective risk management by the participants themselves (SECP, 2010). The wakala-waqf model of Takaful is the one employed in Pakistan. To begin Takaful activities, the shareholders must first establish a waqf pool. As a result, Takaful participants (customers) also contribute to the waqf pool because this requirement is required. Participants (customers) receive benefits from the (PTF) Participant Takaful Fund for risk mitigation after joining the waqf pool. The basis for the partnership between the participant and the waqf is the taburru, a contract for mutual assistance (Pak Qatar General Takaful, 2014). In addition to overseeing capital market operations, SECP also regulates Takaful and insurance

firms. In 2012, Pakistan enacted new Takaful regulations. Takaful laws from 2012, which were replaced by Takaful rules from 2005 by the SECP, allowed insurance companies to open up Islamic windows to undertake Shariah-compliant activity, such as Takaful. As time passes, takaful businesses expand and compete to provide goods and services, and their clients become more sophisticated and knowledgeable (SECP, 2010).

Since the new SECP (Securities and Exchange Commission of Pakistan) rules of Takaful in 2012 allowed Insurance companies to set up Islamic windows to conduct Shariah-compliant business known as Takaful, some insurance companies have also been seen to be interested in setting up Takaful windows to do parallel business based on conventional as well as Islamic insurance. Customers' expectations are shaped by their experiences, what they hear and see, what they read, what their service providers promise them, and so on (Holmes,1991). The manager's understanding of client expectations must begin with knowledge of the services offered (Deming, 1986). Customers value the overall degree of protection, which puts the onus of responsibility on the service provider, and they anticipate friendly, knowledgeable, familiar, responsive, respectful, and honest services (Parasuraman et al., 1991). (Deneberg, 1974). According to Hamid (2011), continuous customer satisfaction improvement may result from improved service performance. Due to intense competition, providing high-quality services is the best way to please customers (Sapp & Collins, 1987). Everyone agrees that satisfaction refers to one's feelings of pleasure or displeasure brought on by relating a visual product presentation to customers' expectations (Koter, 2003).

Literature Review

In different countries of the world, there are many types of research which were conducted to check the service quality of Banking and Insurance (e.g., Sayasonti, 2005; Safakli &Veli, 2007; Ahmad & Sungip, 2008; Boachie, 2009; Kumar et al., 2009; Leo, 2009; Chong et al., 2011; Upadhyaya & Badlani, 2011; Sadeghi & Farokhian, 2011; Janjua & Akmal, 2014.) To check the compatibility of Islamic Financial Institutions with the principles of Shariah, Othman et al. (2001) established the CARTER model using one additional dimension of Shariah compliance and five original dimensions of the SERVQUAL Model. The constructs of the model are described individually below:

Reliability

Sadeghi & Farokhian (2011) stated that reliability is the capability to precisely and dependently accomplish assured service. According to Janjua & Akmal (2014), insurance, Companies' customers are not as satisfied as in the case Takaful companies. Janjua & Akmal (2014) Customers of Takaful companies are not satisfied with regard to the reliability of the service, while insurancecompanies' customers are satisfied with regard to the Reliability.

Responsiveness

Ahmad & Sungip (2008) mentioned that responsiveness is defined as the readiness to assist customers and to offer prompt service. Another researcher (Akanlagm, 2011) mentioned that the majority of customers of general insurance companies are motor insurancepolicyholders and customers of insurance companies expect a variety of services from their insurers, prominent among which are quick and reliable feedback and prompt response to claims payment. The study by Reichheld et al. (1990) showed that the capability to execute the undertaken facility accurately and definitrtant in measuring the satisfaction level of customers while giving personalized respopersonalised essential

for customer satisfaction.

Empathy
Sadeghi & Farokhian (2011) mentioned that empathy is defined as providing caring, individualised attention to customers. According to Janjua & Akmal (2014), Takaful companies' customers are satisfied with regard to empathy while insurance companies' customers are not.

Convenience
According to Janjua & Akmal (2014), convenience is the ease and fitness or suitability for performing an action or fulfilling a service requirement. Akanlagm (2011) has further mentioned that customers expect a higher level of services than what is currently provided by insurers. They expect insurance companies to pay claims promptly and make truthful disclosure of insurance policies & conditions at the point of buying.

Shariah Compliance
Janjua & Akmal (2014) stated that Compliance is defined as a business according to the rules and principles of Islam (Shariah).Janjua & Akmal (2014) also mentioned that respondents of Takaful companies come to an understanding that Takafulcompanies are following the Shariah guidelines in their operations,while Insurance companies' customers believed that Takaful companies are not following the Shariah guidelines in their operation. Insurances companies customers also believed that interest, uncertainty, and gambling is involved in the transactions made by Takaful companies.

Customers' satisfaction
Ahmad & Sungip (2008) mentioned that Satisfaction is defined asa customer's observation of a particular service experience. According to Ohmae (1982), generally, organizations should identify one subclass or segment of customers and focus on them instead of trying to satisfy the entire market. Due to tough competition, the technique to satisfy customers lies in conveying good featured services (Sapp & Collins, 1987). There is a general agreement that satisfaction is one's sensation of pleasure or dissatisfaction caused from linking an observed presentation of a product in relation of customers' expectations (Koter, 2003).

Preferences
According to Janjua & Akmal (2014), preference is something liked or wanted more than another's. They assert that takaful and insurance industries still need to improve their service quality and concentrate on lowering their fees for insurance/takaful service, improving effective risk management, providing easy insurance services and facilitating hafacilitatingsettlement of claims. Mainly the insurance & takaful companies have to emphasize insurance for young people, lower-income groups, & private employees. However, Takaful companies must also improve Shariah compliance and invite higher-income self-working groups.

Based on the above literature review following hypotheses have been developed.

H1: The better the Service quality of Takaful and Insurance companies the better will be the Customers' satisfaction.

HO: There is no relationship between Service quality of Takaful and Insurance companies and Customers satisfaction.
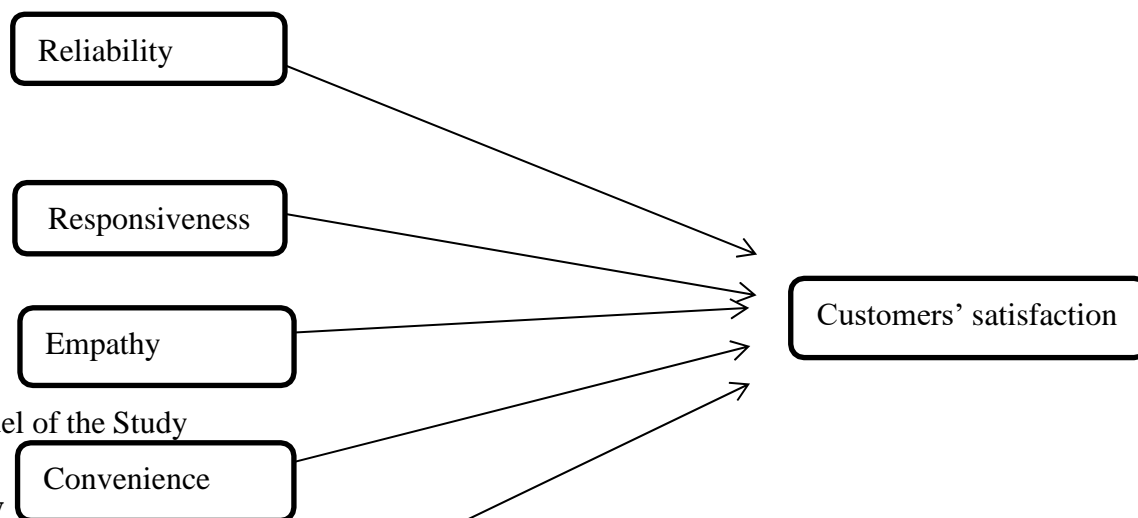
Figure1; Model of the Study

Methodology

Sample & Population

This research comprises the population of selected Life Insurance and General Insurance companies. Takaful and Insurance companies for analysis are Dawood family Takaful, Pak Qatarfamily Takaful, Pak Kuwait Takaful, and Pak Qatar General Takaful; Habib Insurance Company, Jubilee General Insurance, and State Insurance Corporation of Pakistan. The sample size was 400 customers. The data has been taken from Mardan and Peshawar Divisions. The minimum numbers of respondents with different target groups with regard to demography, age, gender, type of education, profession etc. are, 400.

Measures

Data was collected through a questionnaire. Comprising five-point Likert Scale "1= strongly disagree" and "5= strongly agree". As English is a medium of communication and official language of Pakistan, therefore, the questionnaire was not translated in native language.

Service Quality Scale

For service quality 5 points LIKERT scale was used and all the Cronbach's alpha coefficient of reliability for Takaful and Insurance companies are above 0.8 which showed very good reliability.

Customers Satisfaction Scale

For customers satisfaction 5 points LIKERT scale was used. All the Cronbach's alpha coefficients of reliability for Takaful and Insurance companies are above 0.8 which showed very good reliability.

Preferences Scale

In case of preferences four points Interval scale was used.

Results

Table 4.2.1 showed that there is a significant relationship between independent and dependent variables.

Table 4.2.1: Correlations Analysis of Takaful Companies

Variables	1	2	3	4	5	6
1.Customers Satisfaction	1					
2.Reliability	.881(**)	1				
3.Responsiveness	.926(**)	.856(**)	1			
4.Empathy	.947(**)	.860(**)	.941(**)	1		
5.Convenience	.946(**)	.863(**)	.995(**)	.946(**)	1	
6.Shariah Compliance	.978(**)	.857(**)	.908(**)	.977(**)	.926(**)	1

Note. **. Correlation is significant at the 0.01 level.

The correlation between customers satisfaction and reliability was(.881**), customers satisfaction and responsiveness was (.926**),customers satisfaction and empathy was (.947**), customerssatisfaction and convenience was (.946**), and customers satisfaction and shariah compliance was (.978**). The bivariate associations shown in correlation matrix supported H1 hypothesis.

Table 4.2.2: Correlations Analysis of Insurance Companies

Variables	1	2	3	4	5	6
1.Customers Satisfaction	1					
2.Reliability	.886(**)	1				
3.Responsiveness	.975(**)	.867(**)	1			
4.Empathy	.965(**)	.887(**)	.975(**)	1		
5.Convenience	.976(**)	.868(**)	.994(**)	.981(**)	1	
6.Shariah Compliance	.958(**)	.883(**)	.948(**)	.974(**)	.953(**)	1

Note. **. Correlation is significant at the 0.01 level.

Table 4.2.2 showed that there is a significant relationship between independent and dependent variables. The correlation between customers satisfaction and reliability was (.886**), customers satisfaction and responsiveness was (.975**), customers satisfaction and empathy was (.965**), customers satisfaction and convenience was (.976**), and customers satisfaction and shariah compliance was (.958**). The bivariate associations shown in correlation matrix supported H1 hypothesis.

Table 4.2.3: Regression Analysis of Takaful Companies and Insurance Companies

Takaful Companies			Insurance Companies		
R^2	ΔR^2	Sig.	R^2	ΔR^2	Sig.
.983	.983	.000	.967	.967	.000

Table 4.2.3 indicates that in case of Takaful companies the value of R^2 is .983 which is greater than 0.7. This shows that if there is achange in independent variable it will affect the dependent variable by .983. Hence significant relationship exists among the independent and dependent variables, while in case of Insurance companies the value of R^2 is .967 which is greater than 0.7. It means that if there is a change in independent variable it will affectthe dependent variable by .967.

Table 4.2.4: Regression Analysis of Takaful Companies and Insurance Companies

	Beta	t- value	Sig			t- value	Sig
(Constant)		3.625	.000	(Constant)		2.207	.000
Reliability	.600	11.430	.000	Reliability	.110	3.806	.000
Responsiveness	.456	5.230	.000	Responsiveness	.391	3.291	.000
Empathy	.576	9.931	.000	Empathy	.262	2.822	.000
Convenience	.581	4.932	.000	Convenience	.415	3.027	.000
Shariah Compliance	1.06	19.753	.000	Shariah Compliance	.350	5.877	.000

Table 4.2.4 showed that in case of Takaful companies Beta values for reliability was (.600), responsiveness was (.456), empathy was (.576), convenience was (.581), and shariah compliance was (1.061) which are significant at .000 level.

All the Beta values are positive which showed that when the Service quality of Takaful companies is better, the Customers will be more satisfied. While in case of insurance companies Beta values for reliability was (.110), responsiveness was (.391), empathy was (.262), convenience was (.415), and shariah compliance was (.350) which is significant at .000 level.

Preferences Descriptive Statistics

First variable of preferences was shariah compliance of Takaful and Insurance companies. According to Table 4.3, Overall 97.8% of the customers showed "high preference" to shariah compliance & 0.5% give "no preference".

Motivation from religion was the second variable in preference. Overall 93.2% of the respondents showed "high preference" and 0.8% indicated "no preference".

Third variable was the interest free business. It has overall 88.8% "high preference" and only 1.0% of the customers have no preference for it.

Risk management which was fourth variable. It has overall 85.5% "high preference" and 3.2% of the respondents give "medium preference".

Low cost was the fifth variable and overall 86.0% of the respondents give "medium preference" and 0.8% gives "no preference".

Sixth variable was the Return on investment and overall 50.0% of the customers give "medium preference" and 2.2% give "no preference".

Last variable of the preference was easy access; wherein overall 55.0% "medium preference" and 1.8% given "no preference".

Table 4.3: Preferences Descriptive Statistics

Variables	Takaful Frequencies	Insurance Frequencies	Total Frequency	% Percent
Shariah compliance				
High	195	196	391	97.8%
Medium	3	1	4	1.0%
Low	1	2	3	0.8%
No	1	1	2	0.5%
Motivation from religion				
High	187	186	373	93.2%
Medium	10	1	11	2.8%
Low	2	11	13	3.2%
No	1	2	3	0.8%
Interest free business				
High	179	176	355	88.8%
Medium	18	8	26	6.5%
Low	2	13	15	3.8%
No	1	3	4	1.0%
Risk management				
High	167	175	342	85.5%
Medium	13	0	13	3.2%
Low	12	14	26	6.5%
No	8	11	19	4.8%
Low cost of transactions				
High	10	31	41	10.2%
Medium	186	158	344	86.0%
Low	3	9	12	3.0%
No	1	2	3	0.8%
Return on investment				
High	23	145	168	42.0%
Medium	160	40	200	50.0%
Low	14	9	23	5.8%
No	3	6	9	2.2%
Easy access for the customers				
High	19	143	162	40.5%
Medium	171	49	220	55.0%
Low	6	5	11	2.8%
No	4	3	7	1.8%

Demographic Characteristics Descriptive Statistics

96.8% of the respondents belonged to male group, while 3.2% percent were female. According to Table 4.4, first variable was agecategory and the result showed that 46.0% of the respondents were 36-50 years old and the lowest percentage of 3.2% was by 61 & above years old people. Second category was Type of education and 41.2% of the respondents had finance education and the lowest percentage of 4.5% was seeing for medical graduates.

Income range which was the third category has the highest percentage of 56.5%, belonging to 46-55 thousand range, and the lowest percentage of 2.0% was for 5-15 thousand range. Withregard to the frequency in the context of profession 46.8% of the respondents were Govt-employed and the lowest category of 2.2% percent belonged to students.

Fifth variable which was company category showed that 16.2% of the respondents were from Dawood Family Takaful, 14.8% from Pak Qatar family Takaful, 15.0% from Pak Qatar General Takaful, 4.0% from Pak Kuwait Takaful, 19.5% from Other Takaful/insurance companies, 12.8% from Habib Insurance Company, 9.0% from State Insurance Corporation of Pakistan, and8.8% from Jubilee General Insurance. Insurance category showed that 50.2% of the respondents have Individual life policies and the lower, 2.0% have other policies.

Last category was the education level, 39.0% of the respondents had high school education while the lowest percentage of 4.2% belonged to above Masters Level.

Table 4.4: Demographic characteristics Descriptive Statistics

Age*	Takaful	Insurance	Total	%		Takaful	Insurance	Total	%
18-25	19	18	37	9.2%	**Company name**				
26-35	28	30	58	14.5%	Pak Qatar GeneralTakaful	60	0	60	15.0%
36-50	90	94	184	46.0%	Pak Qatar family Takaful	59	0	59	14.8%
50-60	55	53	108	27.0%	Dawood Family Takaful	60	0	65	16.2%
61&Above	8	5	13	3.2%	Pak Kuwait Takaful	16	0	16	4.0%
					Habib Insurance Company	0	51	51	12.8%
Type of education					Jubile General Insurance	0	35	35	8.8%
Finance	83	82	165	41.2%	State Insuranc Corp of pak	0	36	36	9.0%
Medical	10	8	18	4.5%	Others	0	78	78	19.5%
Engineering	30	32	62	15.5%					
Arts	49	48	97	24.2%	**Insurance category**				
Others	28	30	58	14.5%	Motor Vehicles	12	11	23	5.8%
					Fire and Property	13	12	25	6.2%
Income range*					Travel	5	7	12	3.0%

5-15	3	5	8	2.0%	Health	5	6	11	2.8%
16-25	17	14	31	7.8%	Group life	33	34	67	16.8%
26-35	21	24	45	11.2%	Engineering	26	27	53	13.2%
36-45	18	16	34	8.5%	Individual life	102	99	201	50.2%
46-55	112	114	226	56.5%	Others	4	4	8	2.0%
56&above	29	27	56	14.0%					
					Education level				
Profession					Below high school	14	18	32	8.0%
Student	4	5	9	2.2%	High school	76	80	156	39.0%
Private employee	48	49	97	24.2%	Higher Secondary School	31	30	61	15.2%
Govt employee	93	94	187	46.8%	Bachelor	43	41	84	21.0%
Self employed	37	36	73	18.2%	Master	27	23	50	12.5%
Others	18	16	34	8.5%	Above master	9	8	17	4.2%

*Age in years, and Salary in thousands (Pak Rs) per month.

Conclusion

Analysis of Takaful and Insurance companies showed, that Takaful/Insurance customers are satisfied with their servicequality, with approximately the same level of customer's satisfaction for both categories of companies. Takaful/Insurance companies' customers have approximately the same level of satisfaction from reliability, responsiveness, empathy, convenienceand shariah compliance.

Customers of Takaful companies are satisfied with regard to Shariah compliance while Insurance companies' customers also demand shariah complaint products, and want that Insurance companies should offer Shariah compliant services.

Results also imply that Takaful and Insurance companies have to concentrate on return on investment and easy access to Insurance and Takaful services.

Takaful & Insurance companies' respondents have almost the samelevel of frequencies, takaful & insurance companies need to focus on students, Travel policies, 61 & above age people, Medical graduates, above Masters and five to fifteen thousand salary range persons.

Implications for Managers

Based on the conclusion and findings of the study, Takaful and Insurance companies have to focus on different aspects like; focus on students, Travel policies, 61 & above age people, Medical graduates, above Masters and five to fifteen thousand salaried persons as well as have to focus on return on investment and easy access to Insurance and Takaful services, and Insurance companies should have to start Takaful window operations.

This study helps Takaful and Insurance companies Managers to formulate better strategies to achieve the specific goals of satisfied customers and a bigger customer base.

Limitations

The study focused on Insurance and Takaful companies only in two cities of Pakistan, instead of all Pakistan, which otherwise is a representative sample.

To find the service quality of Takaful and Insurance companies theresearch data may be collected from all areas of the country.

Different populations have different Customer's satisfaction, preferences and demographic characteristics.

The data may also be collected for comparison between urban and rural communities. The study's scarcity of financial and human resources had been part of the limitations.

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