ADDIS ABABA UNIVERSITY

SCHOOL OF BUSNESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

GRADUATE STUDIES PROGRAM

FACTORS AFFECTING ADOPTION OF TAKAFUL INSURANCE IN ETHIOPIA: PERSPECTIVE OF INSURANCE MARKET EXPERT

A THESIS PREPARED AND SUMMITED TO ADDIS ABABA UNIVERSITY FACULTY OF BUSNESS AND ECONOMICS DEPARTMENT OF MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE EXECUTIVE MASTER OF BUSINESS ADMINISTRATION (EMBA)

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Addis Ababa, Ethiopia

DECLARATION

I hereby certify that this MA thesis entitled "**Factors affecting adoption of Takaful insurance in Ethiopia: Perspective of insurance market expert"** is my own genuine work undertaken under the supervision of Dr. Yohannes Workaferahu as a partial fulfillment for the requirements of the Executive Master of business administration (EMBA) from Addis Ababa University Faculty of business and Economics departments of management graduate program. I also declare that the content of the study in general and its findings in particular are a genuine outcome of this study; and references to other studies are faithfully acknowledged and properly cited. The study has never been submitted for an award of any Degree at any academic institution.

Adem Abdi

ID No: GSE/5021/10 _____ Signature _____ Date

STATEMENT OF CERTIFICATE

This is to certify that this study entitled "**Factors affecting adoption of Takaful insurance in Ethiopia: Perspective of insurance market expert "** is prepared by Adem Abdi in partial fulfillment for the requirements for the Executive Master of business administration (EMBA) from Addis Ababa University Faculty of business and Economics departments of management graduate program . It is original and prepared for submission for the award of Executive Master of Degree.

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ADDIS ABABA UNIVERSITY

FACULTY OF BUSNESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT GRADUATE STUDIES PROGRAM

This is to certify that the thesis prepared by Adem Abdi entitled "**Factors affecting adoption of Takaful insurance in Ethiopia: Perspective of Insurance market expert**" and submitted in partial fulfillment for the requirements for the Executive Master of business administration (EMBA) from Addis Ababa University Faculty of business and Economics departments of management graduate program complies with the regulation of the University and meets the required standards with regard to quality and originality.

Approval of the Board of Examiners

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ACRONYMS AND ABBREVIATIONS

EMBA	Executive Master of business administration
SSB	Shariah Supervisory Board
PBUH	Peace be up on him
TRA	Theory of Reasoned Action
TPB	Theory of Planned Behavior
TAM	Technology Acceptance Model
DOI	Diffusion of Innovation
PA	Participants Account
PSA	Participants Special Account
CIT	Commerce, Industry, and Tourism
NBE	National Bank of Ethiopia
FDI	Foreign Direct Investment
EIC	Ethiopian Insurance Corporation
ADO	Adoption
AW	Awareness
AT	Attitude
RA	Relative advantage
COM	Compatibility
REG	Regulation
VIF	Variance Inflation Factor
ANOVA	Analysis of Variance
SD	Standard Deviation
CLRM	Classical Linear Regression Model

ABSTRACT

The purpose of this study was to examine the factors affecting adoption of Takaful insurance in Ethiopia in views of insurance marketing experts. In this study, descriptive and explanatory research design was used. The target population of this study consists of 64 staff members of marketing department of 17 insurance companies in Ethiopia and all of them were taken as a sample. Questionnaire was used as instrument for data collection. The questionnaire contained 64 items with 5 point Likert scale, 1 being strongly disagree and 5 being strongly agree. The questionnaire was developed based on past literature and a pilot test was conducted to check normality, reliability and validity of the scale. The dependent variable used in this research was Adoption of Takaful Insurance and the independent variables were Awareness, Attitude, Relative Advantage, Compatibility, and Regulation. The collected data was analyzed using descriptive Statistics, correlation, and multiple leaner regressions through SPSS 25. The result of this research indicates that Awareness and Relative advantage have a positive and significant impact on Adoption of Takaful Insurance. However, this research did not find any significant impact of Attitude, compatibility and regulation on adoption of Takaful. And also the research indicates that, any positive improvement on these variables will result in improvement on adoption of Takaful insurance. Therefore, this research recommends that the Ethiopian insurance companies to formulate strategies that boost Takaful insurance awareness as well as its relative advantage

Keywords: Takaful, Adoption, Awareness, Attitude, Relative Advantage, Compatibility and Regulation.

CHAPTER ONE

1. Introduction

1.1. Back ground of the study

Before the advent of Islam, ancient Arab tribes had practiced the concept of "kafālah", where they were loyal to their tribes and had developed a strong tribal system to protect their members against any hazards. For instance, if any of the tribal members committed a crime such as murder, a war would break out amongst them which at times even lead to more deaths and tragedies. These grievances were mitigated by paying what is known as blood money in order to avoid further revenge and tribal bloodsheds (Nazarov & Dhiraj, 2019). All of the members of the tribe contributed in the form of a donation to meet the compensation funds for the victim's family. Such donations were collected to settle compensation for any tribal disputes. This kind of cooperation and practices were known as "Aqilah", where the members of the tribe shared burdens of each other. The entire community guaranteed each other against any losses or hazards that could occur to them which is identical to the concept of contemporary mutual insurance (Nazarov & Dhiraj, 2019)

The word Takaful is derived from an Arabic word "Kafal", which means guaranteeing each other and the original concept of the Takaful practice can be traced back during the time of the Prophet (PBUH). He approved this practice where by the family of the killer contributes money to the immediate family of the dead and its purpose is to help the family members who depend on the person who was unlawfully killed. In addition Islamic jurists started issuing Fatāwas (discussion) on the illegitimate nature of conventional insurance and introduced Takaful as an alternative to insurance in the 20th century. According to the sharia scholars, Takaful should be based on the contract of donation (uqudtabarruat), instead of the conventional commercial contract of exchange (uqudmuawadhah) as the latter contains major elements of interest (Riba), gambling (Maysir) and uncertainty (Gharar) which invalidate the conventional insurance contract. In modern-day contexts, the first Takaful Company - the Islamic Insurance Company of Sudan was founded in Sudan by the Faisal Islamic Bank in January, 1979 (Swartz & Coetzer, 2010).

The Bank's Shari'ah Supervisory Board approved this endeavor, and in January 1979, the Islamic Insurance Company was established as a public company (under the Companies Act, 1925) and In

1985, the Council of Islamic Scholars in Mecca approved Takaful as a Sharia approved alternative to the conventional insurance system. This led to mutual Takaful companies being established in different Muslim countries including Dubai, Bahrain, and Malaysia. In the Middle East, Takaful has developed in Saudi Arabia, Bahrain, Iran, and Qatar, Egypt, the United Arab Emirates, and Kuwait. Steps have also been taken in Europe and the US to establish similar companies. Takaful is now fully commercialized and is an important part of the financial markets of the world economy (Swartz & Coetzer, 2010).

Even though Takaful is now fully commercialized and become important parts of financial market of the world economy, its adoption is limited to some parts of the world. According to some researchers the Adoption of Takaful insurance is determined by different factors such as consumer behavior, relative advantage, Attitude of insurance expert, compatibility, religion, Awareness' of insurers social influence and country regulation (Ahmed Shabiq, 2016)

1.2. Statement of the problem

Ethiopia is the second largest populated countries of Africa with multi nation nationalities and religion. The total population of Ethiopia is estimated to be 110 Million. According to 2007, Ethiopian national census report, 33.9% of the Ethiopian population is Muslim.

As natural for any human being, to create wealth and feed their families and thereby support the country economy Ethiopian Muslims are also participating in the country commercial activities. But participating in any activities may involve different risks due to uncertainty in the future.

Islam also recognizes the existence of risk, uncertainty, and the importance of insurance such as Protection from financial hardship if the unexpected happens, and reduction of stress during difficult times. And also as any business man Muslims expect as some risk will happen while processing business activities, and look for Insurance, however, there is only Conventional or commercial insurance that exist in the country insurance industry. This Conventional or commercial insurance contains certain practices and principles that are not permissible in Islam. According to Shariah Scholars, conventional insurance includes elements of Riba (Interest), Maisir (Gambling) and contract of Gharar (uncertainty), and practicing in any contract involving these and similar elements is strictly prohibited for Muslims. Due to these Shariah principles Muslims request to get Shariah compliant insurance products from insurance market to run their business activities smoothly, but there is no Shariah compliant insurance product in our insurance Industry and also the existing Insurance Market players (insurers) have not been adopting ethical (Takaful insurance) in the insurance industry. This indicates that, there is big gap between sharia principles and the existing insurance policy. As a result; Muslim communities are suffering from absence of Shariah compliant Insurance. Therefore, this research helps to fill the gap by indicating the factors affecting the adoption of the required product.

1.3. Objectives of the study

1.3.1. General Objective

The objective of this study is aim at determining Factors affecting adoption of Takaful insurance in Ethiopia.

1.3.2. Specific Objective

To identify major factors those are affecting adoption of Takaful insurance to financial market by insurance players in the country.

1.4. Research Questions

1. What factors hindered insurance market players from adopting Takaful insurance?

2. Are there any conceptual and operational differences between conventional insurance and Takaful?

3. Is there any compatibility between conventional insurance and Takaful?

4. Are insurance players known about Takaful insurance?

5. Do insurance Market players know as insurance contract is against sharia principles?

1.5. Significance of the study

This study may have the following main significances

Regulators and government agencies will be able to develop policies and guidelines that will promote and enhance Takaful Insurance adoption in the country. Insurance is a highly regulated industry and Takaful is not yet, Takaful requires a different legal frame work such as Shariah Supervisory Board (SSB) to ensure that the organizations adhere to the tenets of Muslims faith. Therefore, having noted inherent factors that insurance industry face, regulatory Authority will ensure develop guidelines and supervision requirement to address these factors that may hinder adoption of Takaful insurance, Increase understanding of Insurance market players toward adoption of Takaful insurance, Enhance Muslim brotherhood in service provision in the insurance industry, Policyholders and the general public will be greatly informed by the availability of this literature and enable them to make informed decision when engaging or purchasing Takaful products Participants (insurance buyers) will know the similarities and contrast that exists between conventional and Takaful insurance and thus enable them to make informed decisions on their insurance needs,

Interested researchers, investors and students will also benefit from the study as it would serve as source of reference and Finally, investors will also benefit from the findings of this study by knowing prior the challenges that are likely to impact on the performance their investments and thus develop measurers that would minimize the risk that would negatively impact on their investment.

1.6. Scope of the study

The study was confined to the Ethiopian insurance companies. This is because they are the only players of insurance market of the country and expected to include (adopt) Takaful insurance as alternative to conventional insurance to meet the demand of customers who need sharih complaint insurance and also to minimize financial, time and other resources.

1.7. Limitation of the research

The researcher did not finish this research without short comings. One of the crucial problems was lack of data, during data collection. As Takaful insurance is new to our country, there is no book available in the library and also there are no free books available online. And also some of the books available on line request purchase in dollars and the researcher were not able to buy it due to finance shortage. And also Some of the respondents in the sample were most of the time busy and have no enough time to respond to questioner and also some of the respondents were not happy in receiving hard copy of the questioner due to fear of coronavirus. But, the researcher tried to overcome all of those problems by using different journals, articles and reports, regularly going to their office and requesting to respond and arranging soffit copy to minimize fear of coronavirus

1.8. Organization of the research

This paper was organized in to five chapters. The first part is chapter one which is an introductory part of the paper. The second chapter deals with review of related literature obtained from various published and unpublished reference materials. The third part is sampling procedure, The Fourth part is result and discussion which present analysis and interpretation of data .The Fifth and the last part of this study is chapter five which will be conclusion and recommendation. References and appendix will also be attached at the end of the paper.

CHAPTER TWO

2. REVIEW OF THE RELATED LATRATURE

This chapter deals with the issues relating to Takaful insurance and conventional insurance in general and determinants of Takaful insurance adoption in particular. It reviews literatures that are available in theories as well as empirical evidences relating to the Takaful insurance.

2.1 Islamic Insurance (Takaful) and Conventional Insurance

2.1.1 Conventional insurance

Conventional Insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Some forms of insurance are required by law, while others are optional. Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. In exchange for payments from the insured (called premiums), the insurer agrees to pay the policy holder a sum of money upon the occurrence of a specific event. In most cases, the policy holder pays part of the loss and the insurer pays the rest. From the financial aspect it redistributes the costs of unexpected losses (Dorfman & MarkS, 1994)

Essentially, insurance contracts include five elements: Two parties, the insured and the insurer; An agreed premium; An amount to be paid to cover a specified loss or losses; The specified loss or losses should have a remote chance of occurring; and The policyholder who is taking out the insurance should have an interest in what is being insured (ex. they could own the item they are insuring). Insurance collects all of the risks and potential losses in a pool and converts it to cost of insurance (indemnity). In this way with paid premiums this financial system shares the risks. Individuals and institutions face low risks with a low cost. Shared risk by paying insurance premiums, thanks to the financial system is provided so that individuals and institutions with a decreased risk bearing costs. The collected premiums are also become a major economic funds. The concept of insurance arises following factors: The presence of risk and that risk happens coincidental and unintentional (Dorfman, 1994)

2.1.2. Takaful Insurance

Takaful in general is a system of Islamic insurance based on the principle of mutual cooperation (ta'awun) and donation (Tabarru'), where the risk is shared collectively and voluntarily by the group of participants. It is derived from an Arabic word meaning 'joint guarantee' or 'guaranteeing each

other' (Mahmood, 2008). It is an arrangement by a group of people with common interests to guarantee or protect each other from certain defined misfortunes such as premature death, disability and property damages (Obaidulllah, 2005). Under Takaful schemes, participants mutually agree to guarantee and to protect each other against a defined loss or damage, by jointly providing financial assistance to any members suffering from a loss. Takaful literally means shared responsibility, shared guarantee, collective assurance and mutual undertakings. Thus Shariah compliant insurance is based on shared responsibility, mutual co-operation and solidarity and is designed to protect the participant against a defined risk. Takaful schemes are free from elements (Mohamad Idham Md Razak, 2013)

2.2. How Insurance Is Against the Principles of Shariah?

Commercial Insurance and all its contracts are relatively new developments. The pioneer Muslims neither knew it nor was it ever considered by the earlier Islamic Jurisprudents. It was for the first time examined by a Hanafi Jurist Syed Ibn Abdin (dead 1252 H corresponding to 1836 A.D.) at the request of some Muslim Merchants who sought his opinion about the validity of Marine Insurance under Islamic laws. He discussed the essence of Marine insurance and concluded "I see that it is not permitted to any merchant to get indemnity for his damaged property against the payment of a certain sum of money known as insurance premium; because this is a commitment for what should not be committed to".

The attitude towards illegality of insurance from Islamic point of view continued for full century after Ibn Abdin. However in view of the tremendous importance assumed by Insurance for the modern finance, trade and industry the Contract of Insurance has been subject matter of extensive and in depth studies and discussions amongst the Islamic Jurisprudents during the past several decades. In 1396 H (1976) the First International Conference on Islamic Economics was held in Makkah, which was attended by more than 200 Islamic Jurists and Economists. They reached at the following decision on it: "The Conference sees that the commercial insurance which is practiced by the commercial insurance companies in this era does not conform to the Shariah principle of cooperation and solidarity because it does not fulfill the Shariah conditions which would make it valid and acceptable". This Conference also suggested that a committee comprising of Shariah Experts & Muslim Economists should be constituted in order to suggest a system of insurance that will be free of "Riba", "Usury" and "Gharar". The matter continued to receive the attention of

numerous groups of Islamic Jurisprudents in cooperation with eminent and distinguished economists and insurance experts who came up with different conclusions, views and opinions. Some of them approved all forms of insurance subject to certain conditions, limitations and qualifications; others totally disapproved all of them. However an overwhelming majority of the Islamic Jurisprudents is now of the opinion that the modern western oriented insurance contract does not in its present form conform to the Islamic Shariah. The objection is against the existence of the weaknesses in the insurance contract namely: Gharar (uncertainty); Maisir (gambling) and Riba (usury) (Khan L. A., 2011)

2.3. Arguments against Insurance

Some Islamic scholars declare insurance as un-Islamic due to the elements of Gharar (uncertainty), Maisir (gambling) and Riba (interest) involved in the operation of insurance contracts.

According to a saying of the Holy Prophet (PBUH), which he told to a Bedouin Arab, who left his camel unchained to the will of Allah, "tie the camel and then leave it to the will of Allah". In another hadith the Prophet (PBUH) advised to "help one another in furthering virtue and God consciousness and do not help another in furthering evil and enmity". In view of these hadiths it is established that concept of insurance does not contradict with Shariah. The word "risk" implies some form of uncertainty about an outcome in a given situation. As event might occur and if it does the outcome is not favorable to us or it is not an outcome we look forward to. There are different levels of risk. The risk is classified into financial and Non-Financial risk or Pure and Speculative Risk. Different methods are used to control the risk including physical risk control, financial risk control and alternative risk transfer. The insurance is a risk transfer mechanism whereby a person can shift some of the uncertainty of life on to the shoulders of others. The insured's premium received by the insurers is put into a fund or pool and claims are paid out of it. Because of large number of clients in any particular fund or pool the insurers can predict, with a reasonable accuracy, the amount of claims likely to be incurred in the coming year. There will be some variation in claims costs from year to year and the premiums include a small margin to build up a reserve upon which the insurers can draw in bad years. Insurance has a long history and as a result of operation of this common pool system the present industrially developed countries have been successful in achieving their development and technological progress. Frequently a question is raised whether the insurance is permissible for Muslims. Everyone tries to answer this important question according to his own

understanding. Some call it gambling or breach of Divine providence and some consider it as prohibited "Gharar" transaction. It appears that the persons following Islam object to insurance due to lack of understanding what insurance really is and what it does. When we know that life insurance is nothing but an honorable way of looking after orphans, widows, the aged and the infirm, we would be sure that no religion does ever stand between those who need it and all that it does. Gharar (Uncertainty) The uncertainty for the subject matter (accident), price (claim money) and the credit period is also uncertain. The policyholder is uncertain about the receipt of claim depending upon the occurrence of an unforeseen event like "accident" or "death, marriage, and education". If event comes earlier the company receives fewer premiums but pays whole claim to its policyholder. In fact the contract of insurance does not involve element of Gharar or uncertainty. In an insurance policy generally the subject matter is the property against which the risk is presumed to occur in the future. The subject matter of insurance contract is definite and certain. Similarly the subject matter of a life insurance policy is the life of the assured, which is also definite in the sense that the assured had been given with a life by Allah, and will one day die by the will of Allah. Such occurrence on life or death is of course definite and certain as Allah says to the effect (Khan L. A., 2011).

2.3.1. Uncertainty (Gharar)

Conventional insurance is a contract between the insurer and the insured, but this contract doesn't explicitly describe its outcome for either the insurer or the insured. And sharia doesn't allow the sale of contracts that are based on uncertainty.

The conventional insurer has the assurance of receiving a premium each month but faces uncertainty regarding when and whether the insured will make a claim. Likewise, the insured may or may not incur losses or damages to prompt a claim.

In addition, when an insurance claim does occur, neither party knows in advance how much may be paid to the insured (or even whether the insurer will pay a cent). The insurer considers many variables when documenting an insurance claim, so predicting what the outcome may be for either party is impossible (Khan L. A., 2011).

The bottom line: Islamic scholars agree that conventional insurance contracts are based on uncertainty, which means they aren't sharia-compliant.

2.3.2. Gambling With Premiums (Maysir)

Going hand-in-hand with uncertainty is the fact that conventional insurance has characteristics of gambling. The conventional insurer receives huge amounts of money from the insured in the form of premium payments.

Will the insurer be able to hold onto that money? Or will some sort of disaster strike (tornado, wildfire, flood . . . pick a weather event) that results in the insurer paying out every dime of the premiums and then some?

When few claims are filed, the insurer wins (and the insured lose their premiums). When loads of claims are filed, the insured get some payback for their premiums (and the insurer may be in trouble).

Most Islamic scholars generally agree that conventional insurance products involve gambling and aren't sharia-compliant. (Khan L. A., 2011)

2.3.3. Collecting Interest (Riba)

Another reason that Islamic law prohibits conventional insurance products is that their transactions involve interest. Interest generally comes into play in two ways:

• Insurance companies need to make sure they can pay their customers' potential future claims, so they rarely let the premiums they collect sit in a cash account. Instead, they invest the premiums in interest-bearing fixed income instruments such as conventional bonds.

• If the insured files a substantial claim, she may receive an amount from the insurer that totals more than the premiums she has paid. Most Islamic scholars consider any excess amount paid by a conventional insurer to be interest.

•Keep in mind that someone who purchases a Takaful product can also receive an amount that exceeds the total contributions she pays in. In that case, the excess amount is not considered interest.

The difference is not just semantics; the difference lies in the structure of a Takaful fund and the transfer of risk (which is quite distinct from a conventional insurance product. (Khan L. A., 2011)

2.4. Takaful As an Alternative of Insurance

Different views have been expressed about the conventional insurance from the point of view of Islam. An overwhelming majority of the Shariah scholars believe that it is unlawful. Takaful, the

Islamic alternative to insurance is based on the concept of social solidarity, cooperation and mutual indemnification of losses of members. It is a pact among a group of persons who agree to jointly indemnify the loss or damage that may inflict upon any of them, out of the fund they donate collectively. The Takaful contract so agreed usually involves the concepts of Mudarabah, Tabarru' (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty. Takaful is not a new concept in Islamic commercial law. The contemporary jurists acknowledge that the foundation of shared responsibility or Takaful was laid down in the system of 'Aaqilah', which was an arrangement of mutual help or indemnification customary in some tribes at the time of the Holy Prophet (PBUH). In case of any natural calamity, everybody used to contribute something until the loss was indemnified. Similarly, the idea of Aaqilah in respect of blood money or any disaster was based on the concept of Takaful wherein payments by the whole tribe distributed the financial burden among the entire tribe. Islam accepted this principle of reciprocal compensation and joint responsibility. The contract of Takaful provides solidarity in respect of any tragedy in human life and loss to the business or property (Khan L. A., 2011) .

The policyholders (Takaful partners) pay subscription to assist and indemnify each other and share the profits earned from business conducted by the Company with the subscribed funds. Takaful companies normally divide the contributions into two parts, i.e., donations for meeting mortality liability or losses of the fellow policyholders and the other part for investment (Khan L. A., 2011) .

Accordingly, the clause of Tabarru' is incorporated in the contract. How much of the contribution is meant for mortality liability and how much for investment account is based on a sound technical basis of mortality tables and other actuarial requirements. Both the accounts are invested and returns thereof distributed on Mudarabah principle between the participants and the Takaful operators. To describe from another angle, a Takaful contract may comprise clauses for either protection or savings/investments or both the benefits of protection as well as savings and investment. The protection part of Takaful works on the donation principle according to which individual rights are given up to indemnify the losses reciprocally. In the savings part, individual rights remain intact under Mudarabah principle and the contributions along with profit (net of expenses) are paid to the policyholders at the end of policy term or before, if required by him (Khan L. A., 2011) ..

The distinction between the conventional insurance and Takaful business is more visible with respect to investment of funds. While insurance companies invest their funds in interest-based avenues and without any regard for the concept of Halal-or-Haram, Takaful companies undertake only Shariah compliant business and the profits are distributed in accordance with the pre-agreed ratios in the Takaful Agreements. Likewise they share in any surplus or loss from the pool collectively. Takaful system has a built-in mechanism to counter any over-pricing policies of the insurance companies because whatever may be the premium charged, the surplus would normally go back to the participants in proportion to their contributions (Khan L. A., 2011) .

The terms "Family Takaful", "Takaful Ta'awani" or just "Takaful" are generally used for family solidarity in place of conventional life insurances. Other products available in various countries are General Takaful, Education/Medical Takaful, etc. Based on the nature of relationship there are various models like Wakalah (agency) Model, Mudarabah Model and the combination of agency and Mudarabah models. In Mudarabah model the policyholders get profit on their part of funds only if Takaful Company earns profit. The sharing basis is determined in advance and is a function of the developmental stage and earnings of the Company. The Shariah committee approves the sharing ratio for each year in advance. Most of the expenses are charged to the shareholders. In Wakalah Model, the surplus of policyholders' funds' investments – net of the management fee or expenses – goes to the policyholders. The shareholders charge Wakalah fee from contributions that covers most of the expenses of business. The fee rate is fixed annually in advance in consultation with Shariah committee of the company. In order to give incentive for good governance, management fee is related to the level of performance (Khan L. A., 2011) .

2.5. Determinants of Product Adoption

2.5.1 Consumer Attitude

Attitudes are an expression of inner feelings that reflect whether a person is favorably or unfavorably predisposed to some 'stimulus' or 'object' (e.g., a restaurant, a brand, a service, a retail establishment). Attitudes are viewed as outcome of psychological processes. This implies that attitudes are not directly observable, but can only be inferred from what people say or what they do. In consumer research the data collected on attitudes are the state-of-mind type. According to Hair et al (2000), state-of-mind data represent the mental attributes of individual that are not directly observable or available through some type of external sources. There are no other means of authenticating related responses. They exist only within the minds of respondents. Therefore, attitudes are assessed by asking questions on or making inferences from behavior. From all these

attitude definitions, it apparent that attitude has three important characteristics – the attitude as "object", attitudes as a learned predisposition, and that attitudes have consistency. Most scholars believe that attitudes are learned. This implies that attitudes relevant to purchase behavior are found as a result of direct experience with the good or service, information acquired from others, and exposure to mass media. Attitudes might result from behavior but are not same with behavior. They are a reflection of either a favorable or an unfavorable evaluation of the attitude object. As a predisposition, attitudes have a motivational quality, that is, they might propel a consumer toward a particular behavior or repel the consumer away from a particular behavior ((Asiegbu, 2012)

2.5.1.1. Definition of Attitude

An attitude is an individual's disposition to react with a certain degree of favorableness or un favorableness to an object, behavior, person, institution, or event - or to any other discriminable aspect of the individual's world. (Ajzen, 1995)

2.5.1.2. Consumer behavior

The first formal definition of consumer behavior was published by Walters and Paul in their book called "Consumer Behavior: An Integrated Framework". It defines consumer behaviors a decision making process whereby people decide on what to buy, where to buy, when to buy, how to buy and from whom to buy goods and services. This process involves both physical and mental activities (Walters & Paul. 1970).

Some of the key theories and models of intention-behavior will be discussed here to see if these are beneficial to the current study of investigating factors affecting the adoption of Takaful (Ahmed Shabiq, 2016)

2.5.1.2.1. Theory of Reasoned Action (TRA)

The Theory of Reasoned Action (Fishbein & Ajzen 1975) is a widely used expectancy-value model which is based the outcomes of attitude, subjective norms and intention towards a specific behavior. It is an established framework use to evaluate the relationship between attitude and their underlying believes. Therefore, adapting TRA in studying intention behavior to adopt Takaful (Islamic Insurance) seemed justified. ((Ahmed Shabiq, 2016)

2.5.1.2.2. Theory of Planned Behavior (TPB)

The theory of planned behavior (TPB) has emerged as one of the most influential and popular conceptual frameworks for the study of human behavior (Ajzen 2001). Basically, TPB is an extension of the TRA (Fishbein & Ajzen 1975; Ajzen & Fishbein 1980). This theory is extended to

cover the fundamental limitation in TRA and fits in the situation where behavior is not under volitional control.((Ahmed Shabiq, 2016)

2.5.1.2.3. Technology Acceptance Model (TAM)

Technological Acceptance Model (TAM) was developed by Davis (1989) to explain adoption behavior of the information technology users. To explain the adoption behavior of computer based technologies in the workplace, TAM adopts the casual relationship between attitude belief-intention-behavior. It assumes that actual system use is led by the behavioral intention to use a new technology. Likewise, individual's attitude toward using a new technology determines the behavioral intention to use a new technology. (Ahmed Shabiq, 2016)

2.5.1.2.4. Diffusion of Innovation Theory

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible. Adoption of a new idea, behavior, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established adopter categories, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories (Ahmed Shabiq, 2016)

1. Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population.

2. Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change.

3. Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness.

4. Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully.

5. Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups

The stages, by which a person adopts an innovation, and whereby diffusion is accomplished, include awareness of the need for an innovation, decision to adopt (or reject) the innovation, initial use of the innovation to test it, and continued use of the innovation. There are five main factors that influence adoption of an innovation, and each of these factors is at play to a different extent in the five adopter categories.

1. Relative Advantage - The degree to which an innovation is seen as better than the idea, program, or product it replaces.

2. Compatibility - How consistent the innovation is with the values, experiences, and needs of the potential adopters.

3. Complexity - How difficult the innovation is to understand and/or use.

4. Triability - The extent to which the innovation can be tested or experimented with before a commitment to adopt is made.

5. Observability -The extent to which the innovation provides tangible results.

2.5.1.2.4.1. Limitations of Diffusion of Innovation Theory

There are several limitations of Diffusion of Innovation Theory, which include the following:

- Much of the evidence for this theory, including the adopter categories, did not originate in public health and it was not developed to explicitly apply to adoption of new behaviors or health innovations.
- It does not foster a participatory approach to adoption of a public health program.
- It works better with adoption of behaviors rather than cessation or prevention of behaviors.
- It doesn't take into account an individual's resources or social support to adopt the new behavior (or innovation).

This theory has been used successfully in many fields including communication, agriculture, public health, criminal justice, social work, and marketing. In public health, Diffusion of Innovation Theory is used to accelerate the adoption of important public health programs that typically aim to change the behavior of a social system. For example, an intervention to address a public health problem is developed, and the intervention is promoted to people in a social system with the goal of adoption (based on Diffusion of Innovation Theory). The most successful adoption of a public health program results from understanding the target population and the factors influencing their rate of adoption. (Ahmed Shabiq, 2016)

2.5.2. Relative advantage

In the popular theory (Diffusion of Innovation Theory) Relative advantage was defined as "The degree to which consumers perceived using a new product or service as better than using its substitutes" (Rogers 2003 P.229). In this study, relative advantage isreferred to Islamic banking users subjective evaluation of the benefit brought to them by the Islamic bank (products and services) they used as against the conventional banking. This concept attracted wider attention of researchers and have been applied in different context of human endeavor. Researchers have examined the relationship of this construct in relation to usage or adoption in various discipline that includes Technology, Ho and Wu (2011), Tan and Teo (2000), Kolodinsky, Hogarth, and Hilgert (2004) and Taylor and Todd (1995); retail banking, Hoffmann, Franken, and Broekhuizen (2012) and Islamic banking Thambiah, Eze, Santhapparaj, and Arumugam (2011a), Thambiah, Ismail, Ahmed, and Khin (2013) Amin,

Abdul-Rahman, and Abdul-Razak (2013), Sarea and Hanefah (2013). Choudhury and Karahanna (2008) opined that relative advantage is the most predictive factor of the usage of a particular product or service. Black, Lockett, Winklhofer, and Ennew (2001) discover that, relative advantage is a construct that is highly domain specific and the most important is the reduced cost and greater convenience. Relative Advantage is further viewed as elimination of interest burden which was believed to be another aspect that is peculiar to Islamic banking. To replace interest, the ideal mode of financing under the Islamic banking system is on the basis of "Financing on Profit & Loss Sharing" (PLS), (Siddiqui, 2001). Elimination of interest burden was considered advantageous aspar as Islamic banking is concern. Absence of interest in its dealing was reported as one of the key factor for customers' engagement with the participatory bank (Interest free) in Turkey.Similarly, empirical study conducted by Ergun and Djedovic (2011) revealed that both users and non-users of Islamic banking favored profit and loss sharing rule of Islamic bank in Bosnia Herzegovina. Profitsharing in Islamic banking as presented in Musharakah and Mudarabah which constitutes, arguably, the purest products provided by the Islamic banks was considered advantageous (Chowdhury, 2013). In a study conducted in Singapore by Gerrard and Cunningham (1997), majority of the Muslims customers of Islamic banks indicated their preference to profit and loss sharing. (Sani Yahaya, 2017)

2.5.3. Awareness

Awareness is the quality or state of being aware: knowledge and understanding that something is happening or exists (Merriam , 1864)

2.5.3.1. Public Awareness of Takaful Insurance

Public awareness is an important factor to increase market share for Islamic finance and Takaful. Awareness is considered as individuals' ability to directly know, perceive, and feel or to be conscious of events or happenings in his or her immediate environment. Thus, it is argued that even though people may have the willingness to accept Takaful, however, if he or she lacks awareness of Takaful he or she has less intention to accept the Takaful as an Islamic insurance concept (Kazaure, 2019)

2.5.4. Compatibility

Compatibility is the capacity for two systems to work together without having to be altered to do so. Compatible software applications use the same data formats. For example, if word processor

applications are compatible, the user should be able to open their document files in either product (Walts.com, 2013).

2.5.4.1. Compatibility between Islamic Insurance Theory and Its Current Models of Operation

Islamic insurance is one of the ancillary aids to Islamic commercial activities such as the role of conventional insurance to trade. The conventional insurance has been practiced and standardized over centuries compared to Islamic insurance which is less than a century in practice. It is expected that Islamic insurance is influenced by the conventional insurance orientation (Cohen, 2005). This expectation is obvious and manifested in the objectives and aims of Islamic insurance industry. These include reduction or elimination of hazards, protection of properties, caring for aftermath (loss or damages) of perils and other general risk management issues (Al-Shubayli, 2009; Al-Suwaylim, 2009). It is furthermore assumed that the formation and development of Islamic insurance follow most (if not all) of the hurdles conventional insurance had passed throughout its standardization processes (Abidin, Bakar & Haseeb, 2014 & 2015; Abidin & Haseeb, 2015). Insurance business began as a profession without theoretical justification during the Europeans' exploration periods which entail the discovery of Africa and other Asian nations. In addition, there were limited means of transportation and amount of life entails in the sea voyage. The common way was to navigate the oceans, lakes, seas, etc. in order to facilitate the exchange of goods and services and as well as to fulfill the explorers' taste for new discoveries (Schultz & Bradwell, 1960). For example, the first slaves and gold to be exported from Africa was in 1445 by the Portuguese from the gold coast (Ghana) (Black Presence, 2013). Without standardization, early insurance business was dominated by gambling activities. This allowed anyone to affect insurance policy on anything without financial stakes and for the purpose of financial gains (UK Government, 1774). However, in 1668, the standardization surfaced through the official status of Lloyd's underwriters. This was followed by the establishment of life expectancy table which makes premium calculations at least reasonable (Schultz & Bradwell, 1960). This was because life assurance is one of the earliest forms of insurance contracts. The British Government enacted life assurance gambling act of 1774 prohibiting and declared criminal offence all forms of life assurance policy without insurable interest (UK Government, 1774). Source: (Olorogun, 2018)

2.5.4.2. Role of Theory in Conceptual Development

Idea generation is the initial phase of knowledge. These ideas, albeit, can be regarded as raw material or information. It is an unorganized concept floating on the cognizance of the researcher. However, its truth or falsehood is yet to be ascertained (Percy, 1982; Onwuegbuzie et al., 2009). This procedure in view of the empiricists-rationalists such as Campbell (1974) is what is known as evolutionary epistemology. Evolutionary epistemology tries to address knowledge questions from natural or epistemology viewpoint. It posited that the beginning is to generate natural or cognitive knowledge. The ideas generated can further be empirically tested (Gardner, 2006; Lea & Street, 2006; Bradie & Harms, 2012). These initial ideas were recorded for further deliberations, re-examination and investigation of concepts. The researchers' norm of keeping detailed records of earlier ideas and findings marked the development of theories. Thus, theories are justifications of claims of existential of knowledge or benefits in a specific field or profession. (Olorogun, 2018)

It suffices that Islamic insurance concept has passed through the right procedure as demanded by educational norms. At this junction, it is important to state that the early proponents of Islamic insurance's idea have led to the development of Islamic insurance concept. This concept has positively developed into theory and practices. Whether the theory generated from their natural assumptions is correct, is one of what prompted this study. The next section, therefore states precisely the theoretical justification of Islamic insurance profession. (Olorogun, 2018)

2.5.4.3. Business Operational Model

Every organization must have its business model. This is because every organization takes some decisions in approaching its internal and external environmental issues. The internal issues are those within the organization such as governance structure and content (Casadesus-Masanell & Ricart, 2010). External issues however are those that the organization must provide such as adequate strategies in order to be able to withstand aggressive competitors in a similar industry. Thus, Amit and Zoh (2001) posited that business model depicts the content, structure and governance of transactions designed to create value through exploitation of business opportunities. Likewise, Baden-Fuller, MacMillan, Demil & Lecocq (2010) defined it as "the logic of the firm, the way it operates and how it creates value for its stakeholders".

From the above definitions, it is crystal-clear that the first definition highlights that organization's transaction contents such as goods or services, resources and capabilities are cogent aspects of business model. Similarly, transaction structures which include the parties, the link and the way they choose to operate make a reasonable degree of the system. Transaction governance, that is, the way flows of information, resources and goods are controlled by relevant parties, the legal form of organization and the incentives to the participants. Furthermore, Baden-Fuller et al. (2010) theorized that business model comprises of two different sets of elements:

1. The concrete choices such as policies, governance structure and assets choices made by the management on how the organization operates.

2. The consequences of the choices (Casadesus-Masanell & Ricart, 2010).

From the above two paragraphs, it is appropriate to assume that Islamic insurance has been designed on solid business model. That its business models take care of all aspects of the industry and that it has positive impacts on the industry. At organizational levels, it is assumed that Islamic insurance organization' consents to the current business models that they are right choices as regards to business contents, governance, structures of transactions, assets' choices, etc. thus, the next section explores the operating models of Islamic insurance (Olorogun, 2018).

2.5.4.4. TAKĀFUL MODELS IN PRACTICE

The commercialization of Takāful has produced several operating models, each reflecting a different experience. According to Akhter, Waheed (2010) currently the following models are being practiced in Takāful companies all over the world.

2.5.4.5.1. TA'AWUNI (NON-PROFIT MODEL)

Ta"awuni model (Billah, 2004) is based on the concept of brotherhood, solidarity and mutual cooperation among participants to achieve well-being of those who are in great need of help due to a sudden calamity, misfortune or disaster. This model seeks to achieve welfare of Takāful participants and community at large. Takāful operator acts as a trustee on behalf of participants with no intention of making profit. That is why this model is also called non-profit model. The profit and underwriting surplus are distributed entirely to the participants ((Akhter, 2010)

2.5.4.5.2.Wakalah Model

Wakalāh model is a fee driven Islamic contract in which one party provides capital whereas other party manages the funds. Here, other party charges a fixed fee instead of profit sharing as in Mudhārabah contract for providing its managerial services to prudently invest and manage the funds. In Takāful contract, participants provide capital in the form of contribution and Takāfuloperator manages the funds and charges a fixed fee (called a Wakalāhfee) for providing its services (Whear & Western, 2006). The Wakalāhfee should be fair and appropriate and should be determined and approved by Sharī‟ah Supervisory Board (SSB). Wakalāh model is considered more transparent than Mudhārabah model as charges are fixed and predetermined by the both parties. There are no hidden charges. Some Takāful operators charge an additional fee on surplus as an incentive to efficiently manage the funds (Akhter, 2010).

2.5.4.5.3. Mudharabah "investment" Model

In Takāful, Mudhārabah model is a profit sharing contract (Billah, 2004; pp.4-6) where participants provide capital in the form of contribution and Takāful operator acts as a mudarib who provides his management expertise to efficiently utilize the Takāful fund. It is also called tijari model as it works on commercial business basis. Takāful operator shares the profit from investment of Takāful fund and is responsible for all management expenses. In family Takāful plan, Participant's contribution is divided into two parts. The major portion of the fund goes into Participants‟ Account (PA) that belongs to participant whereas smaller portion is contained in Participants‟ Special Account (PSA) that is used to pay claims and underwriting costs. Entire amount of PA and PSA is invested in Sharī‟ah approved instruments. Profit from PA is shared between participants and Takāful operator according to agreed ratios. Profit and the amount in PSA are used to pay for claims and underwriting costs. In case, claims payments and underwriting costs exceed the amount prescribed in PSA, the loss is compensated from PA or shareholders may provide interest free loan (qard-hasana). In case, claims and underwriting costs are less than the amount available in PSA, the amount left is treated as underwriting surplus and shared between Takāful operator and the participants. In Mudhārabah model, Takāful operator claims to share in underwriting surplus as an incentive for efficiently managing Takāful funds (Akhter, 2010).

2.5.4.5.4. Wakalah-Mudharabah Model

Mixed model is a combination of al-Mudhārabah and al-Wakalāh model where al-Wakalāh contract is used for underwriting activities while al-Mudhārabah contract is adopted for investment activities (Tolefat, 2006). With regard to underwriting activities, the shareholders act as the wakeel (agent) on behalf of participants to manage their funds whereby the Takāful company (shareholders) receives contribution, pay claims, arrange Re-Takāful and all other necessary actions related to Takāful business. In exchange for performing these tasks, the company charges each participant a fee known as a Wakalāh fee, which is usually a percentage of the contribution paid by each participant. On the investment side, the company invests the surplus contributions in Sharī‟ah based instruments based on Al-Mudhārabah contract, whereby the company acts as mudarib on behalf of participants (Rab-al-maal or capital providers). However, in order to satisfy the Sharī‟ah requirement for Al-Mudhārabah contract, the ratio of profit is fixed and agreed upon between the two parties, at the inception of the contract. (Akhter, 2010)

2.5.4.5.5. Waqaf Model

The model is a modified form of Wakalāh model where a Waqf fund is created by initial donation of shareholders. Participants‟ contribution goes directly to Waqf fund. Takāful operator deducts its fees from Waqf fund. The remaining amount is invested in Sharī‟ah based instruments. The profit from investment is shared between Takāful operator and participants according to agreed ratios. After deducting claims, Re-Takāful expenses and underwriting costs, 100% net surplus belongs to participants who have no prior claims and distributed to them according to their proportion of contribution (Akhter, 2010).

2.5.5. Regulation

Regulations are rules made by a government or other authority in order to control the way something is done or the way people behave. Regulation is the controlling of an activity or process, usually by means of rules. Social services also have responsibility for the regulation of nurseries (Collins, 1979).

2.5.5.1. Ethiopian Insurance regulation

In Ethiopia, the modern insurance business has no deep-rooted history like in most countries of the world. According to many historians and scholars, the emergence of the modern insurance industry traces back to the pioneer, the former Bank of Abyssinia, established by Emperor Menelik II in 1905. Thus, the business of insurance has a record of only 112 years in Ethiopia.

There was also no specific insurance legislation in Ethiopia until the 1970s. Before this Proclamation, insurance companies had to comply with the Commercial, Maritime and Civil Codes of 1960. To these codes, insurance businesses were commercial rather than financial sector transactions.

The 1960s laws regulated insurance contracts as merely a mercantile activity where the will of the parties prevailed. They were inadequate to regulate the business of insurance effectively. As a result, the public safeguard and the nation's economic interests were at stake. Cognizant of this, the Imperial Government of Ethiopia decided to curb the situation by enacting the first insurance regulation. The law, intended to control the establishment, works, and finances of insurance companies, was enforced in 1971.

The Proclamation set forth conditions for insurers to carry out business such as; the insurer should be a 'domestic company'; it should have a share capital fully subscribed as outlined in the Proclamation, and it should have to fulfill the licensing requirements prescribed therein. The Proclamation also made it compulsory for insurance intermediaries (Agents and Brokers), and auxiliaries (Actuaries and Insurance Assessors) to be licensed to work in the insurance business.

Moreover, the then Minister of Commerce, Industry, and Tourism (CIT), according to the authority vested in him by the proclamation, issued the first Insurance regulation in 1971 prescribing the details for applications for licenses and the penalty for non-compliance by insurers, intermediaries, auxiliaries and others.

Evidently, the then government had foresight about the importance of an 'Insurance Council' to deal with formulations of the insurance policy of the country, as well as to oversee the market conduct in the best interest of the public in particular and the country's economy in general. The insurance

council of the imperial government comprised Ministers of CIT (Chairperson), Finance, Communication, National Community Development and Social Affairs, and Governor of the National Bank of Ethiopia (NBE), Head of the Planning Commission, and representative of the Chamber of Commerce.

The principal functions of the council were; formulating general insurance policy intending to promote or regulate the business of insurance in Ethiopia; devising policies in respect of reinsurance and investments of insurance funds; and, setting policy on such other matters as may be conducive to the attainment of sound insurance institutions in Ethiopia.

Another pleasing attribute of the proclamation was that it had not prohibited Foreign Direct Investment (FDI) in the insurance sector. A "national company" registered in Ethiopia to transact insurance business should own not less than 51pc of the entire capital and could generate 49pc from foreign sources. Another charming feature of the old regulatory regime was it enabled the formation of an independent 'Insurance Controllers' Office' under the auspices of the Ministry of CIT that regulates and supervises insurance business in the country.

The proclamation ended the agency era that had proliferated in the country for quite a long time. Apparently, many foreign-based insurers' agents withered away except a few who were later incorporated after satisfying the requirements of the proclamation. However, three former companies, namely, Queen of Sheba Insurance Company, Yergib (Pigeon) Insurance Company, Star Fire and General Insurance Company were liquidated because they could not meet the new licensing requirements.

Thus, the insurance controller's office was able to register only 14 insurance companies out of the many that were operational before the proclamation. The defunct Derg regime nationalized all but one on January 1, 1975. The 14th insurance company was Ras Insurance Company; not nationalized as it was undergoing a liquidation process by a court order at the time.

The 13 nationalized insurance companies then operated their respective businesses independently under the guidance of a "Provisional Insurance Board" established by the military government that replaced the individual company's Board of Directors' freeze out after the nationalization. The author was the secretary of the Provisional Insurance Board.

The Board supervised and controlled the companies during the 1975 fiscal year recommending to the military government how an insurance provider in a socialist economy is organized. Thus, starting January 1, 1976, all the nationalized insurance companies merged into one state-owned insurance provider under the name 'Ethiopian Insurance Corporation (EIC)'.

The proclamation of 1976 that established EIC, also foresaw the establishment of an "Insurance Board" comprising of the Governor of the NBE, General Manager of EIC, and representatives from the ministries of Commerce and Industry, Finance, National Resource Development, Transport and Communication, and Labor and Social Affairs. However, it remained in vain.

The principal functions of the "Insurance Board" were similar to that of the former "Insurance Council" established under a proclamation issued in 1970. The Board, paralyzed by the then officials deliberately awaited the issuance of a new monetary and banking proclamation for 1976 that empowered the central bank to supervise, regulate and control the operations of all financial institutions in the country. EIC was not an exception. However, insurance and banking businesses are not similar by the nature of their activities, except that both belong to the financial industry. It is, therefore, justifiable for regulators to intervene to deliver a dynamic insurance market environment. The primary objective of insurance regulation is to correct market imperfections and protect the public interest. Intervention is necessary when the financial strength of insurance companies becomes at stake. It is the insurance regulation that plays a significant role in monitoring and controlling the reliability and solidity of insurance companies to minimize the frequency and severity of insolvencies.

In the history of the Ethiopian insurance industry, the taking into receivership of an insurance company due to breach in insolvency ratios and other managerial failures appeared when one private insurance company was put under the administration of the central bank on July 23, 2008, by the powers vested in it under a 1994 law. The action taken by the bank was to protect the policyholders' interests, as the company was technically insolvent. The author of this paper was Chairman, including four joint administrators, appointed by the NBE with the mandate to bring the company on a sound financial footing. Having established proof that the company was safe and sound, the administrators recommended to the NBE to return the management of the company to its shareholders (the owners), which it did with effect from May 23, 2009.

Receivership is common in other countries too. For instance, Bloomberg Business Week reported that Irish regulators on March 10, 2010, won a court order to place Quinn Insurance Ltd. (founded by the Irish billionaire Sean Quinn) under administration, a form of bankruptcy protection. John Hennessy, a lawyer representing the Financial Regulator, told the court that the agency believed Quinn Insurance had breached its solvency ratios and there were concerns as to whether the company could meet its liabilities to policyholders.

The BBC's Business Report and AP also covered that Justice John Cooke appointed Paul McCann and Michael Ateer of the accounting firm Grant Thornton as joint administrators. The Financial Regulator said the move "will allow the firm to remain open for business, to continue to be run as a going concern under different management and to put the business on a sound commercial and financial footing."

There are two different schools of thought regarding insurance regulation. On the one hand, regulatory interventions and control can maintain and promote competition in the market and counters the development of a monopoly. It will lead to an efficient market that will produce the greatest benefits to society. On the other hand, insurance regulation is necessary to protect the interests of consumers.

The further argument is that insurance is a business different from any other, primarily because of the 'fiduciary nature and uncertainties' inherent in the insurance contract. However, both schools of thought agree on the importance and necessity of regulatory intervention. The objective of insurance regulation is to promote competition and efficiency. Thus, the efficiency objective of regulation's direction is towards protecting the insurance-buying public.

Lack of effective control and supervision of the insurance industry can retard reinsurance backing. It discourages foreign and domestic investors from supplying capital (remember that FDI in financial institutions is prohibited in Ethiopia at this time). Furthermore, it can impede insurance market efficiency, and dampen industry development.

Essential aspects of supervision are protecting policyholders from the possible insolvency of their insurers and ensuring that insurers treat policyholders fairly. Moreover, because of the potential for money laundering, effective supervision is also a concern for the integrity of the global financial

system. That is why supervisory agencies require adequate regulatory structure, resources, sufficient playing ground, and most of all independence (Tibebu, 2017).

2.6. Empirical Review

This part of the Empirical Review is designed to present different empirical studies that have investigated the Factors that determine adoption of Takaful Insurance.

2.6.1. Determinants of product adoption

2.6.1.1. Attitude of adopting Takaful insurance product

According to (Fishbein & Ajzen 2010 in Zubair Hassan and Ahmed Shabiq,2016), attitude is an evaluative effect of positive or negative feeling of individuals while performing a particular behavior.

A study was conducted on factors affecting adoption of Takaful insurance in Maldives. Where they investigated the attitude of the Maldives' customer towards the Islamic insurance and they determined that there is a significant impact of attitude on adoption of Takaful insurance in the Maldives.

2.6.1.2. Compatibility of Takaful Insurance to adopt the product

According to the study conducted by (Ahmed Shabiq and Zubair Hassan 2016) on factors affecting adoption of Takaful insurance in Maldives .Where they investigated the compatibility of the Maldives' customer towards the Islamic insurance and they determined that there is a significant impact of compatibility on adoption of Takaful insurance in the Maldives. While their study also indicate that Awareness and Relative Advantage have no significant influence on adoption of Takaful in Maldives.

2.6.1.3. Awareness of Takaful Insurance to adopt the product

According to the study conducted by (Rusni Hassan, Syed Ahmed Salman, Salina Kassim and Hafiz Majdi 2018) on Awareness and Knowledge of Takaful in Malaysia: A Survey of Malaysian Consumers .They identified the Awareness of Malaysian consumers toward the Islamic insurance is seems to be low

2.7. Conceptual frame work

The Conceptual frameworks of the study have independent variables such as Awareness, Attitude, Relative advantage, Compatibility, Regulation and dependent variable Adoption. The Main objective of the Study is to investigate Factors Affect the Adoption of Takaful insurance in insurance industry of Ethiopia by insurance players.

In this study Awareness refers the concept and knowledge about Takaful insurance

The aim of the study is to identify whether, this factor have influence on adoption of Takaful insurance in Ethiopia.

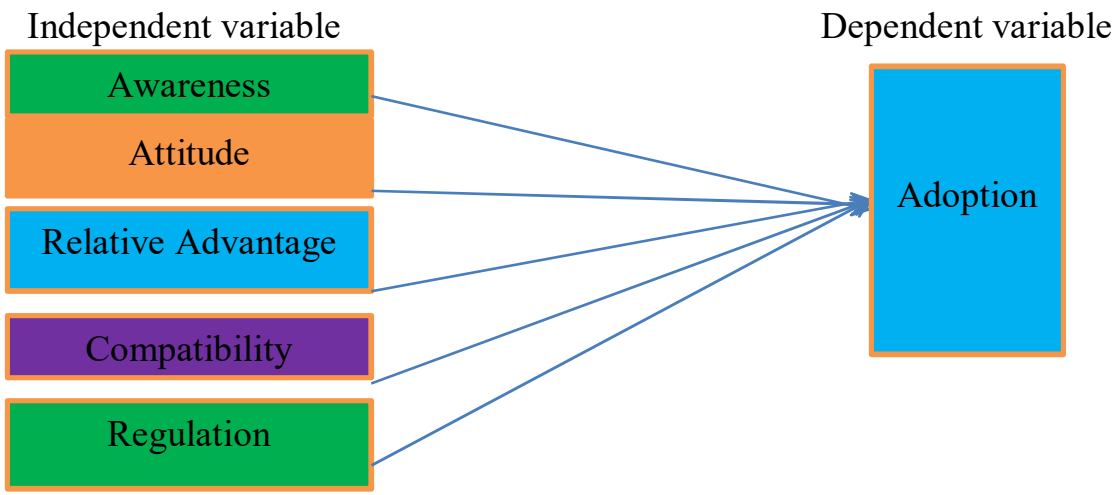
In this research Attitude refers feeling of insurance players and regulatory body toward inclusion of Takaful insurance in to financial market and the objective of the study is to investigate whether this factor influence adoption of Takaful insurance in Ethiopia

According to Rogers (2003), relative advantage is the degree to which consumers perceived using a new product or service as better than using its substitutes.

Compatibility is the capacity for two systems to work together without having to be altered. Here the objective is to identify whether, this factor have influence on adoption of Takaful insurance in Ethiopia.

The figure below shows the proposed conceptual framework adopted and modified from literatures

Figure 1 Conceptual Framework



2.7.1. Hypothesis of the study

H1. Awareness has significant effect on Takaful insurance adoption in Ethiopia

H2. Attitude has significant effect on Takaful insurance adoption in Ethiopia

H3. Relative advantage has significant effect on Takaful insurance adoption in Ethiopia

H4. Compatibility has significant effect on Takaful insurance adoption in Ethiopia

H5. Regulation has significant effect on Takaful insurance adoption in Ethiopia

CHAPTER THREE

3. Research methodology and sampling procedures

3.1. Introduction

This chapter gives a detailed account of how the research was conducted and concluded. It outlines the research design followed to answer the research questions and achieve objectives of the research. It also explains the data sources and data collection procedures and techniques employed to collect data from targeted respondents. Further, the chapter explains target population of the study and the sampling techniques applied to identify the sample size of the respondents. The chapter also provides detail information on how data are collected, instruments, models and tools used to analyze the data.

3.2. Research approach and design

The approach of this research was Quantitative approach because it helps for testing objective theories by examining the relationship among variables. The research design of this study was also explanatory. Because, it is more appropriate to describe the factors affecting adoption of Takaful Insurance in the industry.

3.3. Population and sampling procedures(Design)

Population is any group of individuals who have one or more characteristics in common that are of interest to the researcher. The population may be all the individuals of a particular type or a more restricted part of that group (Best & Kahn, 2016).

Accordingly, the target population for this study was identified to be Insurance companies marketing department staffs

At the time when this research was in its data collection stage, the latest information shows that there are 17 Insurance companies in the researcher study area that are working as suppliers of conventional insurance through their Marketing departments. These all 17 departments' of insurance companies have 64 Total numbers of staffs. As it is clearly indicated the number of Target population is less than 100 and according to the Rule of Thumb, if the size of population is less than 100 it is advisable to conduct research on total population. Accordingly In order to collect primary data, the researcher decided to conduct the research on total population

3.4. Data source and methods of collection

Determining data sources as well as methods of collection is one of the most important steps in conducting researches. The outcome of researches heavily draws on the quality of data collected; which, in turn, is the function of data sources and methods of collection.

For the purpose of this study, the researcher used both primary and secondary data sources. For gathering primary data researcher was employed close ended questionnaires which was prepared in order to identify factors affecting adoption of Takaful insurance and the secondary data are collected from periodical reports, newspapers, journals and researches.

3.5. PILOT STUDY

To ensure that the questionnaire is appropriately designed to elicit the data that meets objectives of the study, the questionnaire should be piloted before it is actually administered to actual respondents. According to Brace (2008), it is always advisable to pilot the questionnaire before the survey goes live. Questionnaires are rarely the best that they could be at the first attempt. They need revising and testing until all concerned, researcher and client, are happy that they have the best questionnaire that they can get. Piloting the questionnaire should be an integral part of that process. There are two key tests for a questionnaire: reliability and validity. A questionnaire is reliable if it provides a consistent distribution of responses from the same survey universe. The validity of the questionnaire is whether or not it is measuring what we want it to measure. Accordingly, the designed questionnaire was distributed to five randomly selected individuals in a population which constitute 5% of the population and was tested for clarity and understandability of the questionnaire.

3.6. Reliability and validity of the study

Every researchers want reliability and validity, which are central concerns in all measurement. Both connect measures to constructs. It is not possible to have perfect reliability and validity, but they are ideals toward which we make effort. Reliability and validity are salient because our constructs are usually ambiguous, diffuse, and not observable. Reliability and validity are ideas that help to establish the truthfulness, credibility, or believability of findings (Neuman, 2014).

3.6.1. Reliability

Neuman (2014) defines that reliability is dependability or consistency. It suggests that the same thing is repeated or recurs under the identical or very similar conditions. The opposite of reliability is

an erratic, unstable, or inconsistent result that happens because of the measurement itself. Measurement reliability means that the numerical results an indicator produces do not vary because of characteristics of the measurement process or measurement instrument itself. Cronbach's alpha is the most common method used for measuring internal consistency and reliability of the data (Saunders, 2009). Internal consistency describes the extent to which all the items in a test measure the same construct and hence it is connected to the interrelatedness of the items within the test (Tavakol & Dennick, 2011).

Hence, to come up with reliable findings Cornbrash's alpha testing was employed through the use of SPSS.

3.6.2. Validity

According to Neuman (2014) validity suggests truthfulness. It refers to how well an idea "fits" with actual reality. The absence of validity means that the fit between the ideas we use to analyze the social world and what actually occurs in the lived social world is poor. In simple terms, validity addresses the question of how well we measure social reality using our constructs about it. There are three types of validity that is used to measure the validity of a certain study. These are criterion validity, construct validity and content validity (Malhotra, 2014).

Criterion validity reflects whether scale performs as expected given other variables considered relevant to the construct (Malhotra, 2007). The researcher explains that these variables may include demographic information obtained through part of the questionnaire.

Construct validity addresses the question as to which construct or characteristic the scale is, in fact, measuring (Malhotra, 2007). Zikmund and Babin (2010) argue that a factor analysis can be used to establish construct validity which is will be discussed in the forthcoming chapter of the study.

Content validity when it comes to the validity of the questionnaire the content validity is to be considered. Content validity refers to the extent to which the measurement questions in the questionnaire provide adequate coverage of the investigative questions (Saunders et al. 2009). To ensure the content validity of the study, the researcher has painstakingly constructed questionnaires from the factors that has fairly been investigated and proved to have relevance to the topic of the study.

3.7. Method of data analysis

Both qualitative and quantitative techniques used for data analysis. Quantitative methods include percentages, means, ratios, and frequency distribution. Qualitative techniques will be cause and effect relationships. Accordingly Primary data collected from this study was analyzed using descriptive and inferential statistics that involves Pearson correlation coefficient and regression analysis.

3.7.1. Descriptive Analysis

Descriptive statistics, in short, help describe and understand the features of a specific data set by giving short summaries about the sample and measures of the data. The most recognized types of descriptive statistics are measures of center: the mean, median, and mode, which are used at almost all levels of math and statistics. The mean, or the average, is calculated by adding all the figures within the data set and then dividing by the number of figures within the set (Kenton, 2019). Kaur et al. (2018) describes that calculating descriptive statistics represents a vital first step when conducting research and should always occur before making inferential statistical comparisons. Descriptive statistics include types of variables (nominal, ordinal, interval, and ratio) as well as measures of frequency, central tendency, dispersion/variation, and position. Hence, descriptive statistics or analysis was applied to gain a detailed understanding of the demographic information of the respondents who participated in the responding the questionnaires.

3.7.2. Inferential Analysis

Inferential statistics takes data from a sample and makes inferences about the larger population from which the sample was drawn. Because the goal of inferential statistics is to draw conclusions from a sample and generalize them to a population, we need to have confidence that our sample accurately reflects the population (Frost). Inferential statistics build on probability theory to test hypotheses formally, permit inferences from a sample to a population, and test whether descriptive results are likely to be due to random factors or to a real relationship. Inferential statistics rely on principles from probability sampling by which we use a random process (e.g., a random-number table, random computer process) to select cases from the entire population. Inferential statistics are a precise way to talk about how confident we can be when inferring from the results in a sample to the population (Neuman, 2014). For the purpose of this study, Pearson correlation and regression analysis were put to use.

3.7.2.1. Pearson Correlation

Pearson's correlation coefficient (r) is a measure of the strength of the association between two variables. The Pearson correlation coefficient is used to measure the strength of a linear association between two variables, where the value r = 1 means a perfect positive correlation and the value r = -1 means a perfect negative correlation (Stangroom, 2018). Thus, to analyses and establish the relationship between independent and dependent variables influencing the adoption of Takaful insurance, Pearson Correlation coefficient analysis was made. The coefficient obtained through this analysis was used to find the strength among the variables in the following section of the research.

3.7.2.2. Regression Analysis

This study used linear regressions model to identify factor influencing the Adoption of Takaful Insurance in Ethiopian insurance industry

The general model for this study is presented as; $\boldsymbol{Yi}=\boldsymbol{\beta o}+\boldsymbol{\beta i Xi}+\boldsymbol{\varepsilon i}$; where $\boldsymbol{Yi}$ is dependent variable, the right-hand side represents the independent variables,

- β represents the coefficient of the explanatory variables and $\boldsymbol{\varepsilon}$ is the error term
- The specific model developed for the study was: ADO=$\boldsymbol{\beta o}$+ $\boldsymbol{\beta 1}$(AW)+ $\boldsymbol{\beta 2}$(AT)+ $\boldsymbol{\beta 3}$(RA)+ $\boldsymbol{\beta 4}$(COM)+ $\boldsymbol{\beta}$5(REG)+ $\boldsymbol{\varepsilon}$

Where, $\boldsymbol{\beta}$ **1**, $\boldsymbol{\beta 2}$, $\boldsymbol{\beta 3}$, and $\boldsymbol{\beta 4}$ and $\boldsymbol{\beta}$5 are the coefficient of the respective independent variables and $\boldsymbol{\varepsilon}$ is the error term.

- **ADO** stands for **Adoption** which is a dependent variable;
- **AW** stands for **Awareness** which is one of the an independent variables that measures how the Awareness of Takaful insurance affect its adoption
- **AT** stands for **Attitude** which is one of the an independent variables that measures how the Attitude against Takaful insurance affect its adoption;
- **RA** stands for **Relative advantage** which is one of the an independent variables that measures how the Relative advantage of Takaful insurance affect its adoption
- **COM** stands for **Compatibility**, which is one of the an independent variables that measures the level of influence over adoption of Takaful insurance
- **REG** stands for **Regulation** which is one of the an independent variables that measures the level of influence over adoption of Takaful insurance

3.8. Ethical consideration

The study was conducted in line with the proper research guidelines and code of ethics. The sources of the information used in this study are well cited and acknowledged in accordance with the academic standards and requirements to conduct researches. Besides, every possible effort was made to secure cooperation of the respondents in filling out the questionnaires voluntarily; and it was administered to all respondents with their consent and good will. They were informed of confidentiality of information to be provided so that they can exercise unlimited degree of freedom in responding the questionnaires.

No personal information was collected and if there seems to be any, like gender and age, it was recorded and coded anonymously that no concern was observed. Further, adequate procedures were in place to ensure confidentiality of the participants. The participants were also informed that the findings and outcome of the report would be sent to them when it gets finalized.

CHAPTER FOUR

4. DATA PRESENTATION, DESCUSSION AND INTERPRETATION

4.1. Introduction

This chapter presents the findings, discussion and interpretation of the result of the research under study. The objective of the study was to identify factors affecting adoption of Takaful insurance in Ethiopia in the eyes of insurance expert. The research was carried out on Total of 17 insurance companies marketing department staff which consist total number of 64 insurance marketing experts. The sample frame for this research was the total population.

4.2. Response rate

A total number of 64 questionnaires were distributed and all were returned making a response rate of 100%. This was considered to be an excellent response since the industry under study is very restrictive in giving out information and the time at which this research carried out was the time at which all the world populations are facing great challenges of Corona virus (coved 19).

4.3. Reliability Test

Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings (Saunders, 2009). In this study Cronbach's alpha was used to test the reliability and internal consistency of the individual factors. Cronbach's alpha reliability coefficient normally ranges between 0 and 1.The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale (Gliem & Gliem, 2003)

Gliem & Gliem (2003) endorse that when using Likert-type scales it is imperative to calculate and report Cronbach's alpha coefficient for internal consistency reliability for any scales or subscales one may be using. The analysis of the data then must use these summated scales or subscales and not individual items. If one does otherwise, the reliability of the items is at best probably low and at worst unknown. Cronbach's alpha does not provide reliability estimates for single items. In connection with this, the researcher was used SPSS to calculate Cronbach's alpha for the all responses made on dependent and independent factors such as Awareness, Attitude, Relative advantage, compatibility, Regulation and Adoption and the following result is obtained.

Table 1 Cronbach's Alpha

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.880	0.879	6

As shown in the table 1 above, the Cronbach's Alpha coefficient of 0.880 was generated for the total six numbers of items and which indicate a stronger internal consistency of the factors' measurements

4.4. Descriptive Analysis

4.4.1. Demographic information

Table 2 Gender of the respondents

Male	44	68.8%
Female	20	31.2%
Total	64	100%

4.4.1.1. Source: field survey result Gender

As indicated in the Table 3 here above, out of the respondents that were contacted, 68.8% were male, and 31.2% were female. This clearly shows that the majority of the experts involved in insurance marketing are male. As result, if Takaful insurance marketing to be all inclusive it should include more women in order to push their performance and contribution in Takaful insurance adoption issue.

Table 3 Age of the respondents

Age range	Frequency	Percentage
20-30	19	29%
31-40	35	54%
41-50	9	14%
51-60	0	0
Above 60	1	1%
Total	64	100%

Source: field survey result

4.4.1.2. Age

As clearly illustrated in the table 4 above, the Age of the respondents is grouped in to five categories so that participants could easily tick the category where they belong. The categories range from the

lowest band of 20-30 to the highest band of 60 and above years. The survey result shows that 19 respondents are within the first band of 20-30 years accounting for 29 % of the total respondent's age, 35 respondents are within the second band of 31-40 which is 54%.of the age of total respondents, 9 respondents are within third band of 41-50 years containing 14% of the age of the total respondents, no respondents with in the fourth band of 51-60 and finally 1 respondents are within the last band of above 60 age accounting 1% of the age of the total respondents. Thus, the overwhelming majorities of the respondents are within first and second categories and they are younger than the rest of the targeted population.

As shown in table 4 above it can be accepted that the respondents are of various age group; but, majority of them are below 50 years old.

Table 4 Education level of the respondents

Education level	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	3	4.7	4.7	4.7
Degree(BA|MSC)	33	51.6	51.6	56.3
Master's Degree (MA|MCS)	28	43.8	43.8	100.0
Total	64	100.0	100.0	

Source: field survey result

4.4.1.3. Education

Referring to table 5 above, of the educational level of the respondents, the majority of them hold first and second degrees while remaining have Diploma level of education. Degree holders are 33 while second degree/master's level education holders are 28 and the remaining Diploma holders are 3 constituting 51.6% and 43.8% and 4.7% of respondents', respectively. This gives us an impression that all of the respondents are well educated to understand and respond to the questionnaires. As our sample equal to total population, this education level shows that the insurance industry marketing experts are well educated people.

Table 5 Career level of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Officer	23	35.9	35.9	35.9
Senior Officer	15	23.4	23.4	59.4
Managerial	19	29.7	29.7	89.1
Director	4	6.3	6.3	95.3
Executive officer	3	4.7	4.7	100.0
Total	64	100.0	100.0	

Source: field survey result

4.4.1.4. Career level

When we come to career level of the respondents, 23 of the respondents accounting for 35.9% hold officer position; 15 of them accounting 23.4% senior officer position, 19 or 29.7% hold Managerial position, 4 respondents or 6.3% hold Director position and the remaining 3 of the respondents which account 4.7 % are executive officers. As we can see from the table 6 below majorities of the respondents fall between careers level of officer position to managerial position and they constitute 89% of the total respondents. Over all from this point we learn that majorities of the respondents are technical experts of insurance market who can analyze the market demand, develop and introduce new insurance products to the market.

4.4.1.5. Experience

Table 6 Work Experience of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 Years	18	28.1	28.1	28.1
	6-10 Years	19	29.7	29.7	57.8
	11-15 Years	16	25.0	25.0	82.8
	16-20 Years	8	12.5	12.5	95.3
	Above 20 Years	3	4.7	4.7	100.0
	Total	64	100.0	100.0	

Source: field survey result

Experience is the most important element in developing work exposure and understanding of market behavior. As clearly illustrated in the table 7 above, the work experience of the respondents is grouped in to five categories. The categories range from the lowest group of 1-5 year to the highest group of above 20 years. In line with this, the researcher survey shows that, 18 respondents (28.1%) are within first category of 1-5years, 19 respondents (29.7%) are within second category of 6-10 years, 16 respondents (25%) are within third category of 11-15years experience, 8 respondents (12.5%) are within fourth category of 16-20 years and finally 3 respondents (4.7%) are within last fifth category of above 20 years' experience. Over all, from the under illustrated table we come to learn that, Majorities of the respondents have work experience ranging from the lowest 1 year work experience to the medium 15 years work experience. The survey result of the work experience also shows that, respondents ranging from the second category (6-10) years' work experience to the fifth category (above 20) years' work experience (72%) are senior marketing expertise who have enough experience in insurance industry and can understand the questioner and provide reliable response.

4.4.2. Descriptive statistics of the variables

Table 7 Descriptive Statistics of the variables

Descriptive Statistics			
	N	Mean	Std. Deviation
Awareness	64	3.6183	.47179
Attitude	64	2.9094	.66158
Relative advantage	64	3.3854	.63404
Compatibility	64	3.1042	.67423
Regulation	64	3.0531	.65634
Adoption	64	3.3844	.68295
Valid N (listwise)	64		

Source: Survey data analysis generated by SPSS

With the respect to the table 8 above, dependent variable, Adoption has mean of 3.3844 and standard deviation of 0.68295. Among the five independent variables, Awareness has the highest mean of 3.6183 and standard deviation of 0.47179 indicating that, most of the respondents perceived that, it is the most important factor that are influencing adoption of Takaful insurance. Relative advantage has the second highest mean with 3.3854 and standard deviation of 0.63404 indicating the next highest factor that influences adoption of Takaful insurance. Compatibility and Regulation have moderate mean with 3.1042 and 3.0531and standard deviation of 0.67423 and 0.65634

respectively, while Attitude has the least mean of 2.9094 and standard deviation of 0.66158 indicating the least influential factor among five variables.

4.5. Inferential analysis

This part discusses the result gained from inferential analysis such as Pearson correlation and regression analysis of the variables. Trochim (2020) states that with inferential analysis, you are trying to reach conclusions that extends beyond the immediate data alone. So that, we use inferential statistics to infer from the sample data taken from the population and to make necessary judgments about the data.

4.5.1. Pearson Correlation Analysis

A Pearson Correlation Analysis was conducted by the use of the SPSS to evaluate the existence of a linear association between the independent and dependent variables. According to Riemann et al (2008) correlation analysis estimates the extent of the relationship between any pair of variables. The extent of the relationship between any two variables is expressed in terms of correlation coefficient. The correlation coefficient is a measure of this relationship and depends on the variability of each of the two variables. Correlation coefficient has both magnitude and direction. As a result, correlation coefficient can take a number with + or – sign.

Pearson product moment correlation is one of the commonly used methods to calculate a correlation coefficient. This method results in a number between −1 and +1 that expresses how closely the two variables are related, ±1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). Regarding the magnitude of correlation coefficient, Cohen (2013) stated that a correlation coefficient below ±0.29 can be considered as small or weak, correlation coefficient from ±0.30 to ±0.49 is considered to have medium correlation and correlation coefficient from ±0.50 to ±1.00 is considered to have large or strong correlation

Table 8 Person Correlation analysis

Correlations						
	Awareness	Attitude	Relative Adv	Compatibility	Regulation	Adoption
Awareness	1					
Attitude	.476**	1				
Relative Adv	.504**	.560**	1			
Compatibility	.560**	.536**	.455**	1		
Regulation	.633**	.392**	.518**	.450**	1	
Adoption	.872**	.500**	.613**	.547**	.602**	1
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Survey analysis generated by SPSS

The above Table 9 shows that Pearson correlation coefficient is used to determine the strength of relationship between the dependent (Adoption) and independent variables (Awareness, Attitude, Relative advantage, Compatibility and Regulation). It is also reflects a measure of the strength of association between two variables and their direction.

Accordingly the above correlation table shows that, each variable is perfectly correlated with itself and all independent variables (**Awareness, Attitude, Relative advantage, Compatibility and Regulation** are positively and strongly correlated to **Adoption** with Pearson's correlation coefficient of r= 0.872, 0.500, 0.613, 0.547 and 0.602 respectively with P <0.01. indicating that all these independent variables are the major factors that influence dependent variable(Adoption) and any improvement in the independent variable will have positive impact on adoption of Takaful insurance in Ethiopia.

4.5.2. Classical Linear Regression Model (CLRM) Test

To determine that the data we are using qualifies for the assumptions of regression to test factors influencing the Adoption of Takaful insurance in Ethiopia, the statistics are taken to test through the application of the five assumptions of the Classical linear regression model that includes test of Linearity, Homoscedasticity, Autocorrelation, Multicollinearity and Normality.

The results are presented and discussed in the following paragraphs.

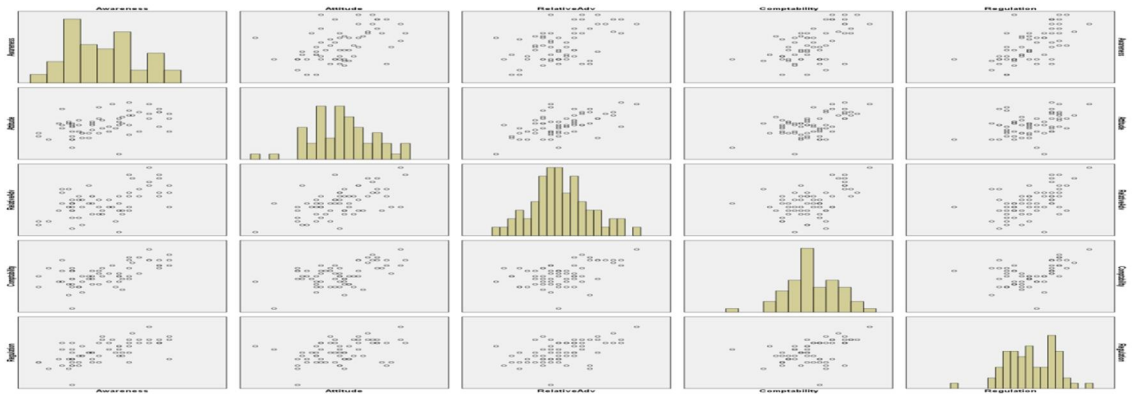
4.5.2.1. Assumption of Linearity Test

According to Hair et al.(2014) linearity of the relationship between dependent and independent variables represents the degree to which the change in the dependent variable is associated with the independent variable. The concept of correlation is based on a linear relationship, thus making it a critical issue in regression analysis. When examining residuals, some form of standardization is recommended to make the residuals directly comparable. In their original form, larger predicted values naturally have larger residuals. The most widely used is the standardized residual, whose values correspond to t-values. Field (2018) states that, this assumption of linearity is the most important because if it is not true then, even if all other assumptions are met, your model is invalid because your description of the process you want to model is wrong. If the relationship between variables is curvilinear, then describing it with a linear model is wrong.

As we can see from person correlation result indicated above, the relationship between dependent variable (adoption) and independent variables (Awareness, Attitude, Relative advantage, compatibility and regulation) is statistically significant indicating the linearity relationship between dependent and independent variables.

Furthermore, as you can see from the graph here under, the scattered dots are arranged toward up right corner indicating the linearity relationship between the dependent variable (Adoption) and Independent variables (Awareness, Attitude, Relative advantage, compatibility and regulation).

Figure 2 Linearity Test



Source: Survey analysis generated by SPSS

4.5.2.2. Assumption of Normality Test

To examine whether the residuals are normally distributed, the researcher used assumption of normality test.

Table 9 Normality Test

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Adoption	.104	64	.084	.982	64	.459
Awareness	.104	64	.082	.983	64	.538
Attitude	.071	64	.200*	.987	64	.744
Relative advantage	.095	64	.200*	.986	64	.671
Compatibility	.077	64	.200*	.983	64	.513
Regulation	.126	64	.064	.969	64	.112
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Source: Survey analysis generated by SPSS

As you can see from the above table 10 the significant value of the Shapiro-wilk normality test for all variables are >0.05 indicating there is strong evidence that the normality statistics is satisfied.

Normality test can be measured by the use of Skewness and kurtosis. This can be meets by dividing the value of Skewness and Kurtosis to their standard error to get Z value.

Table 10 Normality Test by using Skewness and Kurtosis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Awareness	64	1.00	5.00	2.5815	.73693	.293	.299	-.846	.590
Attitude	64	1.00	4.00	2.9094	.66158	-.050	.299	.014	.590
Relative Adv	64	2.00	5.00	3.3854	.63404	.251	.299	-.005	.590
Compatibility	64	1.00	5.00	3.1042	.67423	-.205	.299	.469	.590
Regulation	64	1.00	4.00	3.0531	.65634	-.263	.299	.252	.590
Adoption	64	1.00	5.00	3.3844	.68295	.138	.299	-.449	.590
Valid N (listwise)	64								

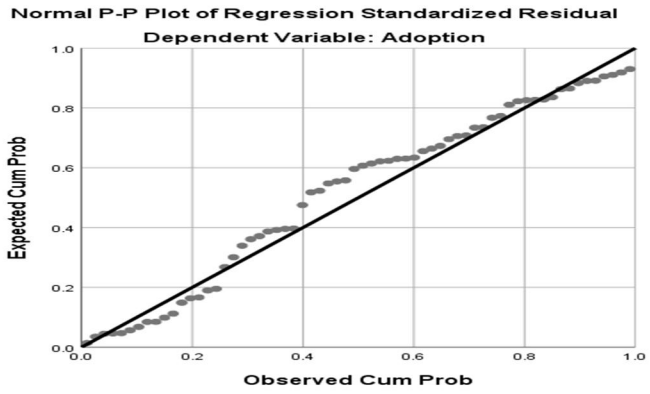
Source: Survey analysis generated by SPSS

As we can understand from the above table the Z values of the Skewnes (statistic value / Standard error) are (0.97,-1.67, 0.83, -0.87and 0.46 respectively) and the Z values of the Kurtosis statistic value / Standard error) are (-1.43, 0.28, -.0.08, 0.79, 0.42 and -0.76 respectively) indicating all the values are found between the Normal confidence interval value of -1.96 and 1.96 which clearly indicate the data used in this research was normally distributed.

Lastly the assumption of normality can be tested by using normal P-P Plot of regression to determining whether the residuals are normally distributed. To say the assumption of normality is achieved, P-P Plot dots should be closer to the diagonal line. Normal P-P plot–points should lie in reasonably straight diagonal line from the bottom left to top right. As we can learn from the under indicated figure, the P-P plot dots are almost drawn closer to the diagonal line, indicating as the assumption of morality is achieved

Furthermore, the histogram showing normality of residuals is annexed at the Appendix).

Figure 3 Normality Test



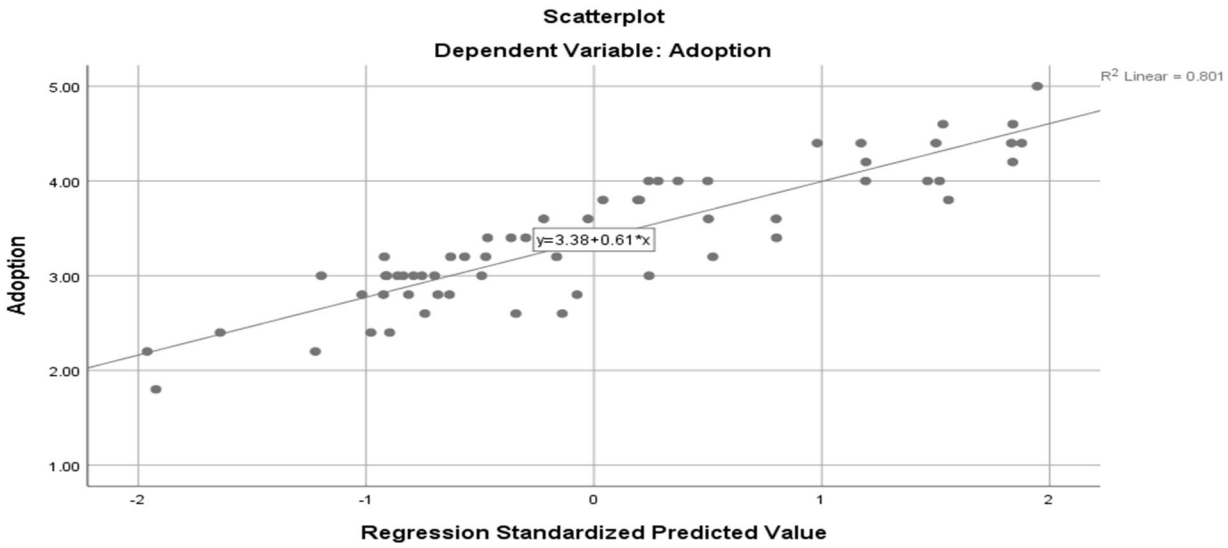
Source: Survey analysis generated by SPSS.

4.5.2.3. Assumption of Homoscedasticity Test (Constant Variance of Residuals)

Homoscedasticity assumption is the assumption that the variation in the residuals (amount of error in the model) is similar at each point across the regression line.

As we can see from the figure 4 below, the dots (variability of the predicated values) are closely distributed around the regression line starting from the left bottom to the right up corner of the line indicating meeting of the assumption of Homoscedasticity. Therefore, the assumption of homoscedasticity of this research is met.

Figure 4: Scattered plot for Homoscedasticity Test



Source: Survey analysis generated by SPSS.

It is also possible to determine homoscedasticity assumption by using the division result of Unstandardized Coefficients of Bata (B) Value to the Standard Error of the cofficient and compering the result With t values.

As you can see from the under indicated Table the values of B/Std Error (0.686/0.252, 0.684/0.078, 0.009/0.080, 0.239/0.084, 0.027/0.078, 0.005/ 0.083) are 2.727, 8.747 ,0.110 , 2.842, 0.344 and 0.065 respectivelly. These resul are exactelly the same with t values in the under shown table. Therefore, the assumption of Homoscedasticity of this study is met.

Table 11 Homoscedasticity Test by using Bata coefficients

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.686	0.252		2.727	0.008
	Awareness	0.684	0.078	0.738	8.747	0.000
	Attitude	0.009	0.080	0.008	0.110	0.913
	Relative Adv	0.239	0.084	0.221	2.842	0.006
	Compatibility	0.027	0.078	0.026	0.344	0.732
	Regulation	0.005	0.083	0.005	0.065	0.949
a. Dependent Variable: Adoption						

Source: Survey analysis generated by SPSS.

4.5.2.4. Assumption of Multi-collinearity

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Saunders, 2009). If there is perfect collinearity between predictors it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. Perfect collinearity is rare in real-life data, but less than perfect collinearity is virtually unavoidable (Field, 2006).

Tolerance and the Variance Inflation Factor (VIF) are the two most common measures for evaluating the assumption of Multi-collinearity (both pair wise and multiple variable collinearities). Tolerance is proportion of the variation in the independent variables not explained by the variables already in the model function. Variance Inflation Factor (VIF), indicator of the effect that the other independent variables have on the standard error of a regression coefficient. A common cut-off threshold is a tolerance value of 1, which corresponds to a VIF value of 10 (Hair et al., 2014).

As we can see from correlation table 12 depicted above, the independent variables (Awareness, Attitude, Relative advantage, Compatibility and regulation) and dependent variable (Adoption of Takaful insurance) have shown significant relationship with each other which was a correlation coefficient of not greater than 0.872 as indicated in correlation table above. To assess the assumption of Multicollinearity the researcher used SPSS as part of multiple linear regression procedure. As indicated above Tolerance and the Variance Inflation Factor (VIF) are common measures for evaluating the assumption of Multicollinearity. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is c is calculated using the formula (1 – R squared) for each variable and Variance Inflation Factor (VIF) is a tool to identify the degree of Muliticollinearity.

The criteria's for nonexistence of multi-collinearity are, the value of Tolerance for independent variables must be greater than 0.10 and the value of Variance Inflation Factor (VIF) for independent variables are less than 10. As you see from the below table all the values of Tolerance for all independent variables are greater than 0.10 (0.482, 0.577, 0.566, 0.582) and the values of Variance Inflation Factor (VIF) are also less than 10 (2.073, 1.734, 1.768, 1.717, and 1.845). Therefore, this confirms that the data has no problem of multi-collinearity

Table 12 Multi-Collinearity Test

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinarity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.686	.252		2.727	.008		
	Awareness	.684	.078	.738	8.747	.000	.482	2.073
	Attitude	.009	.080	.008	.110	.913	.577	1.734
	Relative Adv	.239	.084	.221	2.842	.006	.566	1.768
	Compatibility	.027	.078	.026	.344	.732	.582	1.717
	Regulation	.005	.083	.005	.065	.949	.542	1.845
a. Dependent Variable: Adoption								

Source: Survey analysis generated by SPSS

4.5.2.5. Autocorrelation

Autocorrelation is a characteristic of data in which the correlation between the values of the same variables is based on related objects. Autocorrelation occurs when the residual is not independent of each other. The linear regression model for autocorrelations can be tested with the Durbin Watson test. A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation (Field, 2006). Similarly, Ott and Longenecker (2001) defines when there is no serial correlation, the expected value of the Durbin– Watson test statistic d is approximately 2.0; positive serial correlation makes $d < 2.0$ and negative serial correlation makes $d > 2.0$.

As we can see from the table 14 below, the value of Durbin Watson is 1.725 which is less than 2. Therefore, the data satisfies that there is no problem of autocorrelation in this study.

Table 13 Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.895[a]	.801	.784	.31766	1.725
a. Predictors: (Constant), Regulation, Attitude, Compatibility, Relative Advantage , Awareness					
b. Dependent Variable: Adoption					

Source: Survey analysis generated by SPSS

4.5.3. Analysis of Variance (ANOVA)

Analysis of variance was taken to evaluate the overall significance of the model. ANOVA provide information about overall effect of the five independent variables to adopt Takaful insurance in Ethiopia. As depicted in Table 15 below a significant P-value of 0.000 and an F value of 46.641 were recorded. If the p-value is less than 0.05 (which is the most common alpha value used in research), the model can significantly predict the dependent variable. In the ANOVA table indicated below, the p-value is 0.000, which is lower than both 0.05 and 0.01. This implies that there is strong evidence that the model of this study has good explanatory power and that the independent variables help to predict the dependent variable .Therefore, overall the model is a good descriptor of the relation between Adoption of Takaful and independent variables

Table 14 Analysis of Variance

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.532	5	4.706	46.641	.000[b]
	Residual	5.853	58	0.101		
	Total	29.384	63			
a. Dependent Variable: Adoption						
b. Predictors: (Constant), Regulation, Attitude, Compatibility, Relative Advantage , Awareness						

4.5.4. Multiple Regression Analysis

Multiple regressions are an extension of simple linear regression. It is used when we want to predict the value of a dependent variable (target or criterion variable) based on the value of two or more independent variables (predictor or explanatory variables). Multiple regressions allow you to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained (Zaid, 2015). To identify the magnitude of the relationship between each independent variable and the dependent variable and to find out the collective effect of the five independent variables (Awareness, Attitude, Relative advantage, compatibility and Regulation), The standard multiple regressions model was used and in order to interpret the results of the model R2 and βeta- coefficient, were utilized.

Table 15 Model summary for Adoption of Takaful Insurance

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.895[a]	.801	.784	.31766	1.725
a. Predictors: (Constant), Regulation, Attitude, Compatibility, Relative Advantage , Awareness					
b. Dependent Variable: Adoption					

Source: Survey data analysis generated by SPSS

With the reference to the Table 16 above, the model summery shows that the R is 0.895, R square is 0.801 and adjusted R square is 0.784. Which means that 78.4% of the variance of Adoption of Takaful insurance can be explained by its five independent variables (Awareness, Attitude, Relative Advantage, and Regulation) indicating that the model used in this study is a good fit. Because as general rule of thumb a good fit is considered to explain minimum of 60% variation of the dependent variable (Zakaria et al. 2016).

4.5.4.1. R-Square Results discussion

R-square, reveals the proportional reduction in error by introducing the dependent variable (Wagner, 2015).Therefore the R2 is the proportion of variation in the dependent variable (Adoption) that is explained by the five independent variables (Awareness, Attitude, Relative advantage, Compatibility and Regulation). It measures how much of the variability in the dependent variable is occur due to the set of independent variables. The R2 value of the study model is 0.801. This shows that 80.1% of the variation in overall dependent variable adoption can be explained by the joint variation of the five independent variables such as Awareness (AW), Attitude(AT), Relative advantage(RA), compatibility(COM) and Regulation (RG) in the model. The rest of 19.9% of variance of Takaful adoption (ADO) could be explained by variables other than the five independent variables measured by the study model. This indicates that the independent variables designated in the study wield a major influence over the Adoption of Takaful insurance in Ethiopia.

4.5.4.2. Beta Coefficients results discussion

Table17 below indicates whether the proportion of variance explained in the model summary table is significant and it also shows whether the overall effect of the five independent variables on over all

Adoption of Takaful insurance is significant. Accordingly, the estimated regression analysis of the Awareness and Relative advantage was found to be statistically significant (P<0.05).

Table 16 Coefficients of Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.686	.252		2.727	.008
	Awareness	.684	.078	.738	8.747	.000
	Attitude	.009	.080	.008	.110	.913
	Relative Advantage	.239	.084	.221	2.842	.006
	Compatibility	.027	.078	.026	.344	.732
	Regulation	.005	.083	.005	.065	.949

Source: Survey data analysis generated by SPSS

In Table 17 above, βeta-coefficient shows the effect of each independent variable on Adoption of Takaful insurance. Accordingly, Awareness (AW) and Relative advantage (RA) have a significant effect on adoption of Takaful insurance.

Awareness versus Adoption

As per the table 17 depicted above, Awareness has a significant effect on adoption of Takaful insurance at a positive value of β=0.768 and t- value = 8.747 and, significant level of P value = 0.000 is less than 0.05 significant level which strengthening the significant influence of the variable. The more improvement in Awareness of Takaful insurance, the higher the rate of Adoption, or one unit positive improvement and increment in Takaful Awareness, result 0.768 increments in Adoption while other three independent variables remain constant.

Relative advantage Versus Adoption

According to the above table 17 created through the use of the SPSS, Relative advantage is another independent variable, showed significant level of influence on Adoption of Takaful insurance with β=.221; t – value = 2.842 and P value = .006 that is below 0.05 significant level. This indicates that, one unit increment (improvement) in Relative advantage will yield an increase (improvement) of adoption by 0.221.

4.6. TESTING HYPOTHESIS

A hypothesis is a hunch, assumption, suspicion, assertion or an idea about a phenomenon, relationship or situation, the reality or truth of which is not known. A researcher calls these

assumptions, assertions, statements or hunches hypotheses and they become the basis of an enquiry. In most studies the hypothesis will be based upon either previous studies or your own or someone else's observations (Kumar, 2011).

For the purpose of this study, five hypotheses were formulated in the second chapter of this study. Based on analysis and Interpretation by using correlation and regression analysis, the hypotheses of the study are put to test in this section. The details of the test results are presented as follows.

Hypothesis 1: Awareness has significant impact on Takaful insurance adoption in Ethiopia

Table 17 Correlation between Awareness and Adoption

Pearson Correlation	.872**
Sig. (2-tailed)	.000
N	64

** Correlation is significant at the 0.01 level (2-tailed).

Results of correlation analysis supported that a positive relationship exists between the prevalent Awareness of Takaful insurance and Adoption of Takaful Insurance. The value of Pearson correlation(r) = .872 indicating the existence of positive relationship among the two variables. The P value = 0.000 which is less than 0.01 confirms the significance of the relationship.

By the same manner, regression analysis showed that significant relationship exists between these two variables. As we may notice from regression analysis table --- above, the value of β = 0.768, that is positive and t- value = 8.747 adequately supports the relationship of the variables. And also, the p value is = 0.000 which is less than 0.05 and is significant. Therefore, the relationship of the two variables is statistically significant. Thus, the null hypothesis could not be rejected. Obviously the above result shows that the first hypothesis is true. So, H1 is accepted.

H2. Attitude has significant impact on Takaful insurance adoption in Ethiopia

Table 18 Correlation between Attitude and Adoption

Pearson Correlation	.392**
Sig. (2-tailed)	.001
N	64

** Correlation is significant at the 0.01 level (2-tailed)

The correlation analysis result shows that a positive relationship exists between Attitude and Adoption. The value of Pearson correlation(r) = .392 indicates that there exists positive relationship between the two variables and the P value = 0.001 which is less than 0.01 confirms the significance of the relationship.

Correspondingly, regression analysis showed that significant relationship is not exists between these two variables. As we may observe from regression analysis table 19 above, the value of β = .008, that is positive and t- value = .110 satisfactorily confirms the relationship of the variables. In the same way, p value is = .913 that is greater than 0.01 and is not significant. This shows that the relationship between the two variables is not statistically significant.

As the relationship between the two variables was not statistically significant the null hypothesis could be rejected. It is therefore evident from the result that the first hypothesis is not true and thus H2 is rejected.

H3. Relative advantage has significant impact on Takaful insurance adoption in Ethiopia

Table 19 Correlation between Relative advantage and Adoption

Pearson Correlation	.613**
Sig. (2-tailed)	.000
N	64

** Correlation is significant at the 0.01 level (2-tailed)

Results of correlation analysis supported that a positive relationship exists between the Relative advantage of Takaful insurance and Adoption of Takaful Insurance. The value of Pearson correlation(r) = .613 indicating the existence of positive relationship among the two variables. The P value = 0.000 which is less than 0.01 confirms the significance of the relationship.

By the same manner, regression analysis showed that significant relationship exists between these two variables. As we may notice from regression analysis table 17 above, the value of β = .221, that is positive and t- value = 2.842 adequately supports the relationship of the variables. And also, the p value is = .006 which is less than 0.05 and is significant. Therefore, the relationship of the two variables is statistically significant. Thus, the null hypothesis fails to reject. Obviously the above result shows that this hypothesis is true. So, H3 is accepted.

H4. Compatibility has significant impact on Takaful insurance adoption in Ethiopia

Table 20 Correlation between Compatibility and Adoption

Pearson Correlation	.547**
Sig. (2-tailed)	.000
N	64

** Correlation is significant at the 0.01 level (2-tailed)

The correlation analysis result shows that a positive relationship exists between Attitude and Adoption. The value of Pearson correlation(r) = 0.547 indicates that there exists positive relationship

between the two variables and the P value = 0.000 which is less than 0.01 confirms the significance of the relationship.

Correspondingly, regression analysis showed that significant relationship is not exists between these two variables. As we may see from regression analysis table --- above, the value of β = .026, that is positive and t- value = .344 satisfactorily confirms the relationship of the variables. But, p value is = .732 that is greater than 0.01 and is not significant. This shows that the relationship between the two variables is not statistically significant.

As the relationship between the two variables was not statistically significant the null hypothesis could be rejected. It is therefore evident from the result that this hypothesis is not true and thus H4 is rejected.

H5. Regulation has significant impact on Takaful insurance adoption in Ethiopia

Table 21 Correlation between Regulation and Adoption

Pearson Correlation	.602**
Sig. (2-tailed)	.000
N	64

** Correlation is significant at the 0.01 level (2-tailed)

The correlation analysis result shows that a positive relationship exists between Attitude and Adoption. The value of Pearson correlation(r) = 0.602 indicates that there exists positive relationship between the two variables and the P value = 0.000 which is less than 0.01 confirms the significance of the relationship.

Correspondingly, regression analysis showed that significant relationship is not exists between these two variables. As we may see from regression analysis table --- above, the value of β = 0.005, that is positive and t- value = 0.065 satisfactorily confirms the relationship of the variables. But, p value is = 0.949 that is greater than 0.01 and is not significant. This shows that the relationship between the two variables is not statistically significant.

As the relationship between the two variables was not statistically significant the null hypothesis could be rejected. It is therefore evident from the result that this hypothesis is not true and thus H5 is rejected.

Table 22 Summary of the Results of the Hypotheses Testing

No	Hypothesis	Result
1	H1: Awareness has significant impact on Takaful insurance adoption	Accepted
2	H2: Attitude has significant impact on Takaful insurance adoption	Rejected
3	H3:Relative advantage has significant impact on Takaful insurance adoption	Accepted
4	H4: Compatibility has significant impact on Takaful insurance adoption	Rejected
5	H5: Regulation has significant impact on Takaful insurance adoption	Rejected

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSSION AND RECOMMENDATION

This chapter includes findings, conclusion and recommendation of the study. These summary findings, conclusions and recommendations are prepared based on the review of related literature, results of statistical analysis and discussions of findings in chapter four.

5.1. SUMMARY OF MAJOR FINDINGS

To achieve the purpose of this study, five research questions were put in to practice and five hypotheses were designed. As per the findings of the study, all the null hypotheses and three of alternative hypotheses were rejected leading acceptance of two alternative hypotheses. From the total of 64 sample population, all filled and returned the questionnaires. In this study the data collection tools were questionnaire. Standardized questionnaires were used to gather information regarding, Awareness, Attitude, Relative advantage, compatibility, Regulation and Adoption of Takaful Insurance. Deferent tests such as Reliability, Normality and linearity were performed by using the SPSS (Classical Linear Regression Model). Regression analysis was also conducted and all the results of the tests show that the data meets the recommended values of the tests. Demographic questions were analyzed using frequency and percentages while their responses regarding Awareness, Attitude, Relative advantage, compatibility, Regulation were analyzed using descriptive statistics (Mean and Standard Deviation). All the five parts of the questions of the research were analyzed using correlation analysis, specifically by using Pearson Correlation Coefficient (r), and regression analysis of Standardized Regression Coefficient (β). The hypotheses were described in relation to statistical results and literatures. Some of the major findings of the study are as follows:

5.1.1. Demography

The demographic constitution of the study shows that, out of the total respondents, 68.8% were male, and 31.2% were female. The majority of the respondents are below the age of 40 with 54% of them falling within the age category from 31-40 years. Referring to educational level of the respondents, the majority of the respondents hold Degree and Master's Degree with 51.6% Degree holders and 43.8 of them are Master's Degree holders. When it comes to the career level of the respondents the majority of the respondents are within the career level category run from officer to managerial position, which constitute 89% the respondents. The experience of the respondents also

shows that the majority of the respondents (82.8%) have below 16 years work experience

5.1.2. Descriptive statistics of the responses

With the respect to descriptive statistics of the respondents, Awareness scored the highest mean value of 3.6183 and standard deviation (SD) of .47179, Attitude registered 2.9094 and SD of .66158, Relative advantage scored mean 3.3854 and SD of .63404, Compatibility scored 3.1042 and SD of .67423 and regulation registered 3.0531and SD of 0.65634

5.1.3. Correlation of Variables

The result of Pearson Correlation Analysis indicates that all independent variables have positive correlation with the dependent variables. Awareness, Relative advantage and Regulation showed strong correlation with the dependent variable at Pearson correlation coefficient value of r=.872, 0.613 and 0.602 respectively. While Compatibility and Attitude showed moderate correlation with the dependent variables with correlation value of r= 0.547 and 0.500 respectively. And all the variables have a significance value (P-value) of 0.000 which is less than P=0.01.

5.1.4. Analysis of Variance (ANOVA)

With the respect to the activities related to the independent variables that has a significant impact on the Adoption of Takaful insurance, the significant regression equations generate a $F(5,58) = 46.641$, $P<0.000$, with an R2 of .801 signifying an explanatory power of the construct and the possible rejection of the null hypothesis.

5.1.5. Model Summary

The result of the regression shows that R2= 0.801 indicating that 80.1% of the Adoption of Takaful insurance in Ethiopia can be explained by the independent variables used in this study.

5.1.6. Regression analysis results

The regression analysis of the data collected from respondents shows that all the independent variables have a positive relationship with the dependent variable indicating that a unit improvement in the independent variable (Awareness, Attitude, Relative advantage, compatibility and Regulation) will result in improvement in adoption of Takaful insurance by .738, .008, .221, .026, and .005 respectively. The Two independent variables such as Awareness and Regulation were found to be significant predictors of the Adoption of Takaful insurance in Ethiopia.

5.2. CONCLUSION

The study under discussion has able to evaluate the Factors affecting adoption of Takaful insurance in Ethiopia: perspective of insurance Marketing experts. The five-point Likert scale questioners were used to collect responses from 64 staff of the Marketing departments of 17 Insurance companies of Ethiopia. The analysis of the collected data was made by using various statistical tools such as correlation, Classical Linear Regression Model (CLRM), and Multiple Regression analysis. Based on the indicated analysis the following conclusions were drawn.

The result of the study reflects that, adoption of Takaful insurance in Ethiopia is highly influenced by independent variable Awareness. According to the finding of the study the level of Takaful Insurance Awareness from insurance marketing expertise is very low. The players of the insurance Market has low understanding about importance of Takaful insurance

Secondly, the finding of the study also indicates that the Relative advantage has great impact on adoption of Takaful insurance. As per the finding of the study the Ethiopian Insurance marketing experts perceive that, conventional insurance has better advantage than Takaful insurance.

Thirdly the finding also indicates that the rest independent variables such as Attitude of the insurance expertise, Compatibility of Takaful insurance and Regulation of the state have no any impact on adoption of Takaful insurance in Ethiopia.

5.3. RECOMMENDATIONS

Based on the cornerstone of the findings and conclusion of the study, the following recommendations are presented.

- The finding of the study has identified that, Awareness and Relative advantage have huge impact on adoption of Takaful insurance and any positive improvement on these variables will result in improvement on adoption of Takaful insurance. Therefore, this is with great attention that the researcher calls the Ethiopian insurance industry in general and each insurance company in particular to formulate strategies that boost Takaful insurance Awareness.
- The result of the study also indicate that Relative advantage is another independent variable that affecting adoption of Takaful insurance and any positive improvement in this variable will result in positive improvement on Adoption of Takaful Insurance. So the researcher recommends that, the insurance players should work on identifying huge benefit of Takaful

insurance and compare it with the benefit that can be gained from conventional insurance so that they will understand its benefit

- Finally the researcher recommends that, Muslim community of Ethiopia has no any single shariah room that allows them to use conventional insurance. Therefore insurance players should work on adoption of Takaful insurance in the insurance industry

5.4. SUGGESTIONS FOR FUTURE STUDIES

This study addressed only insurance marketing experts; and the general public is not included in this research. And also the study focused only on five independent variables but the result of the analysis show that 19.9% of variations are due to other factors (variables) such as social influence, religion, accessibility etc. Therefore, future study should focus on general public (users of Takaful insurance) as well as pay attention to the variables that were not included in this study.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT: EXECUTIVE MBA PROGRAM

Dear Respondents:

My name is Adem Abdi who is final year graduate student in the Executive Master of Business Administration (EMBA) Program at the Faculty of Business and Economics, Addis Ababa University.

I am conducting a study entitled "Factors Affecting Adoption of Takaful insurance in Ethiopia: Perspective of Insurance marketing Expert "as in partial fulfillment for the requirement of Executive Master Degree in Business Administration (EMBA). The study aims at collecting data on the Factors Affecting Adoption of Takaful insurance in Ethiopia: Perspective of Insurance Expert.

This structured questionnaire is mainly directed to Ethiopian insurance companies' Marketing department staff.

Therefore, your genuine responses to each item in this questionnaire contributes valuable inputs to the successful accomplishment of the study, which will in turn have important impact on inclusion and Adoption of Takaful insurance Practices in Ethiopia in general and in the company in particular.

Finally, I would like to make sure that the information you provided in this questionnaire will only be used responsibly for academic purpose.

I thank you very much in advance for your cooperation, participation and sacrifice of your valuable time!

With regards,

Adem Abdi

Mobile +251 0913250756

Instruction 1

- Please don't write your name on any of the pages of the questionnaire
- Tick($\surd$) your choice of response in a provided box for demographic information

I. Demographic information

1) Gender:

- ☐ 1. Male
- ☐ 2. Female

2) What is your age?

- ☐ 1. 20-30
- ☐ 2. 31-40
- ☐ 3. 41-50
- ☐ 4. 50-60
- ☐ 5. 60 above

3) What is your highest level of education?

- ☐ 1. Diploma
- ☐ 2. Degree (BA/BSc)
- ☐ 3. Master's Degree (MA/MSc)
- ☐ 4. PhD

4) What is your career level?

- ☐ 1. Officer
- ☐ 2. Senior Officer
- ☐ 3. Managerial
- ☐ 4. Director
- ☐ 5. Executive Officer

5) What is Your Experience

- ☐ 1. 1-5 Years
- ☐ 2. 6-10 Years
- ☐ 3. 11-15 Years
- ☐ **4.** 16-20 Year
- ☐ 5. Above 20 Years

Instruction 2

Please Tick (√) your choice of response in a provided box under Likert – Scale for every of the under listed section II of the questionnaire up to section VII of the questionnaire.

II. Questionnaire on Awareness of Takaful Insurance

S.N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree)	5(Strongly Agree)
1	Takaful is a shari'ah Compliant insurance contract					
2	I am aware that conventional insurance policies are not shari'ah complaint					
3	The involvement of interest; uncertainty and gambling make the conventional insurance non shari'ah complaint					
4	Conventional insurance is based on the concept of "contract of exchange "whereby Takaful insurance is based on the concept of "mutual cooperation"& Tabbru' contract among the participant					
5	Takaful policy holders mutually share the risk while conventional insurance policyholders transfer the risk					
6	Takaful insurances are distinguished by distributing surplus to participants					
7	Takaful insurance is not yet introduced in Ethiopian insurance industry because there is few target market in the country and hard to make profit					
8	Takaful is suitable for anyone regardless of religion					
9	Takaful insurance and conventional insurance are two different concepts and there is no any similarity between them					
10	Part of Takaful insurance contribution will be invested in investments that are in line with the shari'ah					
1	Takaful insurance products are the same with that of					

1	conventional insurance					
12	The protection coverage of Takaful insurance is the same with that of conventional insurance					
13	Takaful is free from interest (Riba), uncertainty (Gharar) and gambling (Maysir)					
14	Takaful does not involve in any Shari'ah Prohibited business activities					

III. Questionnaire of Attitude towards Takaful Insurance

S.N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree	5(Strongly Agree)
1	I believe that conventional insurance is more customer friendly than Takaful insurance					
2	I believe that Takaful insurance contains Muslim religion concept and not suitable for Christian customers					
3	As a marketer, I feel I should choose the existing conventional insurance instead of Takaful insurance because Takaful insurance is only for muslim					
4	I feel that Takaful insurance is not necessary in Ethiopia as majority of the country's populations are Christian religion followers					
5	I believe that Takaful insurance practice can affect conventional insurance in diverting majority of the company's existing customers					
6	I feel that Takaful insurance's concept is confusing as it is mixed with muslim religion concept and not easy to run by hiring any insurance professionals					
7	I believe that Takaful insurance principles are against the existing conventional insurance contract					
8	I feel that Takaful insurance provide less benefit to the					

	company's shareholders as major portion of the fund profit goes to the participant					
9	I feel that introducing Takaful insurance requires so many processes than starting conventional insurance					
10	I feel that it is hard to get re-insurance for Takaful insurance products					

IV. Questionnaire on Relative Advantage of Takaful Insurance

S. N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree	5(Strongly Agree)
1	Conventional insurance provides better profit to company shareholders than Takaful insurance					
2	The operating model of Takaful Insurance is too complex than conventional insurance operating model					
3	Conventional insurance's Finance Management is easy than Takaful insurance Finance Management					
4	Unlike Conventional insurance Takaful insurance provide coverage only for Shari'ah compliant products					
5	Takaful insurance shareholders are managers while conventional insurance shareholders are owners					
6	Unlike Takaful conventional insurance get high income from interest					

V. Questionnaire on Compatibility of Takaful Insurance

S. N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree	5(Strongly Agree)
1	It is not convenient to run Takaful and conventional insurance side by side because Takaful insurance principles follow Sharia laws while conventional insurance is based on exchange laws					

2	Takaful insurance laws negatively influence the concept of conventional insurance so that they push each other					
3	Under Takaful Insurance Principles, Participants (the insured) are owners while in case of conventional insurance it is buyers (Customers) of insurance company which negatively influence inclusion of Takaful insurance in the insurance industry					
4	The operating model of Takaful insurance is different and its contents are also different which influence uniformity of operating system between insurers					
5	Unlike conventional insurance Takaful insurance has no operating model that fit to all type of insurance operation which influence convenience between Takaful and conventional insurance					
6	Takaful insurance theories focus on Muslim laws and principles while conventional insurance focuses on insurance laws and principles which negatively affect their relationship of coexistence.					

VI. Questionnaire on Regulation of Takaful Insurance

S.N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree	5(Strongly Agree)
1	The inclusion and adoption of Takaful insurance in Ethiopian insurance industry is too hard because the law of the land does not permit to involve this kind insurance business activities					
2	It is not possible to include and adopt Takaful insurance in Ethiopia because Takaful insurance is governed by shari'ah laws while our country business activities are governed by the country's business laws.					

3	The directive issued by National bank of Ethiopia on Takaful insurance business operation contains money requirements which is beyond the capacity of insurance companies					
4	The nature of Takaful insurance business requires operator to involve in investment activities but the directive issued by National bank of Ethiopia on Takaful insurance business operation prohibit Takaful fund investment					
5	The directive issued by National bank of Ethiopia on Takaful insurance business operation strictly requires complying with all insurance directives in addition to Takaful insurance directives issued recently. Therefore it is too hard to comply with all requirements					

VII. Questionnaire related to adoption of Takaful Insurance

S.N	Factors	1(Strongly Disagree)	2(Disagree)	3(Neutral)	4(Agree	5(Strongly Agree)
1	Takaful insurance is not yet adopted in Ethiopia due to lack of Takaful insurance awareness					
2	Takaful insurance is not yet adopted in Ethiopia due to negative attitude of consumers toward Takaful insurance					
3	Takaful insurance is not yet adopted in Ethiopia due to better relative advantage gain from the existing conventional insurance					
4	Takaful insurance is not yet adopted in Ethiopia due to incompatibility between Takaful and conventional insurance					
5	Takaful insurance is not yet adopted in Ethiopia due to absence of Takaful insurance regulation in the our country					

APPENDIX2: PERSON CORRELATIONS ANALYSIS

Correlations

		Awareness	Attitude	Relative Advantage	Compatibility	Regulation	Adoption
Awareness	Pearson Correlation	1	.476**	.504**	.560**	.633**	.872**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000
	N	64	64	64	64	64	64
Attitude	Pearson Correlation	.476**	1	.560**	.536**	.392**	.500**
	Sig. (2-tailed)	0.000		0.000	0.000	0.001	0.000
	N	64	64	64	64	64	64
Relative Advantage	Pearson Correlation	.504**	.560**	1	.455**	.518**	.613**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000
	N	64	64	64	64	64	64
Compatibility	Pearson Correlation	.560**	.536**	.455**	1	.450**	.547**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.000
	N	64	64	64	64	64	64
Regulation	Pearson Correlation	.633**	.392**	.518**	.450**	1	.602**
	Sig. (2-tailed)	0.000	0.001	0.000	0.000		0.000
	N	64	64	64	64	64	64
Adoption	Pearson Correlation	.872**	.500**	.613**	.547**	.602**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	64	64	64	64	64	64

**. Correlation is significant at the 0.01 level (2-tailed).

APPENDIX 3: ZRESID HISTOGRAM