The impact of cognitive style, consumer demographics and cultural values on the acceptance of Islamic insurance products among American consumers

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Abstract

Purpose – The purpose of this paper is to explore the extent by which consumer acceptance of an Islamic insurance product (Takaful) in a non-Muslim majority country would be affected by consumer knowledge about its Islamic origins. Furthermore, this study identifies the degree to which various psychological traits and demographics of the consumers influence purchase intentions.

Design/methodology/approach – A questionnaire was distributed to a national sample of 390 respondents, half of whom were told that this insurance product is Islamic and the other half were not. The questionnaire was identical between the two groups and the only difference was the disclosure of the product’s Islamic origins. Additional measures related to consumer demographics, cognitive style and prior experience with insurance products were obtained from the respondents. Regression analysis was used to determine the drivers of consumers’ purchase intentions.

Findings – Purchase intentions for Takaful were found to be lower when the product was presented to subjects as Islamic. In addition, it was established that a consumer’s cognitive style, political orientation, yearly insurance expenditure and views of Islam influence purchase intentions for Takaful.

Originality/value – This paper is the first to explore the degree of acceptance of an Islamic insurance product in a non-Muslim majority country (USA) and to investigate the effects of a product’s religion of origin on the purchase intentions of American consumers.

Keywords Marketing, Insurance

Paper type Research paper

Introduction

In the past few decades, globalism has expanded the variety of products available to American consumers. With products imported from different parts of the world, American consumers have the ability to choose from a wide range of products from different countries of origin. The large number of choices makes it possible for consumers to select products based on many criteria, including the country of origin. Common stereotypes of consumer preferences for one country over another are preferences for electronic products from Japan and automobiles from Germany (Hong and Wyer, 1989; Lawrence et al., 1992). Research has shown that consumers view products from developed countries as superior to products from developing countries (Wang and Chen, 2004).

There is a plethora of studies focusing on the effects of a product’s country of origin on consumer interest (Bilkey and Nes, 1982; Erickson et al., 1984). These studies have established the causes for country of origin effects and the resulting consumer inferences. It has been shown that such inferences can be especially powerful in the case of innovations, as consumers often place a great deal of importance on the country of origin when evaluating a new product or innovation (Souiden et al., 2011). While there exists vast academic literature on country of origin effects on consumer perceptions of innovative products, there are currently no studies on the impact of religion of origin of a product on consumer adoption of the product. For example, it is currently unknown if American
consumers would be likely to accept a product that is based on a faith different than Christianity (the dominant faith in the USA).

The product of focus in this study is Islamic insurance, also known as Takaful. Takaful has been very successful in the Middle East and Southeast Asia in the past decade with continued growth among Muslim populations (Ismail et al., 2017). Following Islamic principles, Takaful’s underlying financial structure is Sharia compliance and it is different from conventional insurance products offered in most western countries. Previous studies have established the positive relationship between Muslim religiosity and Takaful purchase intentions (Sharma et al., 2016) and the factors attributable to the preference of Takaful over conventional insurance products for Muslim consumers (Matsawali et al., 2012; Nor and Kamil, 2014). In addition, Takaful’s growth and use in the UK has been researched (Coleen-Maturi, 2013), focusing exclusively on British Muslim consumers.

This study is the first to explore the degree of receptivity of Takaful for the general population in a non-Muslim majority country, namely, the USA. To investigate this topic, a national sample of 371 consumers participated in an experiment. The results substantiated a negative consumer sentiment toward Takaful due to its Islamic origins. Furthermore, consumers’ cognitive styles and cultural and demographic characteristics were found to affect the dynamics by which Takaful is perceived by American consumers.

Country and religion of origin effects

Country of origin effects are the psychological influences ascribed to consumer perceptions and purchase decisions, influenced by a product’s country of production. When consumers evaluate a product, the evaluations they form are based on the product’s various attributes, such as price, color and size. In cases where a product attribute, such as quality, may be difficult to observe, consumers may make inferences using other attributes as cues in their decision making. According to cue utilization theory (Dodds et al., 1991), it is imperative for marketing purposes to identify the product attributes that a consumer may use to make inferences about the product. Country of origin is one of the most commonly used cues that consumers utilize when evaluating products. A consumer’s views about the country of origin of a product can affect his/her general perceptions of the product and its attributes, such as quality, durability and image. For instance, the products from a country that is perceived to be more economically and technologically advanced are typically perceived as more prestigious than products from other countries (Wang and Chen, 2004).

Country of origin effects have, for example, been observed with respect to German automobiles. In a study by Lawrence et al., (1992), it was established that consumers generally prefer German automobiles over automobiles from other countries, as the label “Made in Germany” represented a more expensive, reliable, comfortable and spacious automobile to consumers than those manufactured in Japan, Italy or France. Similarly, German car performance was perceived to be superior to the performance of competitors from other countries (Lawrence et al., 1992). This effect is intriguing since despite the fact that other automobiles might be equal or superior in quality to German automobiles, consumer perception caused by their preferential views toward German automobiles positively biases their quality inferences and product performance perceptions. Similar country of origin effects have been observed in other product categories. For example, Belgian chocolate is perceived to be the most prestigious type of chocolate, as is French wine and Cuban cigars (Marrero, 1997; Bruwer and Johnson, 2010; Coe and Coe, 2013).

With myriads of studies on country of origin effects, there is a gap in the academic literature when it comes to religion of origin effects. For products that have a religious nature, the religion of origin of a product might have an effect on consumer perceptions, in many ways similar to country of origin effects. The adoption of Islamic products and services among the general public in the USA reflects the challenges and dynamics by
which the religion of origin may affect the dynamics of product perception formation. Although Muslims have been living in the USA since the Colonial period (Kidd, 2013), the integration of Islam in American culture has been difficult (Inglehart and Norris, 2012). This can be partially attributed to differences in values, traditions and life styles, as well as the US political landscape and US political positions on the Middle East (Haddad, 2004). The negative sentiment toward Islam has been especially evident since the 9/11 terrorist attacks and further reinforced by terrorist attacks worldwide attributed to radical Islamic groups.

Despite the American public’s reservations about Islam, an array of products with Muslim origins is widely accepted in American society. From Persian rugs to Arabic food items like hummus, kebabs and falafel, consumer products from majority Muslim countries remain popular among American consumers. However, these products are rarely explicitly advertised or recognized by the public as specifically being of an Islamic origin (Kauffman, 2018), and it can be argued that had they been promoted as Islamic, they might not enjoy the same degree of popularity among American consumers.

Islamic insurance: Takaful

Islamic insurance, more commonly known as Takaful, is based on the principle of voluntary mutual assistance, *Taawun*, and voluntary contribution, *Tabarru* (Hussain and Pasha, 2011). Mutual assistance means that consumers that participate in Takaful are both the insurers (in other words the “owners” of the funds managed by the Takaful Company) and the insured (the beneficiaries in the event of claims). This concept of assistantship is based on a collectivist mindset. The three main differences between Takaful and conventional insurance products are as follows:

1. The policyholders are the owners of the Takaful fund and the fund operator is therefore an employee of the policyholders and only profits from the investments made using the policyholders’ insurance policy premiums.

2. The end-of-year surplus of the insurance fund is shared with the policyholders instead of being kept by the insurance company as profit. This is because Islamic finance prohibits any contract where a party is enriched improperly to the detriment of another party (Laldin and Furqani, 2013). In other words, if no claim occurs during the time period covered by the insurance policy, the insurer benefits on the back of the insured and that is considered improper enrichment in Islamic finance.

3. Takaful only permits investments in Sharia compliant companies. This means that the funds collected from the policyholders are not to be invested in companies whose products are ethically incompatible with Islamic principles, such as those producing tobacco products or alcoholic beverages. Companies with high debt to equity ratios are also incompatible with Islamic finance principles and therefore not to be invested in (Hussain and Pasha, 2011).

Takaful first emerged in 1979 in Sudan as a donation-based method for insuring the poor. It quickly expanded to Asia (Husin and Rahman, 2013). Currently there are more than 300 Takaful operators worldwide; and most are located in the Middle East, Southeast Asia and parts of Europe. The global Takaful industry’s gross contribution is estimated to be around $20bn and is expected to reach $52bn by the year 2020 (Ismail et al., 2017). Because of its unprecedented growth and unique financial structure, there is growing interest to understand the consumer adoption of this type of insurance worldwide, including in the USA.

Despite its Islamic origin, which may limit its acceptance among American consumers, Takaful can be appealing to American consumers for a range of reasons. Takaful policyholders pay lower insurance premiums as they will receive refunds linked to excess profits at the end of each year (Hussain and Pasha, 2011). In addition to this financial
incentive, policyholders are co-owners of the Takaful fund. This is especially critical in the modern economic climate with revelations of corporate scandals among many conventional insurance companies making policyholders and the public demand greater transparency and regulatory authority over their insurers (Hadjikhani et al., 2016). American consumers may also benefit from the fact that the money in a Takaful insurance fund is only invested in socially responsible ventures. This could be appealing to many American consumers, as public emphasis on corporate social responsibility is growing, with consumers demanding more ethical and environmentally friendly products (Graafland and Ven, 2006).

Previous studies have comparatively analyzed the financial structures of Takaful insurance products vs conventional insurance products (Abdou et al., 2014). Past research has also examined which type of insurance is preferred among Muslim consumers in certain Muslim majority countries. Matsawali et al. (2012) studied consumer insurance preferences in Brunei Darussalam, establishing that among the general population, Takaful is preferred over conventional insurance products. The primary factor contributing to the preference of Takaful was found to be the religiosity levels of consumers, whose main concern was the Sharia compliance characteristics of Takaful, which conventional insurance products do not have. Furthermore, Spriggs (2016) studied the normative beliefs of non-Muslim residents in the United Arab Emirates, regarding Takaful. The study established that among non-Muslim consumers there is a general lack of awareness regarding Takaful. Regarding Takaful’s perceptions among the population of non-Muslim majority countries, Coleen-Maturi’s (2013) study demonstrated that Muslims in the UK lack awareness of Takaful. However, after becoming informed about Takaful and its Sharia compliant financial structure, the majority of British Muslims surveyed displayed high levels of interest.

Theoretical framework and hypotheses

As evident by the above review of past studies on consumer views and adoption of Takaful, there exists no academic studies which have examined the perception of Takaful by the general population of a non-Muslim majority country. The primary objective of this study is therefore to explore whether consumer acceptance of Takaful in a non-Muslim majority country would be affected by consumer knowledge about its Islamic origins, and if so by what degree. Furthermore, consumer reactions to Takaful can be impacted by various psychological traits of the consumer. One psychological trait that may affect consumers is their own cognitive style. Cognitive style refers to the way a person receives, integrates and uses information in making his/her decisions (Bagozzi and Foxall, 1996; Allinson and Hayes, 1996; White et al., 2003). Differences in cognitive style might alter the way consumers perceive information about a product offer, and thereby influence their interest level in the product. Consumer purchase intentions for a product can also be influenced by an individual’s past experiences with insurance policies and insurance companies. For example, individuals who spend a greater portion of their household income on insurance might react differently to this form of insurance offer than consumers spending a smaller portion of their income. In addition, an individual’s opinions of Islam may affect his/her acceptance of the Takaful concept. Individuals who hold a negative view of Islam might react differently to an Islamic product compared to individuals who hold a positive or neutral view of Islam. Furthermore, consumer demographics such as age, gender and political orientation have been shown to affect buyer behavior in past studies (Schaninger and Scigliimpaglia, 1981), and may therefore also influence consumer perceptions of Takaful insurance. In the following section, the possible effects of these variables will be examined in detail.

Cognitive style

Cognitive style represents the way an individual perceives and processes information from the environment to arrive at his/her decisions. Cognitive style can be represented on a scale
ranging from highly analytical to highly intuitive. Individuals with an analytical cognitive style are believed to process decision information in a detailed and comprehensive manner, compared to those with an intuitive cognitive style. The latter are believed to process information in a holistic form without dissecting the individual informational inputs to decision making (Allinson and Hayes, 2012; Barbosa et al., 2007). To establish where in between these two extremes an individual’s cognitive style falls, a universally adopted Cognitive Style Index (CSI) developed by Allinson and Hayes (1996, 2012) is often used. In this approach, an individual is presented with a battery of questions that seek to determine how he/she would react in specific situations and how his/her decision making is influenced by the informational environments. A scoring mechanism then quantifies the individual’s responses into a CSI. The CSI is then utilized to place the individual on the cognitive style spectrum.

Individuals with a high CSI score are classified as highly analytical while individuals with a low CSI score are classified as highly intuitive. Individuals in the middle are classified as “adaptive.” The ones who are in the lower middle and leaning toward a low CSI score are classified as “quasi-intuitive,” while those who are in the upper middle are classified as “quasi-analytic.” It is likely that individuals with an intuitive or quasi intuitive cognitive style (low CSI scores) would be less accepting of this type of insurance since they might be easily influenced by the fact that this insurance is Islamic, and out of intuition, reject it. On the other hand, individuals with an analytical or quasi-analytical cognitive style (high CSI scores) can be expected to inspect the characteristics of this type of insurance offer more closely, and based on its merits and consumer benefits, they may find it acceptable.

The role of consumer demographics and cultural values

Political orientation. Political orientation plays a significant role in an individual’s decision making and cognitive reasoning. It acts as a subjective filter for the individual (Rosenblum and Travis, 2008). Past studies have demonstrated that an individual’s political orientation influences the way he/she perceives situations, products and other individuals (McClosky, 1958). A more conservative individual may not trust products from a different country as much as a more liberal individual, and a liberal political orientation is associated with being more open-minded and accepting of foreign products (Anderson and Cunningham, 1972). Political orientation may therefore affect one’s acceptance of Takaful. Conservative consumers may be reluctant to accept Takaful because of its Islamic origin, while liberal individuals might not be influenced negatively as much by its Islamic origins.

Age. It has been demonstrated that age plays a significant role in consumer decision making, information processing, reasoning and attitudes toward new product concepts (Yoon et al., 2009; Gough and Nurullah, 2009). Country of origin effects also vary depending on an individual’s age (Schooler, 1971; Wall et al., 1991; Insch and Mcbride, 2004). Older individuals typically have had more experiences with products from other countries and thus may have more discriminating opinions about products from specific countries (Tongberg, 1972/1973; Moschis et al., 1993). Younger individuals on the other hand tend to be more open-minded and accepting of products from foreign countries (Han and Terpstra, 1988; Wall et al., 1991). Research has shown that age also influences the willingness to accept new product concepts, and younger individuals are generally more open to innovations (Wang et al., 2008). Therefore, it is expected that younger consumers will be more receptive to Takaful.

Views of Islam. Another variable that might significantly influence an individual’s interest in Takaful is his/her views of Islam as a religion, in the same way that an individual’s rating of a specific country has been shown to affect his/her willingness to purchase a product from that specific country (Chao and Rajendran, 1993; Groh et al., 2010).
It can be expected that an individual’s views of Islam might be a significant driver of his/her willingness to accept Takaful. Individuals that view Islam unfavorably would likely have a negative view of anything Islamic in nature. They therefore may not focus on the product’s inherent benefits but instead focus their attention just on the fact that it is an Islamic product. As such, they might reject this product merely because of its Islamic roots. On the other hand, individuals who view Islam in a less negative light are expected to be less concerned about the fact that Takaful is of an Islamic origin and be more focused on what benefits the product itself has to offer.

Insurance experience
As previously pointed out, a consumer’s prior experiences with insurance policies may also influence his/her interest in Takaful. An important factor to consider is the individual’s yearly insurance costs. Individuals with high yearly insurance expense may have more assets to protect through insurance, and have a higher yearly income compared to those who spend less on insurance. Therefore, it can be expected that individuals with higher yearly expenditures on insurance may be less attracted to Takaful, as they may be less cost-conscious, compared to individuals with lower yearly expenditures on insurance who may value the benefits of Takaful in terms of lower insurance premiums.

Research questions
Based on the above discussion, the focus of this study is to address the following research questions:

RQ1. Will the purchase intentions of individuals to whom this type of insurance is communicated as Islamic be higher or lower than the purchase intentions of individuals who are not aware of the Islamic nature of Takaful?

RQ2. Are purchase intentions for Takaful influenced by an individual’s cognitive style?

RQ3. Does a consumer’s prior experience level with insurance policies affect his/her purchase intentions toward Takaful?

RQ4. Is the intention to purchase Takaful influenced by consumer demographics such as age and political orientation?

RQ5. Does a consumer’s views of Islam affect his/her purchase intentions toward Takaful?

Methodology
Research instrument and data collection
To address the above research questions, a between-subject experimental design was used. A questionnaire probing consumer interest in this form of insurance coverage was administered to a national panel, half of whom were told that this insurance product is Islamic and the other half were not. The questionnaire was identical between the two groups and the only difference was the disclosure of its Islamic origins. This differentiation allows for an objective determination of the effect that the religion of origin of Takaful may have on consumer perceptions. Respondents were recruited through Amazon’s Mechanical Turks service, which maintains a national panel of consumers, for research purposes. Use of an established national consumer panels for academic research studies is consistent with a long stream of consumer research studies from the past (Souiden et al., 2011). Data collection took place during December of 2017.

The first section of the questionnaire consisted of the cognitive style scale of Allinson and Hayes (1996). The next section introduced the concept of Takaful to the respondent in a
paragraph describing its features and characteristics. Half of the respondents were told that the described insurance product had its origin in Islam, while the other half were not provided with this information. A manipulation test was then administered to ensure that the respondents read and correctly understood the nature of the product. The respondents were then asked to state their agreement with 18 statements related to trust, purchase intentions, word-of-mouth intentions and reputational inferences about this type of insurance offer (Appendix). The objective of these questions was to quantify the respondents’ attitudes toward this type of insurance and their perceptions of its benefits and drawbacks for consumers. For example, respondents were asked if they liked the profit-sharing aspect of this type of insurance and the fact that the insured acts as a part owner of the insurance fund. Likewise, consumers were asked if they believed this product would be viable for the US insurance market and if it would fit into American society. Respondents provided agreement ratings on a seven-point Likert rating scale, with 7 representing “strongly agree” and 1 representing “strongly disagree.”

The next series of questions related to consumer psychographics and demographics, such as previous experience with insurance policies, gender, age, household size, income, religion, ethnicity and political orientation. The political orientation of the respondents was measured on a scale from −2 to 2. The lower extreme (−2) represented a very conservative political orientation while the higher end of the spectrum (2) represented a very liberal political orientation. The respondents were also asked to rate the five main religions, including Islam, on a five-point Likert scale. The questionnaire items used specifically to measure consumer responses such as cognitive style, and demographics were based on research instruments used in past studies (e.g. Allinson and Hayes, 1996; Estelami and Nejad, 2017) as outlined earlier.

In total, the data were obtained from 393 respondents. Data from 22 respondents could not be used due to incomplete answers or failure on attention check questions embedded in the questionnaire. This resulted in a final sample of 371 completed and usable responses. Of these, 189 respondents were told that Takaful is based on the Islamic faith and the remaining 182 were not. On average respondents took 15 min to complete the questionnaire.

Results
The sample consisted of 50.7 per cent male and 49.3 per cent female respondents. The average age of the respondents was 38 years, the average annual household income was $59,528, the average household size was 2.8 people and the average yearly insurance expenditure was $2,980. Furthermore, 68 per cent of the respondents categorized themselves as white. These sample characteristics are very close to the US population at large, for which the average age is 37.8, average annual household income is $51,939, the average household size is 2.6 people and 63 per cent of the population is white, according to the 2016 US Census. The close resemblance of this sample to the general US population strengthens the appropriateness of this sample for the research objectives of this study. In addition, the average political orientation score of the respondents was 0.45, which indicates a rather neutral political orientation, since the scale ranges from −2 (very conservative) to 2 (very liberal), with 0 being the neutral point.

The great majority of the sample participants presented some interest in the insurance offer they had been presented with. To quantify the purchase intentions of the respondents, the 18-item purchase intention scale was averaged into a single purchase intention measure. The 18 sub-items for this scale are highly correlated (all inter-correlations equal to, or are greater than 0.7) and the coefficient α for the resulting multi-item scale is 0.945, indicating a high degree of reliability for the multi-item scale. As a result, the average purchase intention measure obtained from the 18 items is used in the analyses below to determine the impact of the various variables outlined earlier.
Bivariate analysis

This analysis will examine the relationship between an individual’s purchase intentions and each of the research variables of interest. In order to do this, the data for the respondents who were told that this type of insurance are Islamic (IslamicCondition = 1) was contrasted with the data collected from respondents to whom the Islamic nature of this type of insurance was not revealed (IslamicCondition = 0).

Overall, the disclosure of the Islamic nature of the product has a negative effect on the purchase intentions of respondents, as the mean purchase intention measure with IslamicCondition = 1 is lower (mean = 4.89) than the mean of the purchase intention with IslamicCondition = 0 (mean = 5.23). This difference, tested using the t-statistic, is statistically significant (p < 0.010, t = 6.636). Since the insurance product features described to respondents are identical in the two conditions, the sole reason for the lower purchase intention is simply the mention of its Islamic origin. This result demonstrates the perceptual effects that the mention of the word Islam can have on purchase intentions.

Table I shows the Pearson correlations between the individuals’ purchase intentions and the variables in question, for the individuals who were made aware of the Islamic roots of Takaful (IslamicCondition = 1). The Pearson correlation between purchase intentions and the CSI was 0.242 and is statistically significant (p < 0.01).

Likewise, for individuals who were made aware of the Islamic origins of Takaful, the correlation between an individual’s purchase intentions and political orientation was 0.202 – a relationship that is also statistically significant (p < 0.05). Since this correlation (0.202) is positive, it can be concluded that the more liberal an individual is, the more positively he/she is inclined toward Takaful.

While it was determined that, for individuals who were made aware of the Islamic origins of Takaful, a greater CSI and higher levels of liberalism will result in a more positive consumer response to Takaful, age and annual income were not found to have an effect on purchase intentions as their corresponding correlations with purchase intentions were not statistically significant. However, the correlation between the purchase intention measure and the respondents’ yearly cost of insurance was −0.307 and statistically significant (p < 0.05). This shows that the greater the yearly insurance expenses of the respondent, the less interest there is in this type of insurance. As discussed earlier, this result can be explained by the fact that this type of insurance appeals more to individuals who have less wealth and may therefore be more interested in the cost savings aspects of this form of insurance. In addition, there is a significant correlation (p < 0.01) between the respondent’s rating of Islam as a religion and the purchase intentions measure. The correlation is 0.224, suggesting that individuals who rated Islam favorably have a higher purchase intention toward Takaful.

Table I also displays the correlations of the variables in question with the purchase intentions measure for individuals who were not made aware of the Islamic nature of Takaful (IslamicCondition = 0). As can be seen, most of the correlations are not statistically significant. This contrast in the significance of correlations between the two groups

<table>
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<tr>
<th>Correlation</th>
<th>Consumers unaware of Islamic origins of Takaful</th>
<th>Consumers made aware of Islamic origins of Takaful</th>
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<tbody>
<tr>
<td>View of Islam</td>
<td>−0.050</td>
<td>0.224**</td>
</tr>
<tr>
<td>Cognitive Style Index</td>
<td>0.101</td>
<td>0.242**</td>
</tr>
<tr>
<td>Yearly cost of insurance</td>
<td>0.025</td>
<td>−0.307*</td>
</tr>
<tr>
<td>Age</td>
<td>−0.026</td>
<td>0.028</td>
</tr>
<tr>
<td>Political orientation</td>
<td>0.014</td>
<td>0.202*</td>
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Note: **Correlation is significant at the 0.05 and 0.01 levels (two-tailed), respectively.
reinforces the differential impact that the disclosure of the Islamic nature of Takaful would have on purchase intentions. This result indicates that there is a clear difference in consumer cognition, for those consumers made aware of the Islamic origins of Takaful compared to those who were unaware. When the description omits the Islamic nature of this type of insurance, the cognitive mechanisms are not triggered and the individuals respond in a more casual manner. However, those individuals who are told that this product is Islamic respond with stronger opinions and exhibit response patterns that indicate deep cognitive analysis.

**Regression analysis**

Since there might be significant inter-relationships between the variables used in the bivariate analyses, which might affect the correlations between the predictor variables, it is imperative to conduct a single analysis using linear regression. This would help establish the combined impact of the independent variables on purchase intentions, which is the dependent variable in the regression analyses to be discussed. Two separate regression analyses are conducted – one for respondents told of the Islamic roots of the insurance policy (IslamicCondition = 1), and one for those not told (IslamicCondition = 0). Multicollinearity was not a concern in this regression analysis since the condition number among the predictor variables was found to be 8.92.

The regression analysis results for the data obtained from those respondents who were made aware of the Islamic roots of the insurance policy (IslamicCondition = 1) are shown in Table II. The regression analysis is statistically significant ($F_{6,166} = 8.945; p < 0.001; R^2 = 0.231$). The regression coefficients, with respect to each of the predictor variables, exhibit relationships that are consistent with the bivariate results. All the predictors are statistically significant except for age. The signs of the coefficients of the predictors indicate directional effects that are identical to those observed in the bivariate analyses. For example, the sign of the CSI is positive and is statistically significant ($p < 0.01$). This confirms the pattern that was evident in the bivariate analysis, suggesting that more analytical individuals (those who fall on the high end of the CSI scale) have greater purchase intentions toward Takaful.

The regression analysis results also indicate that liberal individuals are more interested in Takaful than conservative individuals. The effect of political orientation on purchase intentions is also statistically significant ($p < 0.05$) and consistent with the bivariate findings, as is the effect of yearly cost of insurance. The yearly cost of insurance has a negative impact on the individuals’ purchase intentions. The lower the yearly cost of insurance of an individual, the greater the interest level in Takaful. Furthermore, the rating of Islam has a positive impact on purchase intentions and it is statistically significant ($p < 0.01$), which was also evident in the bivariate analysis discussed earlier.

Based on the absolute value of the t-values of the variables in the regression analysis, the most important driver of purchase intentions is the yearly cost of insurance ($t = 4.380$),

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<td>0.0009</td>
</tr>
<tr>
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**Table II.**

Regression for consumers made aware of Islamic origins of Takaful
followed by the respondent’s CSI ($t = 3.631$) and the respondent’s rating of the religion Islam ($t = 3.375$). The respondent’s political orientation also has an impact on purchase intentions toward Takaful ($t = 2.331$).

An additional regression analysis was conducted for the data collected from those respondents who were not made aware of the product’s Islamic roots (IslamicCondition $= 0$). The regression results were not statistically significant ($R^2 = 0.024$, see Table III). This finding reinforces the observed pattern of insignificant correlations reported in the bivariate analyses, and confirms the view that when the Islamic origins of the product are not revealed to consumers, deep cognitive analysis does not affect consumer intentions toward this form of insurance product.

### Discussion of results

Existing research has primarily focused on analyzing the effects of a product’s country of origin on consumer perceptions. The effects of the religion of origin of a product or service have largely been ignored in previous studies. This study aims to not only determine if the religion of origin of a product plays a role in consumer perceptions, but also to explore the impact of other predictors, namely, cognitive style, yearly cost of insurance, consumer demographics and religious views, on purchase intentions.

To explore religion of origin effects, a national sample of American consumers was exposed to the concept of Takaful. It was determined that Takaful was less appealing to individuals when it was presented to them as Islamic. When individuals were not made aware of the Islamic nature of this product, there was greater interest in the concept. This analysis confirms that, just as there are country of origin effects, there also are religion of origin effects. There was a clear negative effect that the Islamic tag had on consumer receptivity to this product concept. The findings also suggest that individuals with an intuitive cognitive style are less receptive toward the Islamic concept of Takaful, as were those individuals who have more conservative political views, and those with a negative view of Islam. In addition, an individual’s yearly insurance expenditure influenced the level of interest in Takaful.

A consumer’s decision making is greatly impacted by the way the consumer perceives and processes information, commonly referred to as cognitive style. Cognitive style was used in this study as a predictor of purchase intentions of a financial service with a religious origin. The research findings in this study revealed that among American consumers, those with more analytical cognitive styles are more likely to accept an Islamic insurance product. This effect might be caused by the fact that more analytical individuals analyze the features of Takaful more thoroughly and are able to recognize its financial benefits. At the other end of the spectrum, more intuitive consumers might refuse to accept this product intuitively because they are more focused on its Islamic nature and are unable to attend to and recognize its underlying benefits.

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<td>Intercept</td>
<td>4.780</td>
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<td></td>
<td>10.771</td>
<td>0.000</td>
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<td>Political orientation</td>
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<td>0.078</td>
<td>0.015</td>
<td>0.015</td>
<td>0.847</td>
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<td>Cognitive Style Index</td>
<td>0.011</td>
<td>0.007</td>
<td>0.131</td>
<td>1.686</td>
<td>0.094</td>
</tr>
<tr>
<td>Yearly cost of insurance</td>
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<td>0.000</td>
<td>0.030</td>
<td>0.391</td>
<td>0.696</td>
</tr>
<tr>
<td>Age</td>
<td>−0.005</td>
<td>0.008</td>
<td>−0.049</td>
<td>−0.623</td>
<td>0.534</td>
</tr>
<tr>
<td>View of Islam</td>
<td>−0.080</td>
<td>0.076</td>
<td>−0.082</td>
<td>−1.053</td>
<td>0.294</td>
</tr>
</tbody>
</table>

**Table III.** Regression for consumers not aware of Islamic origins of Takaful

**Notes:** Dependent variable: purchase intentions. $F_{(6,167)} = 1.110; p = 0.36; R^2 = 0.024$
Past studies on country of origin effects have demonstrated that the financial background of individuals can impact their acceptance of an imported product or new product concepts. Therefore, an individual’s yearly insurance expense could affect his/her interest in a new type of insurance. This factor had a significant impact on the acceptance of Takaful, as consumers with lower yearly insurance expenditures were found to be more interested in Takaful. This can be explained by the fact that lower income households have lower yearly insurance expenditures than those with greater income, because they cannot afford the same level of insurance protection. Therefore, they also have a greater need to save money and would by nature be more interested in Takaful, since Takaful would allow them to pay lower yearly premiums and have the possibility of receiving some of their payments back at the end of the year. These individuals are more concerned with saving money than with Takaful’s Islamic origin.

Another issue examined in this study was regarding the effects of a consumer’s political orientation on purchase intentions toward Takaful. Certain individuals appear to be more sensitive toward religion of origin effects than others. Individuals that self-identified as more conservative were less interested in Takaful than individuals that self-identified as more liberal. The purchase intentions of Liberals did not vary significantly in this study when Takaful’s Islamic nature was hidden or revealed to them (respective means = 5.26 and 5.20), but it varied significantly for conservatives, who displayed much lower purchase intentions when they were aware of Takaful’s Islamic origin (mean = 4.66) compared to when they were unaware of it (mean = 5.32). Analysis of variance indicated that this interaction is significant at the $p < 0.05$ level. This result confirms the possibility that in the USA, conservatives might have a more negative view of Islam, as a 2017 Pew Research study suggests, and therefore would be expected to display less interest in this product (Lipka, 2017). On the other hand, those with more liberal views might not have negative preconceived views of Islam and hence might be more open to learn about Takaful and how it can be beneficial to them (Figure 1).

Interestingly, the empirical results did not establish any correlation between the age of the respondents and their purchase intentions. It would have been expected that older individuals would have been less interested in Takaful, as prior studies have suggested that older individuals are less interested in innovations and generally prefer not to switch products and services which they have been using for a long time (Moschis and Ong, 2011).

It was also demonstrated in this study that individuals with a more negative opinion of Islam will have a lower interest in Takaful. The causes for this negative effect can range from personal experiences to unjustified bias. These individuals did not exhibit any interest in Takaful when it was revealed that it was of Islamic origin (mean = 4.66) compared to when it was not (mean = 5.32). Analysis of variance indicated that this interaction is significant at the $p < 0.05$ level. This result confirms the possibility that in the USA, conservatives might have a more negative view of Islam, as a 2017 Pew Research study suggests, and therefore would be expected to display less interest in this product (Lipka, 2017). On the other hand, those with more liberal views might not have negative preconceived views of Islam and hence might be more open to learn about Takaful and how it can be beneficial to them (Figure 1).

![Figure 1. Impact of political orientation on Takaful purchase intentions for consumers made aware of Islamic origins of Takaful (IslamicCondition = 1) and for consumers not made aware of Islamic origins of Takaful (IslamicCondition = 0)](image-url)
in this product as their negative view of Islam impacted their perception of the product as a whole. This suggests that if Takaful marketers aim to provide Islamic insurance to a broad range of consumers in the USA, it would be more effective to focus marketing communications on its underlying consumer benefits rather than its Islamic origins.

Limitations and future research

Various extensions to the line of inquiry pursued in this paper could be envisioned. One approach would be to examine other psychological characteristics of American consumers that may have an impact on consumer views of Takaful. For example, consumer attitudes toward innovations and consumer inertia can be used as predictors in future studies. As Takaful is an unknown concept in the USA, it can be viewed as a market innovation, and therefore measures of consumer innovation acceptance could be useful in determining consumer reception of Takaful. It could also be worthwhile to examine if consumers’ need for cognition would have the same effects observed in this study with respect to cognitive style.

In addition, qualitative research methods could be utilized to examine the inferences that consumers make when the Islamic origin of Takaful is revealed. Such research would measure consumer emotions, stereotypes and attributions in a detailed matter using qualitative data. This study did not explore the underlying reasons for the negative views of Islam that some respondents held, which would also be a relevant line of questioning for future research. Future research can also investigate if the region of the country where a consumer lives affects purchase intentions toward Takaful. It could also be expected that individuals who reside in large population centers and metropolitan areas might be more accepting of an Islamic product as they are exposed to a greater degree of diversity – a topic that may be a good avenue for future empirical research.

Finally, it would be of interest to examine if consumers in non-Muslim majority countries, for example, the UK or Canada, would exhibit greater purchase intentions, compared to American consumers. Such research could explore if there is a significant variation in the relationship between a nation’s overall perceptions of Islam and purchase intentions related to Takaful.

Conclusion

This research has initiated an exploration of American consumers’ reception of Islamic financial products by demonstrating that consumers’ reactions can be affected by their religious views, cognitive style and demographics. In addition, the results of this study demonstrate the effects of political orientation and indicate that American consumers with conservative political views are less favorable toward Takaful. Likewise, this study proves that consumers with a negative view of Islam view Takaful more negatively than consumers with a neutral or positive view of Islam. The significant effects observed for these predictors highlight the importance for Islamic finance marketers to understand American consumer attitudes and cognition.

References


**Appendix. Purchase intention scale**

1. I think that this type of insurance can be put into practice in the USA.
2. This insurance product fits my needs better than my current insurance product.
3. I think that something of this nature cannot be useful to me. (reversed)
4. I would trust this type of insurance as much as I trust my current insurance.
5. I would not purchase this insurance product because I do not understand how it works. (reversed)
6. I expect to spend less money on insurance with this type of insurance.
7. This insurance product will not provide me with any benefits. (reversed)
8. I do not want to consider types of insurances other than what I currently have. (reversed)
9. I would like to find out more about this product.
10. This type of insurance product lacks credibility. (reversed)
11. A product of this nature has no place in our society. (reversed)
12. I like the profit-sharing aspect of this type of insurance.
13. I cannot trust such a type of insurance. (reversed)
14. I find this new insurance product to be useful because I will save money by not paying high insurance premiums.
15. I like that the money I would give to this insurance company will be invested in socially responsible companies.
16. I would like to try this type of insurance because I think that there will be some benefits for me.
17. I think that this type of insurance can be put into practice in the USA. (test)
18. I do not think this product would help the policyholder save money on insurance. (reversed)

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