

# Measuring the Quality of Services Provided by Takaful Insurance Companies in Palestine as Perceived by Clients

**Mohammad W. Hanini**, Birzeit University, Palestine

The purpose of the study is to measure the quality of services provided by Takaful insurance companies in Palestine; for this purpose the study predicted many standard variables that may explain the evaluation of Islamic companies through clients' satisfaction. The study expected that the compliance with Shari, the company image, the distribution of insurance surplus and the quality of financial services have an effect on clients' satisfaction. Therefore, the study relied on the qualitative and quantitative approach at the same time, where the previous studies were reviewed and the network of variables was extracted, and a questionnaire was designed and distributed to (381) clients of the Takaful insurance companies, and by using statistical analysis methods such as frequencies, averages and correlation analysis, the study concluded that there is a positive relationship. Strong among all the variables of the study and the evaluation of companies through customer satisfaction, who obtained an overall evaluation (69.42%) with high approval, and the quality of services index got the highest rating (74.2%), and the company image index got the second evaluation (73.8%), and the compliance index came. The Islamic insurance company is in the third rank (70.6%), while the index of distribution of insurance surpluses got the lowest value (58.3%), which is a medium closer to low. Therefore, the study recommended the departments of Islamic insurance companies in Palestine to work on distributing insurance surpluses at the end of each year by achieving the insurance surplus through many mechanisms, such as reducing the insurance companies' share of the policyholder fund, which they take in a lump sum, or working to diversify investment in the trustees' funds portfolio to ensure high returns. The study concluded with the importance of differentiating between the Islamic insurance systems and strengthening its Islamic identity that is derived from compliance with the provisions of Islamic Sharia without emulating the traditional insurance system. Meanwhile, these results have an

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important impact on the increase, in the market share of the Islamic insurance companies operating in Palestine.

**Key words:** *Islamic Takaful insurance. Shari compliance. Distribution of insurance surplus. Quality of services. Clients Satisfaction.*

## Introduction

Human progress depends mainly on production, which represents the outcome of the human effort in exploiting economic resources and converting them into goods and services. Hence, the role that insurance plays in ensuring capital and preserving it from total or partial harm to continue playing its role in the production process (Qazaat, 2009). Contemporary studies have shown that the measure of the degree of economic progress for any country depends primarily on the degree of progress and development of the banking and insurance industries (Amal, 2013).

Insurance, regardless of its type, form and the body that provides it, is based on cooperation, as the many at risk cooperate in compensating the few who have the risk, and the role of the body that provides it is only the role of the mediator that shows this cooperation into existence within a framework of rules and laws that guarantee protection of The parties of the contract, so that the insurance plays its role in serving the individual and society (Qazaat, 2009).

The insurance industry faces many challenges, according to a study (Olufemi Adebawale ABASS, 2016), it was reported that the acceptance of insurance service by Nigerians remains low. This can generally be attributed to a decrease in awareness of insurance service and the quality of service for the few who embraced it was also low. Other than these countries, life insurance, for example, according to the (Swiss Re, 2011) report, constitutes 79.1% of the insurance market in Japan, 69% in the United Kingdom, and 43% in the United States of America, but in most emerging or developing countries, This sector is still in its embryonic stage.

On the other hand, the global Takaful industry witnessed strong growth rates in recent years, registering a compound annual growth rate of 18.1% during the years (2007-2012). Malaysia and Saudi Arabia continued to drive the global Takaful industry in 2013 and achieved approximately 43.7% of the total global Takaful contributions during the year. The Takaful market in Malaysia has maintained its presence, which is served by 11 Takaful companies (MIFC, Malaysia International Islamic Financial Center, 2014). The global Takaful market reached 19 billion US dollars in 2017 and is also expected to exceed 40 billion US dollars by 2023. At a compound annual growth rate of 13% during 2017-2023. (TAKAFUL MARKET: GLOBAL INDUSTRY TRENDS, SHARE, SIZE, GROWTH, OPPORTUNITY AND FORECAST, 2018-2023).

Takaful refers to a Sharia-compliant insurance system where conventional insurance is believed to be forbidden because it involves ambiguity (uncertainty), gambling, and usury (Hassan Jamil and Waheed Akhter, 2016). Takaful is an Islamic way of doing insurance and it is based on Sharia commands. Most Muslims who have a high awareness of Sharia try to avoid conventional insurance because it is prohibited by Sharia. As for Takaful, it is an Islamic alternative to conventional insurance and is also known as Islamic insurance (Hassan Jamil and Waheed Akhter, 2016).

With the entry of giant insurance companies into the Islamic insurance market, the importance of this insurance increased and its markets expanded (Qanatqji, 2010). Evidence of international insurance companies' appetite for Islamic Takaful insurance is what the largest American insurance company, AIG, has done by issuing insurance policies compatible with the provisions of Islamic Sharia (Amal, 2013).

Research indicates that a large number of Muslims are still unaware of Takaful services (Johnsrud, 2002; Maysami & Williams, 2006). Globally, the results of a study (Y. Karbhari et al., 2018) conducted in the Middle East and North Africa (MENA) and Southeast Asia (ASEAN) show that the Takaful operators are ineffective, indicating the existence of widespread managerial inactivity and poor operational efficiency.

In the economic dimension of business organizations, institutions are currently focusing on expanding their market share and striving not to attract new customers only, but also to maintain existing customers, and therefore more attention has to be paid to the level of service quality (Madani, 2017). Competition is considered a tool of success if it is related to providing quality in services, not by lowering prices and quality, and the future of Takaful is based on its competitiveness towards traditional insurance companies on the one hand and integration with Takaful insurance companies on the other hand (Qantqji, 2010).

It is clear that the market share for this service will increase significantly over the next few years, especially if it adapts to competitive conditions. There is no doubt that promoting services and providing competitive products and services are the keys to increasing market share. With the improvement of the reliability, quality of services and popularity of companies providing these services in the market, there will be a significant transition from traditional insurance companies to Takaful companies in Turkey (Murat Ustaoglu, 2015).

Marketers need to review their policies regarding product development, pricing, distribution and branding, and companies must balance more carefully between their growth goals and the need for sustainability (Philip Kotler, 2011). Because marketing is the process by which the economy is integrated into society to serve human needs (Peter Drucker, 1958).

An experimental study explored the effects of (service cost, its quality, and customer satisfaction) on the behavioral intention of health insurance customers towards continuing to engage with service providers (T. Abu-Salim et al., 2017). The biggest challenge facing the insurance industry is meeting customer expectations for faster and better service in the face of rising cost of losses (OlufemiAdebowale ABASS, 2016).

In Palestine, the Palestinian insurance sector in general suffers from a dearth of scientific research (Shaath, 2012; Qazaat, 2009). A study found that there are three reasons for the weak growth of the insurance sector in Palestine, which are weakness of (awareness, marketing, and enforcement of laws) (Qazaat, 2009). The study stated that the Palestinian insurance market is limited and weak, as "the size of the Palestinian insurance portfolio does not exceed 1% of the Israeli insurance portfolio (Qazaat, 2009), and among the insurance obstacles in general is the lack of necessary expertise, especially in the field of Takaful insurance, which is reflected in the quality of services (Qazaat, 2009).

In the context of Takaful insurance, the Palestinian Takaful Company was established in 2007 in the West Bank as the first insurance company to operate in accordance with the provisions of Islamic Sharia, and then Al-Multazim Islamic Insurance Company in 2008 in Gaza. Then, Tamkeen Insurance Company joined them with an Islamic vision in 2018. The market share of Palestinian Takaful companies in 2019 was equivalent to 22%. This new industry needs an assessment of the quality of its services to ensure its survival, growth, and sustainability.

### **Statement of Purpose**

Due to the differences in the nature of work and services provided by Palestinian Takaful companies as they are working according to the Islamic Shari rules and in a decrease in their market share compared to its traditional peers totaling (22%) at the end of 2019 (Capital Market Commission) and what was issued recently about unifying prices between all authorized companies, the door was left open in front of all companies to compete in the field of providing services, since this has an effect on the sustainability of the company and its marketing strategy that targeting clients and their loyalty. Thus, the current study is attempting to investigate the factors that affect the evaluations of clients for the quality of services provided by Takaful insurance companies working according to Islamic rules in Palestine?

### **Study Questions:**

1. Is there a significant statistical relationship between the level of compliance of Takaful insurance companies for Islamic rules and between clients satisfaction about the quality of services provided to them?

2. Is there a significant statistical relationship between the images of Takaful insurance companies in clients' minds and between clients satisfaction about the quality of services provided to them?
3. Is there a significant statistical relationship between the distributions of Takaful insurance companies of insurance surplus and between clients satisfaction about the quality of services provided to them?
4. Is there a significant statistical relationship between the quality of Takaful insurance companies within its five domains (Tangibility, reliability, responsiveness, empathy, and warranty) and between clients satisfaction about the quality of services provided to them?
5. Are there any significant statistical differences at the level of ( $\alpha \leq 0,05$ ) in the samples' responses attributed to: type of company, type of insurance, frequency of deals, years of dealing with the company)?.

### **Significance of the study**

The importance of the study emerges from the importance of the Takaful insurance companies sector all around the world and in Palestine, as there was one company working in this type of insurance, then another company came to forth. This sector recently occupying 22% of the market, and there are no studies about this sector, therefore; This study came to evaluate the services provided to know the advantages of this sector and to provide it as a feedback to the Takaful insurance companies, to citizens, and to the Capital market commission, as it is the official sponsor of the insurance industry as a whole.

## **Chapter Two**

### **Review of previous studies**

#### **First: Arabic studies**

There is a (Al-Sharif, 2013) study in the Sultanate of Brunei Darussalam, which aimed to study the experience of Takaful insurance and evaluate it through the opinion of its clients. The research found that 71% of the company's clients are satisfied with the services of Takaful insurance companies and recommended improving the Takaful insurance services. However, it seems that the researcher did not rely on any of the known models in measuring the quality of services.

#### **Second: English studies**

(Rahman, et al., 2017) study attempted to investigate the factors that affect job satisfaction of sales agents from Islamic Takaful companies and conventional insurance using the Herzberg

two-factor motivation theory. The paper of (Mohamed Abdalnaser Janahi, and Muneer Al Mubarak, 2017) demonstrates the strong and reciprocal relationships between the key domains of customer service quality (compliance, assurance, reliability, empathy and responsiveness) and customer satisfaction in the Islamic banking sector in Bahrain. The study of (Najat Abdullrahim & Julie Robson, 2017) conducted in Britain, which studied the importance of service quality in choosing a British Muslim for an Islamic or non-Islamic bank account, and of the results that British Muslims show evidence of integration as confirmed by the study of (Perry, V.G. 2008) through the highest rating for response criterion as the most important for quality of service. This paper published by (Maizaitulaidawati Md Husin et al., 2016) from Malaysia, aimed to address the influence of media means (MM) and word of mouth (WOM) on subjective Norm (SN) and intentions to purchase a family solidarity program among Malaysian Muslims. The results revealed that MM and WOM were able to influence SN. Additionally, the results found that SN significantly influenced intentions to purchase a family Takaful program. The study of (Hassan Jamil and Waheed Akhter, 2016) conducted in Pakistan, which aimed to examine the relationship between perceptions of Sharia in the minds of clients and their intentions to switch in both Takaful and conventional insurance. The results indicated that the impact of Sharia perceptions on life insurance and family solidarity is significant.

A paper from Tunisia (Nizar Souiden, and Yosr Jabeur, 2015) aimed to investigate the role of Islamic beliefs in moderation in consumer attitudes and purchase intentions for traditional and Islamic life insurance. Another study from Malaysia (Lailatul Faizah et al., 2014) that aimed to investigate the factors that affect the loyalty of Takaful insurance clients, and focused on customer relationship management, customer satisfaction and loyalty. In addition, a study conducted by (Zoheir Berkem, 2014) aimed to know the method adopted by the Malaysian government supervision to organize the solidarity sector, and to propose a new approach related to effective supervision. A paper from Kuwait and Egypt (Salman Alajmi et al., 2011) examined the impact of national culture on service provision in the Takaful industry, a comparative study in Kuwait and Egypt. This last paper (Gita Gayatri et al., 2011), conducted in Indonesia, aimed to explore Service Quality (SQ) from a Muslim consumer perspective. There is increasing evidence that culture influences purchasing habits and consumer behaviors in services. Initial analysis suggested some distinct findings that place culture and religion as important constructs for consideration in SQ research.

Third: Value added

Studies had proved that there are effects for cultural differences in providing services in Takaful industry between Kuwait and Egypt and the wrong claim of Hofstede about the harmony of Arabic culture dominated by Islam (Slaman alajmi et al., 2011). Further, there is a study (Najat Abdullrahim, Julie Robson, 2017) in UK measured the effect of services quality on Muslim clients decisions in selecting Islamic bank accounts or non-Islamic accounts, adopting SERVQUAL model with a modification of (Tangibles) standard to be

(Islamic Tangibles), confirming the ability to fit SERVQUAL model according to different environments.

Accordingly, it can be said that the previous studies included several characteristics, including: the specificity of the countries in which it was conducted, which is different from the environment in which this study is conducted, which is the Palestinian Territories. Also, previous studies used different models to measure service quality, most of which were based on the SERVQUAL model. The current study is by adding other variables such as: (Sharia compliance, corporate image, insurance surpluses) to the five known service quality standards (tangibility, reliability, responsiveness, assurance, sympathy). This study is also distinguished as the first of its kind in Palestine aimed at measuring the quality of Takaful insurance services.

### **Chapter Three**

#### **Literature Review**

Quality tends to play an essential role in the service industry such as banking and insurance, as quality of service is crucial to the survival and profitability of the organization. Today, customer satisfaction and service quality is paramount in most service industries (Masoud Pourkiani, et al., 2014). There were significant positive relationships between the dimensions of service quality with customer satisfaction and word of mouth in insurance companies (Masoud Pourkiani, et al., 2014). Any decrease in customer satisfaction due to poor service may lead to various concerns for service organizations (Masoud Pourkiani, et al., 2014)

Clients have become more sensitive to service standards and with competitive trends, their expectations of service quality have also increased (Haj Karimi et al., 2009). Quality of service is described as the degree of difference between customers' perceptions and expectations of services (Othman & Owen, 2001).

There are increasing evidences that culture influences purchasing habits and consumer behavior in the context of service (Mattila, 1999). The researchers realized that the cultural influence on SQ was neglected and should be taken into account (Ueltschy and Krampf, 2001). Although the SERVQUAL model is applicable in different service sectors, there is little effort to test its applicability in different cultural settings (Gita Gayatri et al., 2011).

The aim of this study is to measure the quality of services provided by the Takaful companies operating in the Palestinian Territories. The study model that is shown in Figure (1), it illustrates this relationship.

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### **The first topic: study variables**

In order to measure service quality, the researchers designed various measures of service quality such as the Grönroos model (Grönroos, 1984), the Lehtinen & Lehtinen model (Lehtinen & Lehtinen, 1982), and the Johnston model (Johnston, 1995) being the most commonly used (SERVQUAL) model (Parasuraman et al., 1985). While the importance of the Islamic influence on consumer behavior is clear, as the two researchers emphasized (Lam, 2002; Delener, 1990).

Researchers believe that SERVQUAL is not a reliable measure of adoption in various cultural settings. For example, people who live in Western societies rely more on the quality of materials such as tangible cues, while Asians value human relationships more than material ones (Mattila, 1999). In a cross-cultural study between the United States of America and the Japanese restaurant industry, the researcher found some new dimensions in Japan such as real behavior, courtesy, formalism, and perceived control (Winsted, 1997) The SERVQUAL scale does not cover these dimensions.

Here the study variables appropriate to the environment in which the study is being conducted will be addressed as follows:

#### **First: Independent Variables**

Quality management requires a careful study of the factors affecting satisfaction in order to reach certain results that serve as a basis for directing efforts towards customer satisfaction (Abdul-Jabbar, p. 11). Previous studies have dealt with many factors affecting the reason for choosing insurance companies, including: confidence in the insurance company, quality of service, low cost of insurance, recommended by friends, comfortable mediation, recommended by a consultant, purchase of a vehicle (V. Konečný, O Trenz, D. Dvořáková, 2011).

In customer satisfaction studies, it is important to identify the factors of satisfaction, which include the level of satisfaction of customer needs among others (Soloma, 2010). It is worth noting the evaluation of the relationship between service quality and service price as a factor in determining whether to purchase or not, and the customer decides whether the service is worth the required price (Justyna Witkowska, Ausrine Lakstutiene, 2014).

Among the results of the study (Al-Sharif, 2013), 32% of the sample chose Takaful insurance because of (good reputation) for Sharia-compliant insurance companies, 31% of them chose Takaful because of (the quality of services), 27% chose Takaful because of (the attractiveness of its prices), 10% for other reasons like recommending friends, family and insurance agents.

Therefore, in order to gain a deeper understanding of the factors affecting behavior, it is necessary to consider the beliefs that individuals hold about themselves and their environment (Fithriah Ab. Rahim and Hanudin Amin, 2011).

### **The first independent variable: Sharia compliance**

Shari'a compliance is defined as the ability to use Islamic rules and procedures and this means that the products and services offered must comply with Islamic law (Mohamed Abdunaser Janahi, and Muneer Al Mubarak, 2017). The basis of the work of Takaful is based on the principles of Islamic law, with the primary aim of providing comprehensive Takaful facilities and services to Muslims and non-Muslims (Zoheir Berkem, 2014). Also, (Othman & Owen, 2001) stated that compliance is the most important dimension when assessing customer satisfaction.

The role of Sharia compliance is an important factor in the Takaful industry as it affects customer satisfaction (Janjua & Akmal, 2014). In this regard, customer perceptions add another crucial factor in choosing Islamic financial products (Othman & Owen, 2001). Because the perception of Sharia is an important criterion in choosing Islamic financial products (Othman, A., & Owen, L. 200)

Attitude theory suggests that the more favorable a person's attitude towards a particular product or service, the more likely that person will purchase or use that product or service. The importance of attitude in influencing the acceptance of a product or service has been demonstrated in various studies (Md. Taib, et al., 2008; Jamal and Ahmed, 2007)

The Theory Of Reasoned Action (TRA) is the basic theory used to explain human behavior (Venkatesh, et al., 2003). The theory established a relationship between belief, attitude, intentions, and behaviors (Md. Taib, et al., 2008). Beliefs are seen as the basis of a person's attitude and self-norm, and ultimately determine intention and behavior (Md. Taib, et al., 2008).

Confirming the influence of the religious dimension, a study in Turkey found that most religious people (75%) prefer Takaful companies (Murat Ustaoglu, 2015). A study in Bahrain (Mohamed Abdunaser Janahi, and Muneer Al Mubarak, 2017) in the Islamic banking sector stated that customers pay special attention to Sharia (compliance) provisions in their dealings with banks, and the manner in which services are provided also matters to them. Other studies indicate that the demand for life insurance in Islamic countries is weak or negatively related to religion (Nizar Souiden, and Yosr Jabeur, 2015).

In the field of Islamic finance, the results of numerous studies have shown that six features (site efficiency, Sharia requirements, tangible, assurance, reliability, responsiveness) play an important role in determining customer satisfaction (Dety Nurfadilah et al., 2018). With

regard to the Takaful industry, the role of Sharia perception is an important factor affecting satisfaction in the Takaful industry (Janjua, P. Z., & Akmal, M. 2014). The influence of Sharia perceptions on life and family insurance is found to be significant (Hassan Jamil and Waheed Akhter, 2016).

Thus, the dynamic impact on the relationship between compliance and customer satisfaction can be that the greater the level of Sharia compliance in Palestinian Takaful companies, the greater the level of customer satisfaction with them.

### **The second independent variable: company image**

It is assumed that the image of the Takaful companies has been formed in the minds of its clients in a distinctive way through the lofty view of the human being and its supreme value in Islamic legislation and its reflection on the provision of services related to his/her life and dignity.

The image of the institution is defined as: a holistic, aggregate process through which the audience compares multiple characteristics of the organization related to the name of the work and its composition, ideology, traditions of the institution, diversity of services and the impression of quality that service providers left on the souls of beneficiaries (Al-Foqaha, 2012) It can be defined as: the customer's attitude towards the organization as a whole rather than producing a good or providing a service (Abdul-Jabbar, p. 9). So it is the overall picture of the company and can be expressed in an abstract. What is the conclusion of the customer's conviction in the company and what is its image in his/her mind?

There is an overlap between the image of the company and its reputation according to the marketing literature. Any investment directed at building a respectable image of the company will increase its market reputation and thus this dimension relates to the impressions that the customer makes about the insurance company in terms of: its reputation, history, policies and services (Qasimi, 2017). Its achievements, its contribution to society, its relationships, its advertisements, its seriousness in compliance and the distribution of insurance surplus, all of this lead to the creation of a certain image, conviction and impression. It could be said that the customer becomes respectful and appreciative of the company he/she deals with without anyone forcing him/her to do so, so that he/she becomes a sales representative for this company without anyone asking him/her. Among the factors affecting the consolidation of the company's image in the minds of customers are the values that the company follows and the extent of its application, for example, financial and administrative corruption practices inevitably harm the image of the company, as it needs to establish the values of integrity, transparency and accountability for its employees and fairness to customers if any complaint occurs.

Speaking of reputation, reputation is one of the most intangible assets that greatly affect customer satisfaction from any financial institution (Abu Saleh, et al., 2017)

Thus, the dynamic of the impact on the relationship between the independent and dependent variable could be that the higher the image of Palestinian Takaful companies in the mindset of their customers, the greater the level of customer satisfaction with them.

### **The third independent variable: the distribution of the insurance surplus**

One of the essential differences between the Takaful insurance system and traditional insurance is that the premiums and profits of the subscribers' fund in the Takaful insurance after deducting expenses, compensations and reserves belong to the total subscribers at the end of the year, and the company is not entitled to take these financial surpluses if they are achieved (Al-Qarah Daghi, 2010). This is in contrast to the traditional insurance companies that consider financial surpluses their right under the law and a major source of their annual profit, which ultimately goes to the share holder.

Although the insurance surplus can be considered a part of the Sharia compliance variable and one of the components of the company's image, because of its importance as a distinguishing mark between it and traditional insurance and its effect on creating a mentality of customers, it was chosen as an independent variable to be predicted in this study as one of the factors affecting customer satisfaction.

Thus, the dynamic effect in the relationship between the distribution of insurance surpluses and customer satisfaction can be that the more Palestinian Takaful companies distribute insurance surpluses, the greater the level of customer satisfaction with them.

### **The fourth independent variable: Dimensions of service quality**

The "SERVQUAL" gap model between expected and perceived is the basis for most studies in assessing the quality of services. It is also the rule adopted in this study to measure the quality of services with some modifications. The model includes five dimensions, which are: (1) Reliability: the ability of the service provider to accurately providing service over a fixed period of time, (2) Responsiveness: employees' desire to guide customers and appear fully engaged during service implementation, (3) Assurance: employees are knowledgeable, courteous, inspired and trustworthy, (4) Empathy: Employees pay complete attention to customers while providing service, (5) Tangibles: office appearance, personnel, furniture and other related materials (Zeithaml and Bitner, 1996). A study in assessing the quality of insurance services found that the field of insurance according to respondents is most important (Justyna Witkowska, Ausrine Lakstutiene, 2014). Another study in Poland (Justyna Witkowska, Ausrine Lakstutiene, 2014) found that the quality of insurance services provided by traditional institutions is of good standard and that the sympathy criterion was

rated the highest by the respondents and that older and more educated clients are more satisfied with the quality of insurance service.

This model, as mentioned above, has been criticized that the logic on which the scoring key was based in distinguishing between the upper and lower degrees is not supported by evidence, one may find that the mean score of the perceptive is good, but by applying the scoring key, the result is that the quality is low. Not all clients understand how to deal with the gap and the possibility of not distinguishing between the two modes is high (Kasumi, 2017). Therefore, the perceived trend model is only "Servperf" as Oliver believes that this trend is a function of identifying and achieving quality beneficial to the company for several reasons: lower costs in the long run, higher levels of customer loyalty, and increased market share (Zeithaml et al., 1988).

Researchers have identified tangible things in assessing service quality, such as the appearance of physical facilities, equipment, people, and communication materials. Carter's model also included the bank's physical appearance and hours of operation (Parasuraman et al., 1985; Zeithaml and Bitner 2003; Jabnoun and Al-Tamimi 2003). However, a study indicates that Islamic Tangibles should be added to the items, as the bank is seen as a true Islamic one, for example female employees wearing the hijab, provide a room for prayer, a separate section for women, and they close for Friday prayers. Evidence from previous group discussions indicates that Islamic tangibles are especially important in a non-Muslim country to reassure clients that the bank is truly "Islamic" (Najat Abdullrahim, Julie Robson, 2017). Thus, the dynamic impact on the relationship between the quality of services and customer satisfaction can be that the higher the quality of services in Palestinian Takaful companies, the greater the level of customer satisfaction with them.

It should be noted that the consideration of prices as a variable affecting the interpretation of customer satisfaction has been excluded due to the unification of prices among insurance companies according to Palestinian laws, especially in car insurance, and competition between them has become in the quality of services.

### **Second: the dependent variable (customer satisfaction)**

Customer relationship management is becoming increasingly important in the current competitive environment, as establishing superior customer relationship quality enhances competitive advantage (Crosby, Evans, & Cowles, 1990), customer satisfaction (Kim & Cha, 2002), and customer loyalty (Lin & Ding, 2005; Rauyruen & Miller, 2007), as well as raising the organization's level of revenue (Reicheld, 1993) and long-term profitability (Aaker, 1992), as organizations are not aware of what is happening in the customer's mind (Lailatul Faizah Abu Hassan et al, 2014). The basic rule for recognizing the quality of insurance services is what clients say, as experience has shown that the greater the survival rate and



loyalty of clients in the institution and for a long time, the greater the return and the lower costs.

Customer satisfaction has been defined in the literature as the result of a comparison between what customers expect and what they actually receive in goods and services (Oliver et al. 1997; Zeithaml et al. 2013; Koenig-Lewis and Palmer 2014). Job satisfaction was defined, for example, as any combination of mental, physiological, and natural conditions that genuinely causes an employee to say that I am satisfied with my work (Hoppock, R. 1935).

Therefore, service providers compete to develop and retain customers by increasing satisfaction and loyalty, and to achieve this goal, customer knowledge has been increasingly recognized as a key strategy in customer relationship management (Lailatul Faizah Abu Hassan et al, 2014). There have been several researchers conducting research in the context of service quality towards customer satisfaction and loyalty in the financial industry (Dety Nurfadilah et al., 2018). But a study in Indonesia that examined the services of Islamic banks showed that the quality of services affects customer satisfaction, but it does not necessarily affect customer loyalty. The Islamic bank was not able to build a strong relationship with customers, and therefore it is still possible to move to another bank that provides better products and services. (Muniaty Aisyah, 2018)

In today's world, most business activities focus on customer retention rather than customer acquisition (Hassan Jamil and Waheed Akhter, 2016). The results of several studies confirmed that a satisfied customer can attract five other customers without having promotional efforts for the company. One word of praise from a satisfied customer is much better than the thousands of words you will use in your ads (Qasimi, 2017).

Any talk about service quality and customer satisfaction represents a long-term investment process for companies, as they determine the fate and future of companies. Customer happiness has become one of the specific and necessary requirements for obtaining loyalty, and this requires determining what the customer wants by maintaining contact with him/her and following up on measuring their satisfaction to analyze the strength of the factors that attract and repel them (Abdul-Jabbar, p.11). Increased customer loss is an indication of the failure of the organization.

Thus, the dynamics of influencing the relationship between all the study variables could be that the more independent variables and improvements in Palestinian Takaful companies, the greater the level of customer satisfaction with them.

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## Chapter Four

### Materials and Methodology

#### Study Methodology:

Since the study is aiming to measure the quality of services provided by Takaful companies working in Palestine the information sources are, primary ones and secondary ones. Therefore, the qualitative approach was used by reviewing previous studies, annual reports and statistics of the Palestinian Capital Market Authority and determining the most likely factors in explaining the phenomenon in question, and the quantitative approach was used simultaneously by distributing a questionnaire to the study sample and analyzing the results of the questionnaires in a statistical manner appropriate to the nature of the study.

#### Population of the study:

Since the study is related to the quality of services provided by Islamic Takaful companies, the population of the study is all clients of those companies, those are Palestinian Takaful Company and Tamkeen for insurance, for competition proposes both companies didn't give their market share.

#### Study Sample:

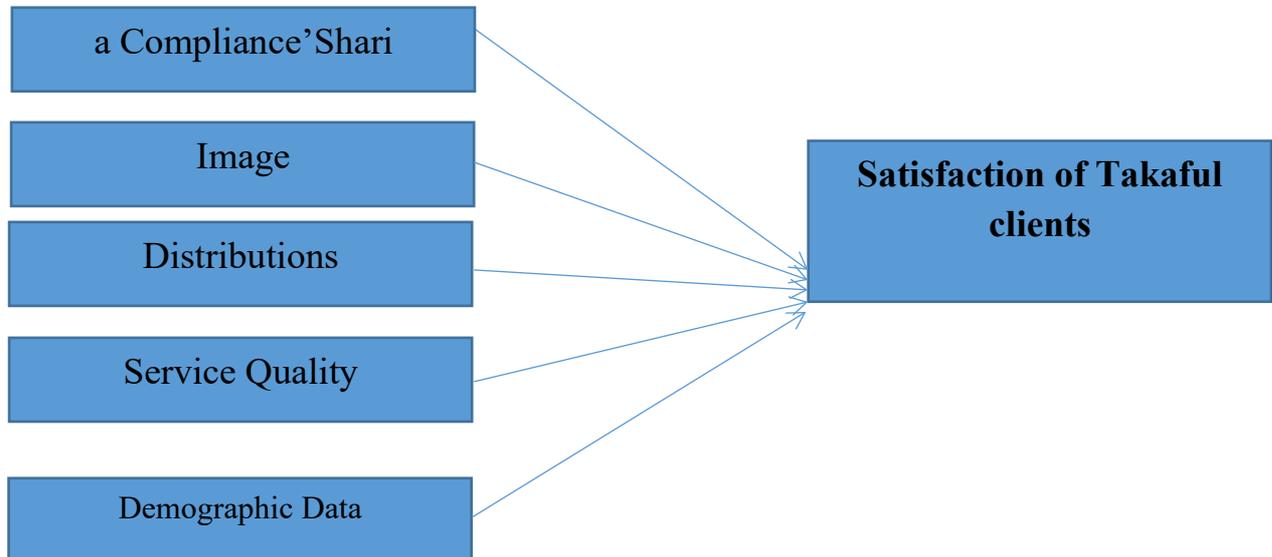
A sample from the clients of Palestinian Takaful Company and Tamkeen Company for insurance totaling (380) individuals was selected through accidental sampling. Given that the percentage of homogeneity between customers is high and because insurance companies usually do not disclose the number of their customers, samples were distributed to the two companies as follows: (Palestinian Takaful Company (280) and Tamkeen Insurance Company (101), because the market share of Takaful alone is (14%) and Tamkeen alone is (8%).

#### Statistical Analysis

**Hypothesis:** There is a positive relationship between the client satisfaction of Takaful industry, and the factors of (Shari'a Compliance, Image, Distributions, Service Quality, and the demographic data).

## MODEL

**Figure 1:** Research Model Showing the Relationship between Client Satisfaction and Predictor Factors



### The study tools

Since the study population and sample are clients of Islamic insurance companies operating in Palestine, the questionnaire tool was used, where 381 questionnaires were distributed and all were retrieved, then they were analyzed using the SPSS statistical program package, including analyzes such as measuring the reliability of the tool, the mean score, percentages, and standard deviation In addition to the other analyzes shown in the study.

### The tool description

The questionnaire included the cover page, demographic data, and the statements that measure the main research questions according to five-point Likert scale, and it was in four domains that express the independent variables and one domain that expresses the dependent variable, with a total of 48 statements.

### Tool Validity and internal consistency

Validity: The form was presented to jury members with academic and professional expertise in the field of marketing, insurance and statistics, and the form was amended according to their comments. As for the internal consistency (Reliability), according to the Cronbach's Alpha test, it scored a value of (0.8992) for all study indicators, which is very high, according to the following Table (1)

**Table 1: Reliability Analysis**

Factor Name	Factor Label	Number of Items	Cronbach alpha
Shari'a Compliance	availability of Sharia' compliance	8	0.895
Image	The image of the Islamic insurance companies	9	0.902
Distributions	Distributions of insurance surplus to subscribers	7	0.905
Service quality	the quality of the provided services	17	0.939
Satisfaction	Customer satisfaction about the services	7	0.855
	Total mean score	48	0.8992

Likert scale was also adopted to analyze the results of the questionnaire in Table (2):

**Table 2:**

Percentage	Likert scale	Rating
84 – 100%	4.20 – 5	Very high
68 – 83.9%	3.40 – 4.19	High
56 – 67.9%	2.60 – 3.39	Moderate
36– 55.9%	1.80 – 2.59	Low
20 – 35.9%	1 – 1.79	Very low

**Review the results of the questionnaire analysis as follows:**

First: Analysing the study questions through means and percentages

The first question in Table (3):

**Table 3:**

The availability of Sharia compliance in the business and activities of Islamic insurance companies						
	Statements	Number	Mean	Std. Deviation	Percentage	Degree
1	There is compliance in the business of "Islamic" insurance companies with the provisions and principles of Islamic law	381	3.77	1.11	75.4%	High
2	The insurances provided by "Islamic" insurance companies are based on the principles and provisions of Islamic Sharia	381	3.64	1.08	72.8%	High
7	What drives me to deal with "Islamic" insurance companies is my confidence that they operate in accordance with the provisions of Islamic Sharia	381	3.60	1.18	72.0%	High
3	Sharia supervisory boards strengthened my conviction in "Islamic" insurance	381	3.58	1.15	71.6%	High
8	The "Islamic" insurance companies shall abide in their activities, businesses and advertisements with Sharia controls	381	3.53	1.13	70.6%	High
6	There are fundamental differences between "Islamic" insurance companies and commercial insurance companies	381	3.42	1.19	68.4%	High
4	There is a real separation between our money as (subscribers) and ("Islamic" insurance companies) money.	381	3.35	1.09	67.0%	Moderate
5	"Islamic" insurance companies invest their funds in accordance with the provisions of Islamic law	381	3.33	1.11	66.6%	Moderate
	<b>Total Mean Score</b>	381	3.53	0.86	70.6%	High

The results of the analysis of the first question of the study shown in Table (3) indicated a total mean score of (3.53) and a percentage (70.6%), which is in high agreement according to

the Likert scale, and all the statements obtained high rating with the exception of two statements that obtained medium rating, and the highest value for the statement Concerning the company's compliance with the provisions of Islamic Sharia (3.77), while the statement related to the company's investment of its funds, while the provisions of Islamic Sharia law correspond to the lowest value (3.33). Thus, we conclude that clients of Islamic insurance companies are satisfied with the level of their compliance with the provisions of Islamic Sharia.

Analysis of the second question, in Table (4).

**Table 4:**

The image of the Islamic insurance company						
	Statements	N	Mean	Std. Deviation	%	Rating
4	My position on the "Islamic" insurance companies is one of support and encouragement	381	3.94	0.99	78.8%	High
1	The "Islamic" insurance companies have a good reputation	381	3.92	1.00	78.4%	High
2	The image of "Islamic" insurance companies is positive in my mind	381	3.82	1.06	76.4%	High
5	I respect the priorities of the "Islamic" insurance companies represented in the human being, his life and his dignity	381	3.73	1.03	74.6%	High
3	The "Islamic" insurance companies receive my respect and appreciation	381	3.72	1.10	74.4%	High
6	The presence of a Sharia supervisory authority in the company increased my confidence and pride in it	381	3.70	1.11	74.0%	High
7	I feel that "Islamic" insurance companies are an example and a role model	381	3.50	1.02	70.0%	High
8	I like the responsibility the company has towards society	381	3.48	1.09	69.6%	High
9	I am promoting the company without anyone asking me	381	3.37	1.31	67.4%	Moderate
	<b>Total mean score</b>	381	3.69	0.80	73.8%	High

The results of the analysis of the second question in Table (4) indicated a total mean score of (3.69) and a percentage (73.8%), which is in agreement with a high degree. All the statements received high rating except for one statement that obtained medium rating, and the highest

value for the indicator (the position on Islamic insurance companies is the position of support and encouragement) (3.94), while the indicator of (the company is responsible towards society) got the lowest value (3.37). Thus, we conclude that the image of Islamic insurance companies is respected and appreciated by their clients.

**Analysis of the third question, in Table (5)**

**Table 5:**

Distributions of insurance surplus to subscribers						
		N	Mean	Std. Deviation	%	Rating
1	Financial surpluses in the subscribers' fund are considered our right and not the right of the "Islamic" insurance companies.	381	3.91	1.14	78.20%	High
6	Waiting for the "Islamic" insurance companies to make certain distributions from the excess in the subscribers' fund	381	3.05	1.31	61.00%	moderate
2	The "Islamic" insurance companies return part of the installments to subscribers at the end of each year	381	3.01	1.43	60.20%	moderate
5	The "Islamic" insurance companies promised to return a portion of the profits of the participants' fund, which is invested and generates annual profits	381	2.99	1.37	59.80%	Moderate
3	I received part of my installments such as (refundable installments) that I previously paid for my insurance subscription	381	2.85	1.5	57.00%	Moderate
7	The "Islamic" insurance companies announce the reasons for not distributing the surplus on an annual basis	381	2.83	1.32	56.60%	Moderate
4	"Islamic" insurance companies seek to return a portion of our premiums at the end of the year as part of the Islamic insurance system	381	2.81	1.36	56.20%	Moderate
	<b>Total mean score</b>	381	2.92	1.20	58.4%	Moderate

The results of the analysis of the third question in Table (5) indicated a total mean score of (2.92) and a percentage (58.4%), which is in agreement with a medium degree. All indicators obtained medium rating except for one indicator that received high rating, which is the financial surplus index is a right of the trustees and not a right of the Islamic insurance companies (3.91), while the indicator related to the declaration of "Islamic" insurance companies about the reasons for not distributing the surplus in an annual manner at the lowest value (2.83). Consequently, we conclude that customers are not satisfied with the failure of Islamic insurance companies to make dividends at the end of each year.

Analysis of the fourth question, in Table (6).

**Table 6:**

Quality of the provided services						
	Statements	N	Mean	Std. Deviation	%	Rating
1	The internal environment and designs for Takaful insurance companies are comfortable	381	3.90	0.96	78.0%	High
15	Takaful insurance companies listen carefully to clients and address respectfully	381	3.89	0.92	77.8%	High
3	The appearance of the employees in the Takaful insurance companies is distinguished	381	3.88	1.00	77.6%	High
2	The Takaful insurance companies' equipment and electronic equipment is modern	381	3.85	0.92	77.0%	High
4	The Takaful insurance companies building and the general appearance is satisfactory	381	3.84	1.00	76.8%	High
14	Takaful insurance companies answer all questions with confidence and courtesy	381	3.75	0.98	75.0%	High
5	Takaful insurance companies fulfill their obligations and are sincere in their promises	381	3.73	1.05	74.6%	High
6	Takaful insurance companies are organized and meticulous in their work and records	381	3.72	1.00	74.4%	High
8	Takaful insurance companies contact their customers at the time of the accident	381	3.69	1.14	73.8%	High
13	Takaful insurance companies instill confidence and safety in the hearts of customers	381	3.66	1.05	73.2%	High
16	Takaful insurance companies take care of personal needs of clients	381	3.64	1.06	72.8%	High
11	Takaful insurance companies are keen to perform the service immediately without	381	3.63	1.08	72.6%	High

	delaying customers					
7	I can rely on Takaful insurance companies to meet my needs	381	3.62	1.04	72.4%	High
9	Takaful insurance companies make it easier to obtain compensation	381	3.60	1.11	72.0%	High
10	Takaful insurance companies do not reduce customers' rights	381	3.58	1.13	71.6%	High
12	Takaful insurance companies respond to clients' needs and questions as quickly as possible	381	3.55	1.08	71.0%	High
17	Takaful insurance companies are keen and sympathetic to the interests of customers	381	3.52	1.11	70.4%	High
	<b>Total mean score</b>	381	3.71	0.74	74.2%	High

The results of the analysis of the fourth question shown in Table (6) indicated a total mean score of (3.71) and a percentage (74.2%), which is in agreement with a high degree. All the indicators (tangibility, reliability, assurance, responsiveness, sympathy) received high rating, and the internal environment and designs indicator for the Takaful insurance companies got the highest score (3.90), while the indicator “the Takaful insurance companies keen and sympathetic to the interests of customers” got the lowest value (3.52). Thus, we conclude that clients of Islamic insurance companies are satisfied with the quality of services provided by the company.

**Second: Analyzing the results of the dependent variable, customer satisfaction, in Table (7) below.**

<b>Customer satisfaction with the quality of services provided</b>						
	Statements	N	Mean	Std. Deviation	%	Rating
5	Satisfied with easy access to "Islamic" branches of insurance companies	381	3.73	1.06	74.6%	High
2	I am satisfied with the image and standing of "Islamic" insurance companies in me	381	3.68	1.02	73.6%	High
1	Satisfied with the level of compliance of "Islamic" insurance companies with the provisions and principles of Islamic law	381	3.66	1.09	73.2%	High
4	Satisfied with the types of insurances available in "Islamic" insurance companies	381	3.54	1.12	70.8%	High
7	Satisfied with the compensation of "Islamic" insurance companies in general	381	3.44	1.13	68.8%	High
6	Satisfied with the digital and electronic services of "Islamic" insurance companies	381	3.43	1.09	68.6%	High
3	Satisfied with the "Islamic" insurance companies' distributions of annual surpluses	381	3.11	1.34	62.2%	Moderate
	<b>Total mean score</b>	381	3.51	0.82	70.2%	High

The results of the analysis of the dependent variable (customer satisfaction) shown in Table (7) indicated a total mean score of (3.51) and a percentage (70.2%), which is highly rating, and all indicators (ease of access, company image, legal compliance, types of insurance, compensation, etc.) Digital services, distributions) on high rating, with the exception of one indicator, which is satisfaction with the company's distributions, as it got the lowest value (3.11) which is moderate, and the ease of access to the company was at the highest score (3.73), and therefore we conclude that customers are satisfied with the quality of services provided Of the Islamic insurance companies, excluding the company's annual dividends.

Third: The overall results, in Table (8)

**Table 8:**

Ranking	Dependent, independent variables	N	Mean	Std. Deviation	Percentage	degree
<b>third</b>	Compliance	381	3.53	0.86	70.6%	high
<b>second</b>	Image	381	3.69	0.80	73.8%	high
<b>fourth</b>	Surplus	381	2.92	1.20	58.3%	average
<b>first</b>	Quality	381	3.71	0.74	74.2%	high
	satisfaction	381	3.51	0.82	70.2%	high
	<b>Total mean</b>	<b>381</b>	<b>3.472</b>	<b>0.884</b>	<b>69.42%</b>	<b>high</b>

The overall results shown in Table (8) with an overall mean score (3.47) and a percentage (69.42%), which is at a high degree. The quality of services indicator got the highest value (3.71) and a percentage (74.2%), while the indicator of distribution of insurance surpluses got the lowest value of (2.92) and a percentage (58.3%), which is moderate. Therefore, we conclude that clients of Islamic insurance companies in Palestine have a positive image of Islamic insurance companies, with the exception of the company's annual distributions of insurance surplus, which came in low to moderate degree.

#### **Fourth: Regression Analysis**

To verify the results of the study, we used the formula for the regression coefficient and the level of significance (0.05) that complements the level of confidence (0.95) to explain the relationship between the variables. If the significant value is less than (0.05), then we reject the null hypothesis and accept the alternative hypothesis, and vice versa.

We have included the four independent indicators, which are (1) the availability of Sharia compliance, (2) the image of insurance companies, (3) insurance surplus distributions (4) the quality of services, into the regression coefficient equation, and two demographic variables are: (5) years dealing with the company, (6) The number of times he/she needs the company. The results showed that 70% of the variance in the satisfaction variable was attributed to the previously mentioned independent variables, where the value of R Square was (.6950).

Referring at Table (9), it can be verified the four variables of the study (Shari'a Compliance, company image, surplus distributions, quality of services) where the level of significance was (0.000) (0.013) (0.000) (0.000) less than (0.05) Thus, we reject the null hypothesis and accept the alternative, and we say that there is a positive statistically significant relationship between all the variables of the study and customer satisfaction, so the greater the belief in legal

compliance, the better the image of the company, insurance surpluses were distributed, and the quality of services improved to Islamic insurance companies, the greater the satisfaction with it.

**Table 9:**

dependent variable	Independent variable	R	R2	F value	sig	B	Beta	t	Sig.
Satisfaction	Compliance	.834 <sup>a</sup>	.695	137.529	.000 <sup>b</sup>	.234	.242	5.239	.000
	Image					.127	.124	2.498	.013
	Surplus					.132	.192	5.311	.000
	Quality					.488	.438	9.918	.000
	Frequency of dealing					-.003	-.004	-.147	.883
	Years of dealing with Islamic companies					-.011	-.016	-.509	.611

#### **Fifth: demographic data**

Are there statistically significant differences at the level of significance ( $\alpha \leq 0.05$ ) in the respondents' answers due to the following demographic variables: (type of company, type of insurance, nature of insurance, frequency of dealing with the company, years of dealing with the company)?

1. Frequency of dealing with the company, years of dealing with the company:

The results in Table (9) showed that there is no statistically significant relationship at a level of significance less than (0.05) for the two demographic indicators: (frequency of dealing with the company) and (number of years of dealing with the company) and between the variable of customer satisfaction, as the value of significance in them was (0.883) (0.611) is greater than (0.05).

2. Takaful clients and Tamkeen clients:

**Table 10:**

<b>Independent Samples Test</b>			
Demographics	t	df	Sig. (2-tailed)
Q3: Name of insurance company	-.097	96.756	0.923
Q4: Nature of insurance document you use	0.796	365	0.427

Independent samples t-test was used as shown in Table (10) to find out the differences in the respondents' answers due to the variable (Takaful clients and Tamkeen company customers), where the significance value was (0.427), which is greater than the significance level (0.05) and therefore there is no Statistically significant differences in the answers of the customers of the two companies.

3. Nature of insurance: individual or company.

Also, the t-test shown in Table (10) showed that there are no statistically significant differences due to the variable (nature of insurance: individual or company) and customer satisfaction, as the significance value reached (0.916) i.e. greater than the level of significance (0.05)

4. Type of insurance: cars, life insurance, others.

**Table 11:**

	df	Mean Square	F	Sig.
Q5: Type of insurance document you use	3	1.372	2.038	0.108

By using the One Way ANOVA test, it is evident from Table (11) that there are no statistically significant differences due to the variable (type of insurance: cars, life insurance, others) and customer satisfaction, as the significance value reached (0.108), i.e. greater than the level of significance. (0.05)

## Results

According to the analysis of the tables of frequencies and means, the results of the study showed that the rating of the clients of the Islamic insurance companies in Palestine was to a high degree, with an overall rating (69.42%). Where the quality of services indicator got the highest rating (74.2%), the company's image indicator got the second assessment (73.8%), and the Sharia compliance indicator was in third (70.6%), While the indicator of distribution of insurance surpluses got the lowest value (58.3%), which is moderate, and therefore we conclude that clients of Islamic insurance companies in Palestine have a positive image of Islamic insurance companies and the quality of their services, with the exception of the companies' annual distributions of insurance surplus, which was at a low to moderate degree. These results were also enhanced by using correlation analysis and regression analysis, where the statistical significance showed that the four factors of the study were statistically significant and less than (0.05). That is, hypotheses can be proven and said that there is a strong positive relationship between (Shari'a compliance, company image, surplus distributions, quality of services) and customer satisfaction with Islamic insurance



companies, and that the more all these factors are strengthened, the greater the achievement of customer satisfaction and thus preserving them and an increase in loyalty. These results were further enhanced by the fact that 70% of the variance in the customer satisfaction variable was attributable to the mentioned standard factors, with the value of R Square (0.695).

Among the results that the study showed, there are no differences in the respondents' answers due to the demographic variables (type of company, type of insurance, nature of insurance, frequency of dealing with the company, years of dealing with the company). The results of this study shed light on the success of Islamic insurance companies in Palestine by obtaining a market share of more than 22% of the traditional insurance industry share in its short life of 12 years and obtaining this high rating from clients.

The study also recommends that Islamic insurance companies should strive to distribute insurance surpluses on an annual basis because they received the lowest rating (58.3%), by reducing the company's share of the trustees' premiums, which they take in a lump sum between (20-30%) in exchange for managing the trustees' portfolio and fund separated from the company's portfolio and fund, and by diversifying the investment of policyholders' funds, leading to high returns that include year-end distributions. This is due to the importance of these points in differentiating between the Islamic insurance system and strengthening its Islamic identity that is derived from compliance with the provisions of Islamic law without emulating the traditional insurance system.

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