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Consumers' perception of distribution channel for the Malaysian microtakaful scheme: an exploratory study

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Abstract

Purpose – This paper aims to investigate consumers' preferences regarding the distribution channels for subscription, contribution payment and compensation claims of microtakaful scheme in Malaysia.

Design/methodology/approach – Consumers' preferences were explored through questionnaires and focus group discussions (FGD) conducted among the bottom 40% income classification households (B40) in five zones: northern, central, eastern, southern and Sabah and Sarawak.

Findings – Empirical findings from cross-tabulation analysis revealed that takaful company is the preferred distribution channel for purchasing protection plans and making compensation claims. However, the online platform is the favoured channel to make contribution payments. Further investigation through FGD suggested that the selection of a channel for subscription, contribution payment and compensation claim is influenced by consumer trust, cost-effectiveness and simplicity of procedure.

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Research limitations/implications – Limitation is pertaining to only cross-tabulation analysis used in explaining the choice of distribution channel for microtakaful among B40 group. Thus, advanced analysis is required to strengthen the findings.

Practical implications – Findings of this study would help marketers and practitioners to formulate strategies to promote their microtakaful protection to enhance subscription among the low-income population.

Originality/value – Empirical findings offer academic contributions to the existing body of knowledge on microtakaful area as the primary data collected will eventually allow future researchers to explicate the contribution of the current study to understand the important of distribution channel for microtakaful from the perspective of subscribers and potential subscribers.

Keywords Microtakaful, Consumers' perception, Distribution channels, Malaysia

Paper type Research paper

Introduction

In developing countries, the low-income group often lead a high-risk life. Natural disasters, illnesses, accidents and unemployment affect this population more severely compared to others due to their lack of formal protection and their limited social safety nets. Most of them rely on support from their families, relatives and friends; however, there is often insufficient support (Fafchamps and Lund, 2003). Microinsurance is considered "the next revolution" in addressing risks and vulnerability in low-income countries (Churchill, 2002; Morduch, 2006).

Microinsurance can be defined as protection designed for the low-income population, including farmers, blue collar workers and small traders. It has unique product features such as cost-effectiveness, good value, accessibility, understandable and simple purchase, and claim procedure, which is in line with the needs of the target population. In Muslim-majority countries, Shariah-compliant microinsurance, known as Microtakaful, has been developed as an alternative to cater to the needs of low-income Muslims. Microtakaful was designed based on a risk-sharing and the spirit of brotherhood and cooperation among participants (Alhammadi, 2023; Erlbeck *et al.*, 2011; Fikri *et al.*, 2022). According to Alhammadi (2024), Takaful or Islamic insurance can provide a financial safety net, ensuring stability and confidence during crises.

Despite the microinsurance and microtakaful market in Malaysia being in the early stages of development, Malaysia is leading in terms of microinsurance coverage (see Figure 1). Malaysia recorded 184.7% of the compound annual growth rate of microinsurance coverage between 2010 and 2012. This demonstrates the serious efforts of the Malaysian

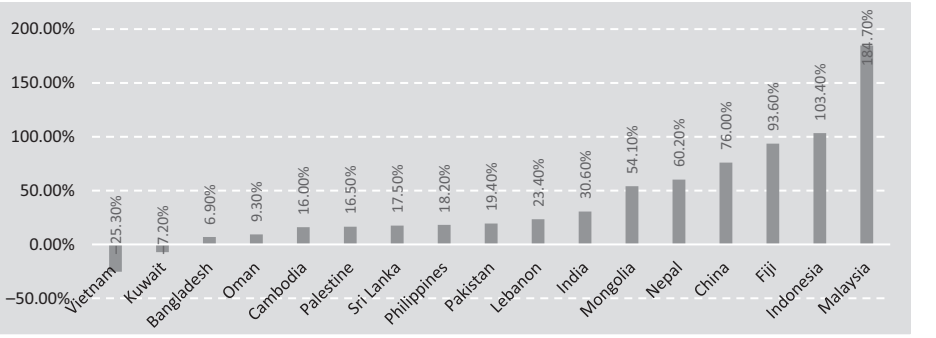


Figure 1.
Microinsurance coverage compound annual growth rate by Asian country (2010–2012)

Sources: Munich Re Foundation, report on the Landscape of microinsurance in Asia and Oceania 2013

Government in helping to protect low-income house groups. As proof, the insurance and takaful industry introduced several innovative and cost-effective protection plans for low-income individuals. Yet, uptake of the takaful products is often very low, leaving a large percentage of the population in developing countries, including Malaysia, without formal protection (Cole *et al.*, 2013; Gine *et al.*, 2008; Ishak, 2020). The President of the Life Insurance Association of Malaysia reported that only 4% of B40 group have some form of life protection, while 3.9 million of working adults aged between 20 and 59 under this group are uninsured by any form of life coverage (Pathma Subramaniam, 2020).

Previous studies extensively explored the challenges of offering microtakaful to the low-income group. Among the studies are Che *et al.* (2018), Noor Aimi (2017), Sukmana and Hidayat (2014) and Usman (2012). Based on the findings, a lack of proper regulatory framework, lack of awareness, shortage of expertise, increase of competition and inappropriate internal controls were the main challenges that affected the penetration of microtakaful in Muslim countries. Despite the growing literature on microtakaful, there are limited studies that explain the accessibility of microtakaful products as a solution to improve the awareness and demand among potential participants.

Therefore, this study fills the gap by exploring the accessibility of microtakaful from the perspective of subscribers. In particular, this study investigates three main distribution channels: 1) channel for product subscription; 2) channel for contribution payment; and 3) channel for compensation claims. A suitable distribution channel is one of the significant factors that influence customer participation in microtakaful plans, especially among the poorly-educated communities. This is because public members who lack awareness normally possess limited knowledge on takaful risk protection. Hence, there is a need for the takaful provider to identify suitable distribution channels from the first contact of point to compensation claims to attract customers from different backgrounds to subscribe to microtakaful products.

Literature review

Global landscape of microtakaful

Microtakaful scheme was started in Lebanon by the Lebanon Agricultural Mutual Fund in 1997. It provides health insurance coverage and meets costs not covered by the government social security fund, which is usually 85% of hospital fees. The fund covers more than 5,000 families. In Malaysia, Takaful Ikhlas was pioneered to develop protection for low-income groups. In April 2007, Takaful Ikhlas signed an agreement with the Selangor Zakat Centre to launch a microtakaful scheme in conjunction with the Farmers Welfare Federation. The government-funded scheme covered 100,000 members by providing them with an RM500 immediate death expense for a premium of RM1.80. The coverage for personal accident, death and disability scheme provides a capital protection of RM10,000. Takaful Ikhlas and its representing agencies, such as the Malaysian Post and the Malaysian Commercial Bank, collect zakat funds from a monthly deduction to assist the poor and benefits include death, disability, critical illnesses, funeral and hospitalization (Brugnoni, 2013).

In 2009, the "Skim Tabarru' Koperasi" was officially launched by Etiqa Takaful in collaboration with Angkatan Koperasi Kebangsaan Malaysia (ANGKASA) to provide protection for ANGKASA members. Under this scheme, the cooperative members contribute between RM5 and RM25 per year to obtain death benefits as high as RM 19,000 (Htay, *et al.*, 2015). In April 2011, the insurance and takaful operators, with support from Bank Negara Malaysia (BNM), introduced 1Malaysia Micro Protection Plan. This plan aimed to protect small businesses and individuals who seek affordable protection in managing contingencies such as death, accidents, illnesses, fire and loss of property. It provided four protection options, which are life insurance, general insurance, family Takaful

and general Takaful. Both the conventional and takaful products share common features, coverage, terms and conditions and premiums/contributions.

One of the latest microtakaful products offered in Malaysia is called "Perlindungan Tenang". The BNM officially launched the "Perlindungan Tenang" protection scheme on 24 November 2017. It was a collaborative effort between the central bank, the LIAM, the Malaysian takaful association and the General Insurance Association of Malaysia. The product was formulated to meet the demands of the low-income households and was also the solution for the general public, who was not currently covered by any insurance or takaful protection. The initiative aimed to stimulate insurers and takaful operators to offer products that meet five parameters:

(1) affordable pricing;
(2) provides good value;
(3) widely accessible;
(4) easy to understand; and
(5) easy to purchase and claim (Lin, 2018).

Theoretical background

Marketing scholars define a marketing channel as a set of interdependent organizations involved in the process of making a product or service available for end users (Palmatier *et al.*, 2016). Market channel involves a series of activities starting from the point of product or service production to its final consumption (Palmatier *et al.*, 2016). In the early 1960s, Marketer E. Jerome McCarthy proposed the theory of marketing mixes. The theory introduced four essential components known as the product, price, place and promotion (4p's) for making the products available to end users. Integration of these key components, starting from product development, price determination, product placement and promotion add value to the customer (Lambert, 2010).

Place or distribution channel is one of the components of the marketing mix (Kotler and Kevin Lane, 2016) that serves as a bridge between producer and customer to provide added value to its customer (Coughlan *et al.*, 2006). Due to the distance between producers and end users, bridging the gap between them has become the main function of the distribution channel to reduce transaction costs to achieve better competitiveness, which, in turn, would reduce the price of goods. Competitiveness supports the process of goods' flow to fulfil customers' demand efficiently, at the right time and place.

However, determining the appropriate channels is fundamental to the marketing channel (Jeuland and Shugan, 1988). In its most basic form, the decision involves whether to sell directly to customers or to appoint channel intermediaries. None of these are easy decisions because a company's channel strategy is often intertwined with its market segmentation, product-line, positioning and targeting strategies (Kotler and Kevin Lane, 2016). Distribution decisions have a far-reaching effect in every organization in terms of effort and resources. Therefore, organizations are advised to make careful considerations in developing their distribution strategies especially during the introduction of new products and services.

The structure of the distribution process is subject to changes based on the consumers' buying behaviour (Prigmore and AL–Majali, 2010). Consumer behaviour represents what, why, when and where do consumers purchase products or services (Peter and Olson, 2005). According to Roberts and Lilien (1993), consumers are different depending on their personalities, values, preferences and other characteristics. The theory of reasoned action (TRA), developed by Ajzen and Fishbein (1975) postulates that individual intentions to perform behaviours are guided by the person's attitudes and his subjective norms. The component of

attitude is related to the degree of belief about the probable consequences of the practised behaviour, which is commonly affected by the individual's socio-demographic and socio-economic factors. The subjective norms refer to individual belief on the other people views on whether the individual should or should not engage in a particular behaviour. In this study, TRA was applied in the context of predicting consumer's behaviour in the selection of distribution channels for microtakaful. This theory suits the main focus of this study as TRA attempts to examine the relationship between individual perceptions of the favourable and unfavourable consequences of one's action (the attitude component) and an individual's perception of significant others' approval or disapproval of the action in question (the subjective norm component). In particular, the consumer's behaviour of microtakaful channels are formed from positive or negative attitudes and his belief on other peers' opinion towards the distribution channel. Higher levels of consumer confidence with a particular channel tend to increase the likelihood of channel use by the consumers (Jo Black *et al.*, 2002).

Examining the customer's intention and understanding their consumption habits such as how they are willing to pay for certain goods and services, where they are willing to get service from and at what cost they are willing to pay for alternative channels or goods and services, is necessary in designing an effective distribution system (Louis W. and D. Sturdivant, 1987). By understanding the contextual peculiarities of the target group, partnering with the right intermediaries and using the right sales and servicing approach, a licensed person may be able to overcome the awareness barrier to achieve commercial sustainability (Matul *et al.*, 2013).

Considering these aspects, the microtakaful company should explore the needs of their potential customers as it helps in developing the suitable distribution channel for microtakaful products, especially when the protection plans are specifically designed for low-income and poorly educated customers. Having realized the weak public receptivity and demand for microtakaful, they should be more active in enhancing public awareness and knowledge about the product to attain good customer retention, loyalty and support through appropriate distribution channels. A strong understanding among low-income households of how takaful can financially protect their needs is also highly important to support the growth of the microinsurance/microtakaful market (Bank Negara Malaysia, 2016).

Distribution channel for microtakaful

Over the past decade, the growth of distribution channels has substantially changed the way consumers purchase their products and services. There is strong evidence that the distribution channel is important due to its ability to reduce transaction cost and improve market performance (Williamson, 1981; Zou and Stan, 1998). In a recent study, Khuzhamov *et al.* (2021) emphasize the distribution channels in marketing the insurance for low-income household. Their results asserted that maximizing cost reduction, including reducing the remuneration of intermediaries is an important feature and leads to the fact that microinsurance are sold through the internet, or in cooperation with other organizations, such as microfinance institutions, retail organizations, post offices, consumer services and others. Some customers use multiple channels in different purchasing phases according to their preferences, perceived convenience and product availability (Schoenbachler and Gordon, 2002). T.-I. Hu and Tracogna (2021) and T. I. Hu and Tracogna (2020) affirmed that consumers tend to search on several channels prior to making their purchase decision.

Previous studies on microtakaful examined the role of distribution channel as a factor that contributes to the customers' demand on takaful protection (Ishak, 2020; Mohamed and Alhabshi, 2015; Waseem-Ul-Hameed *et al.*, 2017). The issue of low uptake of microtakaful schemes have received considerable attention among academic researchers. Thus, many initiatives have been taken by many parties to support the penetration of microtakaful such as

improving the level of awareness, increasing products and submission programmes through distribution channels and enhancing financial literacy among potential subscribers (Chummun, 2014; Clarke and Grenham, 2013; Gor, 2013; Md Husin and Haron, 2020; Muhamat Kawangit *et al.*, 2012; Sukmana and Hidayat, 2014; Zimmerman and Magnoni, 2014).

Ahmed Salman and Nu Nu Htay (2014) investigated the potential push and pull factors when introducing takaful in India. The findings revealed that cost and benefit, distribution channel, availability and service quality were important pulling factors for customers when purchasing new products. Similar findings were also reported by Nguyen *et al.* (2011), who concluded that distribution intensity can assist in creating customer awareness on the existence of products. In similar line, Mohamed and Alhabshi (2015) asserted that improving the distribution channels and marketing strategies is important to encourage customer participation in takaful products. Indeed, Hamid and Rahman (2011) and Mohamad Puad (2017) discovered that skilled, attitude, motivation and commitment of agents who act as distribution channels have positively affect the efficiency of the Takaful industry.

In another related study, Salleh and Padzim (2018) examined the level of awareness and understanding among Malaysian small and medium enterprises (SMEs) towards microtakaful products. The findings revealed that there was a low level of awareness and understanding towards microtakaful among Malaysian SMEs. Addressing similar issues, Eskander *et al.* (2014) stated that enhancing customer literacy, together with an awareness campaign and support from the main stakeholders are crucial steps for increasing microinsurance uptake.

Taken together, there are numerous studies that discuss the challenges and issues faced in microinsurance. To date, none of the studies exclusively explored customers' preference and how the distribution channels affected their purchasing decision. Therefore, this study fills the gaps by investigating distribution channel preference among Malaysian B40 groups.

Methodology

Research design and sampling

This research adopts an exploratory sequential design, which involves two phases; a close-ended questionnaire, followed by a focus group discussion (FGD) phase. This method allows deeper insights into the issues on distribution channels faced by microtakaful consumers. The development of semi-structured FGD questions was guided by the results from the questionnaire phase. In this way, the survey results are explained in more detail through the FGD data. The cluster sampling technique was used in this study. The samples were stratified based on zones (northern, central, eastern, southern and Sabah and Sarawak) and categories of B40, (Federal Land Development Authority [FELDA] residents, fishery sector, urban B40 households and agriculture sector workers and self-employed). Concerning the survey respondents, the researchers obtained respondents from the focus areas of B40 categories such as fishing villages (for fishery sector) and business areas for small hawkers (self-employed). Meanwhile, to gather the B40 respondents from FELDA residents, the agriculture sector and urban B40, the researchers liaised directly with the village committees, schools and universities. Several universities and schools have gathered their low-income staff in one hall to answer the survey.

A structured questionnaire was designed and disseminated to the selected respondents through an interviewer-administered approach. This was done as some of the respondents were unable to write their own answer. All the information were written with the help of enumerators. After the responses were screened, a total of 1,165 were found usable and valid as samples for analysis (see Table 1). A face-to-face FGD was conducted among 224

informants, as illustrated in Table 2. Each session consisted of four to five members lasted for one to 2 h. The respondents were selected based on their income that is below four thousand and under the same category of B40 group. According to Hennink *et al.* (2011) discussion among respondents who have similar background can create an environment where the participants feel comfortable to share their information and opinions. All feedbacks was jotted down by the interviewer and some sessions were recorded with permission of the respondents.

Data analysis

Data from the questionnaires were analysed using descriptive statistics and cross-tabulation via Statistical Package for Social Sciences version 24. While the FGD data were analysed qualitatively using content analysis. The researchers first independently read each transcript with the intention of getting a sense of the overall view of the discussion as well as identifying the reasons and opinions to support the findings from the survey phase. Detailed notes were created after reviewing the transcript of each FGD using open-coding methods to observe broad issues contained in each of the FGD. Along the reading process, the important statements were highlighted and matched to the survey outcomes for better understanding of the phenomenon of interest. The researchers then extracted the keywords used by the respondents as a central in developing the themes. For instance, in this study, the word "secure" was frequently used by the focus group respondents to expressed the element of trust in selecting the distribution channel for microtakaful plan. According to Onwuegbuzie *et al.* (2009), keyword-in-context is especially important in FGD because of the interactive nature of focus groups. Thus, each word expressed by a focus group member should be interpreted with respect to the words uttered by all other members of the focus group.

Zone	Targeted sample	Collected	Analysed
Northern	405	140	140
Central	405	125	125
Eastern	405	216	209
Southern	405	304	300
Sabah/Sarawak	401	396	391
Total	2,021	1,181	1,165

Source: Created by authors

Table 1. Sampling frame and the actual sample for survey

Zone	Targeted sample	Collected	Analysed
Northern	75	50	50
Central	75	25	25
Eastern	75	40	40
Southern	75	49	49
Sabah/Sarawak	105	60	60
Total	405	224	224

Source: Created by authors

Table 2. Sampling frame and the actual sample for focus group discussion

Category	Frequency	%
Marital status ($n = 1{,}157$)		
Single	492	42.5
Married	605	52.3
Divorced	29	2.5
Widow	31	2.7
Dependent ($n = 608$)		
1 or no dependent	123	20.2
2–3 dependents	264	43.4
4–5 dependents	174	28.6
6–7 dependents	36	5.9
>8 dependents	11	1.8
Age ($n = 1{,}160$)		
18–20 years old	64	5.5
20–29 years old	428	36.9
30–39 years old	273	23.5
40–49 years old	203	17.5
50–59 years old	150	12.9
>60 years old	42	3.6
Locality ($n = 1{,}165$)		
Kedah	140	12.0
Perak	125	10.7
Negeri Sembilan	113	9.7
Melaka	88	7.6
Johor	99	8.5
Kelantan	89	7.6
Terengganu	120	10.3
Sarawak	195	16.7
Sabah	196	16.8
Group of B40 ($n = 1{,}165$)		
Fishery sector	137	11.8
Agriculture sector and self-employed	392	33.6
FELDA	117	10.0
Urban B40	519	44.5
Academic qualification ($n = 1{,}155$)		
Below UPSR	40	3.5
UPSR	73	6.3
SRP/PMR/PT3	162	14.0
SPM/O level	437	37.8
STPM/a level/	152	13.2
Diploma certificate	161	13.9
Degree level	101	8.7
Other	29	2.5
Profession ($n = 1{,}048$)		
Entrepreneur	59	5.1
Private sector	343	29.9
Housewife	97	8.4
Retired	9	0.8
Government servant	119	10.4

Table 3. Demographic profile of questionnaire respondent

(*continued*)

Category	Frequency	%
Self-employed	312	27.2
Students	98	8.5
Other	111	9.7
Monthly income ($n = 1{,}014$)		
< RM500	108	10.7
RM501–RM1,000	313	30.9
RM1,001–RM1,500	299	29.5
RM1,501–RM2,000	113	11.1
RM2,001–RM2,500	65	6.4
RM2,501–RM3,000	78	7.7
RM3,001–RM3,500	20	2.0
>RM3,501	18	1.8

Notes: *Number of responses (*n*) received from the total number of actual samples collected (1,165) are different due to some of the respondents leave the question without answer; UPSR = Ujian Pencapaian Sekolah Rendah (Primary School Achievement Test); SRP = Sijil Rendah Pelajaran; STPM = Sijil Tinggi Persekolahan Malaysia (Malaysian Higher School Certificate); PMR = Penilaian Menengah Rendah
Source: Created by authors

Table 3.

Analysis and results

Demographic profile of questionnaire respondents

Table 3 presents the distribution of the respondents' demographic. Out of the 1,157 responses received under the marital status category, 42.5% were single, 52.3% were married and the remaining 5.2% were divorced and widowed. Majority of the respondents were young and middle-age adults where more than three-quarters of them (83.4%) were between 18 and 49 years old. This suggests that the survey was conducted on a population of scholarly young and middle-aged consumers who were literate to life protection and more likely to purchase newly introduced protection plans.

Demographic profile of focus group discussions respondent

Descriptive analysis was performed to obtain information regarding the demographic profiles of FGD respondents. From the gender perspective, out of 224 respondents, 62.1% were male and 37.9% were female (see Table 4). There was a big difference in religion category whereby more than three-quarters of the respondents (92.4%) were Islam. Most of the respondents were less educated, with more than three-quarters (86.2%) of the respondents holding a Sijil Pelajaran Malaysia (SPM) and below, whereas only 4.2% had a Diploma. In terms of B40 group, 35.7% of the respondents were under agriculture sector and self-employed. Fishery sector and urban B40 accounted for 25% and 25.9%, respectively, while 13.4% were under FELDA.

Distribution of channel for subscription

There was a consensus in the respondents' views regarding the choice of distribution channels to subscribe to micro takaful products. Respondents were of the view that directly dealing with micro takaful providers to purchase a protection plan was more reliable. As reported in Table 5, majority of the respondents preferred subscribing their

Category	Frequency	%
Gender		
Male	139	62.1
Female	85	37.9
Religion		
Islam	207	92.4
Christianity	13	5.8
Hinduism	2	0.9
Dependent		
One or no dependent	46	20.5
2–3 dependents	83	37.1
4–5 dependents	60	26.8
6–7 dependents	25	11.2
>8 dependents	11	4.9
Academic qualification		
Below UPSR	51	22.8
SRP/PMR/PT3	50	22.3
SPM/O Level	92	41.1
Certificate/STPM/STAM	12	5.4
Diploma	10	4.5
Others	9	4.0
Group of B40		
Fishery sector	56	25.0
Agriculture sector and self-employed	80	35.7
FELDA	30	13.4
Urban B40	58	25.9

Note: STAM = Sijil Tinggi Agama Malaysia
Source: Created by authors

Table 4. Demographic profile of FGD respondent

Items	<20 years	20–29 years	30–39 years	40–49 years	50–59 years	>60 years	Total
Takaful company	17	193 (30%)	132 (34%)	98 (31%)	80 (37%)	27 (31%)	547 (32%)
Post office	11	105	59	58	37	14	284
Bank	10	80	51	36	21	12	210
Online	22 (32%)	138	65	46	31	12	314
Village committee	3	63	37	38	19	8	168
Association	5	56	39	31	25	11	167
Others	1	9	4	7	7	3	31
Total	69	644	387	314	220	87	1,721

Source: Created by authors

Table 5. Distribution of channel for microtakaful subscription by age of respondents

microtakaful product directly from the takaful company except for the respondents aged below 20 years old. In particular, 547 respondents which consisted of 32% of the total respondents preferred to communicate directly with the protection provider to purchase the protection plan. Similar findings can also be observed in Table 6, where respondents in each B40 category preferred purchasing microtakaful products first-hand from the takaful operator.

However, there was a slight difference in the second preferred distribution channel between categories where fishery sector (43 responses), agriculture sector and self-employed (107 responses) and FELDA (24 responses) were more comfortable buying their protection plans at the post office rather than through an online platform. Similarly, the urban B40 group (162 responses) chose online platform as an alternative to purchase microtakaful products. These results were consistent with the FGD findings where respondents emphasized that dealing directly with a takaful company was easier due to the proximity of the takaful company to their residential area. In addition to that, there were respondents who suggested that takaful companies should set up small takaful offices in rural areas to facilitate the purchasing process.

N8, G2, R^2: [Trans.].

> Need to provide takaful kiosk around local area. Existence of takaful kiosk around local area facilitate the purchasing and payment process. Closes and easy to deals directly with takaful staff. Moreover, dealing directly with takaful staff is more secured and reliable.

Tables 7 and 8 show the distribution channel for product subscription by monthly contribution and total coverage, respectively. The results indicate that regardless of the amount of monthly contribution or total coverage, most respondents preferred to subscribe to a protection plan directly from the takaful company compared to other subscription channels. Although eight respondents who contributed between RM 31 and RM 40 chose online platform as the best channel to purchase their takaful, the number was insignificant compared to those who preferred to go directly to the company's premises (six responses). Moreover, the number of responses under the monthly contribution between RM 31 and RM 40 was relatively small and rarely preferred (17 responses).

Distribution channel for contribution payment

There was variation in the results in the choice of channel for contribution payment depending on the age of respondents (see Table 9). The most preferred channel for contribution payment in every range of age was:

- takaful premises (405 responses);
- post office (425 responses); and
- online platform (449 responses).

Overall, the online platform recorded the highest preference with 449 responses which consisted of 24% of the 1,879 total responses received. This was in line with the discussion in FGD where there were respondents who felt that it was reasonably difficult to commute to

Items	Fishery sector	Agriculture and self-employed	FELDA	Urban B40	Total
Takaful company	59 (27%)	181 (30%)	50 (34%)	259 (34%)	549 (32%)
Post office	43	107	24	110	284
Bank	29	76	11	94	210
Online	28	104	22	162	316
Village committee	28	64	17	61	170
Association	29	61	19	59	168
Others	3	13	2	13	31
Total	219	606	145	758	1,728

Source: Created by authors

Table 6. Distribution of channel for microtakaful subscription by a group of B40

Table 7.
Distribution of channel for microtakaful subscription by monthly contribution

Items	≤RM 5	RM6–RM10	RM11–RM20	RM21–RM30	RM31–RM40	RM41–RM50	RM51–RM100	RM101–RM200	RM201– RM300	≥RM 301	Total
Takaful company	26 (47%)	82 (55%)	44 (47%)	30 (53%)	6	92 (58%)	90 (59%)	52 (63%)	11 (52%)	7 (70%)	440 (55%)
Post office	19	51	26	17	5	37	43	23	5	3	229
Bank	13	36	11	8	3	38	37	18	7	3	174
Online	7	46	35	24	8 (47%)	53	53	29	7	4	266
Village committee	9	15	23	10	5	24	18	11	3	1	119
Association	8	11	20	6	2	27	29	14	4	2	123
Others	1	4	2	0	1	6	3	3	2	1	23
Total	55	150	94	57	17	160	152	83	21	10	799

Source: Created by authors

Table 8.
Distribution of channel for microtakaful subscription by total coverage

Items	RM1,000 and below	RM1,001–RM5,000	RM5,001–RM10,000	RM10,001–RM20,000	RM20,001–RM30,000	RM30,001–RM40,000	RM40,001–RM50,000	RM50,001–RM100,000	RM100,001–RM250,000	RM250,001–RM500,000	RM500,001 and above	Total
Takaful company	54 (46%)	54 (53%)	89 (55%)	27 (46%)	13 (40%)	6 (50%)	62 (62%)	74 (60%)	22 (61%)	22 (76%)	5 (63%)	428 (55%)
Post office	27	38	56	15	9	1	33	32	7	8	0	226
Bank	34	19	34	13	6	0	17	26	9	11	1	170
Online	39	32	57	24	12	6	35	34	13	7	3	262
Village committee	17	20	30	10	6	2	10	18	6	1	2	122
Association	24	24	23	12	0	1	10	26	6	1	3	130
Others	7	1	4	0	0	1	1	7	1	0	1	23
Total	117	101	161	59	33	12	99	124	36	29	8	779

Source: Created by authors

the city and that it would incur cost to the respondents. Due to these reasons, a majority of the respondents preferred to make their monthly contributions through online platforms due to its efficacy and cost-free features. In addition to that, better internet coverage in rural areas also facilitated the villagers to make payment transactions without incurring any travelling cost. In general, worldwide internet facilities enable payment transactions.

> *N11, G3, R1: [Trans.]:*
> There are takaful office and staffs located in FELDA and sometimes takaful staffs comes to collect the monthly contribution. It is quite difficult and costing if we frequently need to go to the town to a payment.

N11, G3, R5: [Trans.]. Agree with Respondent 1, and easy to make payment vis online platform.

Table 10 reports the distribution of channel for contribution payment according to the four B40 categories. The choice of channel for contribution payment varied substantially between the categories of B40:

- Online platform was the main preferred channel (450 responses), especially in the fishery sector (55 responses) and urban B40 group (236 responses).
- Post office (159 responses) was the favourite distribution channel for the agriculture sector and self-employed respondents.
- Meanwhile, the takaful companies were the most preferred choice among FELDA respondents for their contribution payment.

Table 9. Distribution of channel for contribution payment by age of respondents

Items	<20 years	20–29 years	30–39 years	40–49 years	50–59 years	>60 years	Total
Takaful company	18	145	102 (24%)	72	53	15	405
Post office	20 (26%)	160	92	79 (24%)	54 (24%)	20 (25%)	425
Bank	11	156	89	74	39	13	382
Online	19	188 (25%)	100	73	51	18	449 (24%)
Village committee	4	38	26	14	13	7	102
Association	5	41	19	21	18	4	108
Others	1	14	4	3	1	3	26
Total	78	742	432	336	229	80	1,897

Source: Created by authors

Table 10. Distribution of channel for contribution payment by group of B40

Items	Fishery sector	Agriculture and self-employed	FELDA	Urban B40	Total
Takaful company	33	134	45 (28%)	195	407
Post office	45	159 (26%)	32	190	426
Bank	32	124	29	198	383
Online	55 (27%)	127	32	236 (26%)	450 (24%)
Village committee	10	35	14	44	103
Association	23	37	11	37	108
Others	4	6	2	14	26
Total	202	622	165	914	1903

Source: Created by authors

The FGD analysis revealed that trust is the most important aspect when selecting the channel for contribution payment.

N8, G4, R3: [Trans.]. [. . .] to make a payment, I prefer to pay at the bank because it is secured and easy.

N13, G1, R2: [Trans.]:

[. . .] payment through online platform is faster and easier. Nowadays, payment through online platform is widely used and it is trustable compared to make payment to the agent.

A cross-tabulation analysis was performed to identify differences between the channel selected for contribution payment and the amount of monthly contribution. The cross-tabulation output is shown in Table 11. Overall, the results showed that the variation in the respondent's choice of channel depended on the amount of contribution. Online channels seem to have a significant proportion of contributors in contribution ranges below RM300. Bank channels have a relatively high percentage of contributors in the RM101–RM200 range. Village committees, associations and other channels show relatively smaller numbers of contributors across all contribution ranges. A similar pattern was also reported in Table 12 when the responses were distributed based on the total amount of coverage. The preferred channel for contribution payment was significantly concentrated to online platform particularly for total coverage below RM40,000. Respondents who expect to obtain a total coverage of above RM40,000 preferred making contribution payment through banking institutions, post office or directly to takaful company.

The results were in tandem with FGD where respondents were of the opinion that making a payment through an agent is riskier than making a payment through a bank or directly to the takaful office, as they perceived takaful agents to be temporary and inconsistent.

N11, G4, R2: [Trans.]:

Less confident with the agent. If the company move, don't know who should I contact. If deals with bank is more secured and confident because bank is well known.

N7, G4, R4: [Trans.]:

create system like bank, easy and confident to make a payment. No agent. More prefer to deal directly with the takaful company.

Distribution channel for compensation claim

With regard to the channel for compensation claims by age of respondents (see Table 13), takaful company scored the highest, regardless of the respondents' age. This indicates that respondents preferred reclaiming their compensation from the protection providers first hand (534 responses) compared to other channels. Based on the FGD responses within the B40 group, some respondents remarked that they were less optimistic to subscribe to protection plans due to the difficulties encountered during their claims application, especially when dealing with agents who were hard to get a hold of.

N11, G3, R5: [Trans.].

Factor of difficult claim process and slow cause less confident with takaful company. We need to used our own money first before make a claim from the company. . . .I want to deal directly with company staff and not the agent because agent is temporary.

N11, G3, R4: [Trans.].

Believed that having protection is good. But, when lot of procedures and bureaucracy for claim, I feel difficult and not worth it.

Table 11.
Distribution of channel for contribution payment by monthly contribution

Items	≤RM 5	RM6–RM10	RM11–RM20	RM21–RM30	RM31–RM40	RM41–RM50	RM51–RM100	RM101–RM200	RM201– RM300	≥RM 301	Total
Takaful company	18	62	41	26	6	81 (26%)	59	37	2	6 (21%)	338
Post office	20	71 (27%)	36	26	5	69	65	37	9	5	343
Bank	13	52	25	23	6	64	71	49 (26%)	9	4	316
Online	24 (25%)	52	43 (25%)	28 (25%)	10 (32%)	68	76 (24%)	43	17 (39%)	4	365 (24%)
Village committee	9	11	14	5	1	9	16	9	1	4	79
Association	10	10	12	3	1	12	21	8	5	4	86
Others	1	3	4	0	2	4	5	3	1	1	24
Total	95	261	175	111	31	307	313	186	44	28	1,551

Source: Created by authors

Table 12. Distribution of channel for contribution payment by total coverage

Items	RM1,000 and below	RM1,001–RM5,000	RM5,00–RM10,000	RM10,001–RM20,000	RM20,001–RM30,000	RM30,001–RM40,000	RM40,001–RM50,000	RM50,001–RM100,000	RM100,001–RM250,000	RM250,001–RM500,000	RM500,001 and above	Total
Takaful company	37	43	76 (25%)	27	8	2	35	58	16	14 (26%)	2	318
Post office	66 (27%)	43	66	20	15	1	43 (26%)	52	12	11	4	333
Bank	43	41	60	23	9	1	34	62 (25%)	21 (22%)	12	5 (36%)	311
Online	49	52 (25%)	74	34 (31%)	16 (31%)	10 (59%)	41	52	15	14	2	359 (24%)
Village committee	20	14	21	2	1	0	4	7	6	1	0	76
Association	26	10	17	4	1	2	5	16	3	1	0	85
Others	6	2	3	1	1	1	3	4	0	1	1	23
Total	247	205	317	111	51	17	165	251	73	54	14	1,505

Source: Created by authors

Banking institutions and online platform were other channels that received considerable scores at 253 and 250 responses, respectively. This was also be supported by the FGD findings where one of the respondents preferred dealing with banking institutions rather than personal agents due to trust factor.

> *N11, G4, R1: [Trans.]:*
> Not trust to the agent. Dealing with bank is more confident. Some of the agents are lying, unable to contact. Agent promise everything before purchase and contactless after sell the protection plan.

Takaful company (32%) remained the preferred channel for compensation claims, exceeding all the tabulated responses in the four categories of B40 (see Table 14). More than 30% of responses under each B40 category chose a protection provider (takaful company) as their preferred channel for compensation claims.

Tables 15 and 16 display the respondents' preference on channel for compensation claims across the monthly contributions and the amount of coverage, respectively. Regardless of the amount of monthly contribution and total coverage, more than 400 respondents stated that going directly to the takaful company was their preferred channel to make compensation claims. The findings were consistent with the FGD where respondents found that it was more secure making compensation claim directly from the takaful company compared to through an agent because they lacked information on how the compensation process was implemented. There were also respondents who conveyed that they experienced being cheated by an agent when they failed to receive their compensation claims.

Table 13.
Distribution of channel for compensation claims by age of respondents

Items	<20 years	20–29 years	30–39 years	40–49 years	50–59 years	>60 years	Total
Takaful company	17 (32%)	198 (31%)	139 (33%)	94 (33%)	70 (37%)	16 (33%)	534 (32%)
Post office	9	85	53	44	24	9	224
Bank	7	98	67	49	27	5	253
Online	7	109	62	35	28	9	250
Village committee	9	82	53	32	22	4	202
Association	3	63	42	30	16	3	157
Others	1	9	10	3	2	3	28
Total	53	644	426	287	189	49	1,648

Source: Created by authors

Table 14.
Distribution of channel for compensation claims by group of B40

Items	Fishery sector	Agriculture and self-employed	FELDA	Urban B40	Total
Takaful company	55 (32%)	165 (33%)	57 (36%)	259 (32%)	536 (32%)
Post office	29	70	21	105	225
Bank	20	88	22	123	253
Online	21	59	22	149	251
Village committee	25	61	15	102	203
Association	20	52	14	71	157
Others	3	8	7	10	28
Total	173	503	158	819	1,653

Source: Created by authors

Table 15.
Distribution of channel for compensation claims by monthly contribution

Items	≤RM 5	RM6–RM10	RM11–RM20	RM21–RM30	RM31–RM40	RM41–RM50	RM51–RM100	RM101–RM200	RM201–RM300	≥RM 301	Total
Takaful company	26 (33%)	75 (38%)	42 (28%)	32 (32%)	9 (33%)	106 (33%)	94 (31%)	47 (31%)	8 (27%)	6 (33%)	445 (32%)
Post office	13	43	26	18	4	32	35	16	2	2	191
Bank	10	28	21	14	4	59	47	25	4	3	215
Online	7	22	34	19	8	49	43	24	7	2	215
Village committee	12	14	20	10	1	34	42	19	5	1	158
Association	8	11	12	6	0	33	33	16	3	3	125
Others	2	2	3	0	1	5	5	4	1	1	24
Total	78	195	158	99	27	318	299	151	30	18	1,373

Source: Created by authors

Table 16.
Distribution of channel for compensation claims by total coverage

Items	RM1,000 and below	RM1,001 – RM5,000	RM5,001 – RM10,000	RM10,001 – RM20,000	RM20,001 – RM30,000	RM30,001 – RM40,000	RM40,001 – RM50,000	RM50,001 – RM100,000	RM100,001 – RM250,000	RM250,001 – RM500,000	RM500,001 and above	Total
Takaful company	58 (26%)	60 (31%)	86 (31%)	32 (34%)	12 (27%)	4	57 (36%)	78 (37%)	22 (45%)	20 (43%)	4 (25%)	433 (32%)
Post office	29	33	51	14	8	0	20	26	5	3	1	190
Bank	41	28	42	17	9	2	20	32	8	15	2	216
Online	24	35	47	21	11	6 (46%)	23	26	8	6	2	209
Village committee	39	20	31	6	3	0	18	23	4	2	3	149
Association	30	17	18	4	2	0	18	25	2	1	3	120
Others	5	3	6	1	0	1	3	2	0	0	1	22
Total	226	196	281	95	45	13	159	212	49	47	16	1,339

Source: Created by authors

N11, G1, R1: [Trans.]:
I'm interested to purchase takaful, but payment procedure and claim must be easy. [. . .] want to deal directly with company staff and not the agent. Because deal with company staff is more reliable and secured. [. . .] agent must be honest, transparent. Not take for granted from us. This agent attitude cause consumers loss confident to the company.

N8, G2, R5: [Trans.]:
[. . .] not interested because loss trust and complex procedure and bureaucracy. . . .have bad experience purchase insurance and loss trust. When I was involved in an accident agent make claim. But did not get money. Agents disappear and contactless.

Discussions

Microtakaful is an alternative protection that serves the low-income market. As such, a regular takaful product and its processes need to be completely reengineered to fit the preferences of the target market such as agricultural workers, small entrepreneurs, fishery labourers, FELDA and other B40 groups. This highlights the need for microtakaful to have unique features to reach the masses who may not have a secure income, bank account and who may possess limited knowledge of protection products. Thus, providing a suitable and innovative distribution channel is necessary to facilitate the process from the first contact of the distribution channel until the critical point of claims compensation.

The findings from cross-tabulations revealed that the preference of microtakaful distribution channel is differs depending on the type of transaction whether to subscribe the protection, to pay the monthly contributions or to make a compensation claim. Majority of the respondents preferred subscribing a protection plan and make a compensation claims directly from takaful companies compared to other channels. This finding was consistent across all ages of respondents, groups of B40, amount of monthly contribution and total protection coverage. This can possibly be explained by the circumstance that microtakaful subscription and compensation claims are perceived as being complicated, and hence the consumer require interaction and help from takaful provider to complete the process. Moreover, some of the FGD respondents argued that there were agents who were irresponsible to the customers especially after sales process which resulted in reduced customer confidents. This result validate the finding of Hamid and Rahman (2011) that favourable towards agents positively affects consumer confidents and behavioural intention of microtakaful. Thus, takaful companies should focus on building and maintaining trust through transparent and ethical practices. Besides, collaborating with trusted community leaders such as village committee can help in establishing credibility within low-income groups.

It is not surprising that online platform was the most popular channel for contribution payment especially for those aged between 20 and 29 years old, categorized under urban B40 group and the total expected protection coverage was below RM 50,001. This finding is parallel with the wider use of technology in various sector including financial service especially among young generations and urban populations. Respondents whose total coverage exceeded RM 50,001 favoured performing their monthly contribution payment either at the takaful company or using the intermediary of banking institutions. In this context, Takaful providers should prioritize the development and improvement of user-friendly online platforms for contribution payments, aligning with the preferences of younger and urban demographics. Moreover, incorporating digital solutions can enhance operational efficiency and customer experience.

The findings from FGD reveals that trust, cost-effectiveness and simplicity in procedure were the most important elements that needed to be emphasized in microtakaful products. An

earlier research by Eskander *et al.* (2014) stated that those in low-income communities tend to mistrust agents who are outsiders because they do not believe that the "outsider" would make the promised payment upon receiving the upfront premium payment. Hence, assigning trusted distributors or channels addresses this issue. In addition to that, cost-effectiveness is another factor that influences microtakaful subscriptions among the low-income group. Besides offering a lower contribution payment, providing cost-effective distribution channel is also necessary to facilitate the subscriptions, contribution payment and compensation claim process without incurring any extra expenses such as traveling expenses to the subscribers. This result is in line with the findings of Khuzhamov *et al.* (2021) because these expenses indirectly affect the affordability of the consumers to subscribe to the microtakaful.

Finally, a simple procedure is essential at every stage of the microtakaful process starting from the purchasing process till the compensation claim process. This is most likely related to the consumers' limited knowledge on microtakaful products. Consistent with Chummun (2014) and Clarke and Grenham (2013), a lack of knowledge and poor understanding on the microtakaful scheme leads to lower purchasing intentions among the low-income group. Moreover, complex compensation claims procedure which requires consumers to commute to the takaful office (most preferred channel for compensation claim) would incur additional expenses for them.

Conclusion and recommendation

The results of this study have shed some light on understanding the consumers preferred distribution channel for microtakaful products, which was previously not addressed in the literature, especially within the Malaysian context. These findings would help marketers and practitioners formulate strategies to promote their microtakaful protection to enhance subscriptions among low-income groups, especially for young and middle-aged adults because these groups have a better awareness of the importance of having a protection plan. The results of cross-tabulations and FGD demonstrated that distribution channel is equally important with other factors such as increase of awareness, improved literacy and proper regulatory framework that were documented by previous studies in encouraging microtakaful subscriptions among the low-income population.

This research offers significant managerial insights. Firstly, various distribution channels for different levels of transaction process from subscription of protection plan, payment of monthly contribution or compensation claim plays a significant role to build customer trust to microtakaful providers. Moreover, trust has become a critical issue in the field takaful or insurance. Existence of trust improve willingness of customers to engage in future transactions. Secondly, to increase microtakaful uptake, microtakaful providers should facilitate the customers by developing simple procedures approach in subscription process and compensation claim as the majority of low-income group were less educated and lack of microtakaful knowledge. Finally, development of microtakaful kiosk closed to B40 group area may serve as a direct channel to facilitate the dealing process and reduce the traveling cost for this group to reach the microtakaful provider. This is because, most of the customers agreed that they prefer dealing with microtakaful staffs compared to appointed agents. Besides, this direct channel should play a significant role in promoting microtakaful product in local areas particularly for underserved groups.

Most importantly, these results offer some practical implications, for instance, the finding is beneficial in planning for a better market segmentation, targeting and positioning of microtakaful and can promote consumer demand. Microtakaful providers can use findings of this study as a guidance in determining the suitable distribution channel for microtakaful protection because socio-demographic and socio-economic influence individual's behaviour

particularly in the choice of distribution channel. These empirical findings also provide academic contributions to the existing body of knowledge on microtakaful. Firstly, the primary data collected will allow future researchers to understand the importance of a suitable distribution channel for microtakaful from the perspective of subscribers and potential subscribers. Secondly, the results of this study move the findings of prior studies forward, especially in addressing the challenges of determining distribution channels, to increase the demand for microtakaful in a Malaysian context. Finally, future research could use this study as guidance in exploring the distribution channel in enhancing market demand.

This study has some limitations. This study only used cross-tabulation analysis in explaining the choices of distribution channels for microtakaful among the B40 group. Thus, a potential avenue for future research is to incorporate other analysis methods such as multiple regressions in examining factors that influence consumers' choice of distribution channel for microtakaful schemes.

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