THE ROLE OF RELIGIUSITY IN IMPROVING THE INTENTION OF BUYING SHARIA MICRO INSURANCE PRODUCTS. CASE STUDY OF BOGOR BMT CUSTOMERS

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Abstract. This study describes the factors which affecting micro society's intention on purchasing sharia micro insurance. Taking sample at the Koperasi Baytul Ikhtiar Bogor where the entire financing for its participants already protected by sharia credit insurance. This research uses descriptive quantitative approach based on study literature, observation, and quetionaire using the method of Partial Least Square (PLS) yang which the alternative method of Structural Equation Modeling (SEM). The variable consist of intention as dependent variable and Religiousity with Islamic belief and practice dimension as Independent variable. From these Islamic practice has more affect the micro society's intention to purchase sharia micro insurance than Islamic Belief

Keywords :micro insurance, sharia micro insurance, religiousity, TPB, SEM PLS

INTRODUCTION

Microfinance institutions (MFIs) that have long been recognized and developed to date are fairly effective development tools to assist government programs in reducing poverty (low income families) through efforts to create new jobs, increase people's income by micro category, and other things. Ariyanto (2014) states that the category of low income people is someone who has an income of between Rp 1.5 million to Rp 2.5 million per month.

Huber (2012) asserts that MFIs are included in development organizations that aim to serve the financial needs of markets that are not served or that are not well served as an effort to achieve development goals. One industry engaged in the field of MFIs is the insurance industry, especially micro insurance. This is also in line with the grand design of micro-insurance development by OJK (Financial Services Authority) where insurance is badly needed especially for low-income people as a transfer of financial risk if something bad happens to the holder of the insurance. For example, if there is a risk of death to a breadwinner in a poor family, a family member is sick or there is a condition of a poor family that requires large costs to seek treatment and does not even rule out the risk of losing the assets owned by natural disasters and so on. Of course if the poor family does not have insurance, surely the financial risk is very detrimental to those with low income. OJK data (2013) records that there are around 77 million people or almost one third of the total number of people in Indonesia that fall into the low income category.

The insurance industry is no longer a new thing for the people in Indonesia, as already known, there are many insurance companies that dedicate themselves as guarantor for financial losses or risks experienced by their customers through various products owned, such as life insurance products, motor vehicle insurance, insurance fire, child scholarship insurance, hajj bail insurance, and so on. In addition there is one insurance product that is packaged in such a way and specifically for people with low income (poor), namely micro insurance. The uniqueness of this insurance according to OJK is its simplicity, as the content of the policy is, 1) There are only 2 policies; 2) Types of compensation that are not complicated; 3) A few exceptions in the policy; 4) A period of no more than a year; 5) Without

health checks; and 5) Can be obtained through supermarkets, kiosks, the office of the village head or other specified places and from groups / community organizations. In addition, benefits received no later than 10 days after the documents are received in full and correct by the insurance company.

As already stated that the insurance industry is no longer a new item in the ears of the people in Indonesia, so the penetration conditions that are still low with promising growth have become the biggest driving factor for local and multi-national life insurance companies to operate and develop their business in Indonesia. Based on insurance statistic data recorded by the FSA shows how the development of the insurance industry continues to grow from year to year. This is shown in Table 1 below.

Table 1 Insurance Growth in Indonesia (based on total gross premiums)

Gross Premium Amount (Rp. Trillion)	2009	2010	2011	2012	CAGR
Total Insurance Industry	90.7	107.1	123.5	152.6	19%
Total Life Insurance	61.7	75.1	89.8	108.3	21%
Total Non Life Insurance	29.0	32.1	33.7	44.2	13%
Total Sharia Insurance Industry	4.31	4.9	9.2	11.3	42%
Sharia Principled Insurance	1.9	2.1	4.1	4.8	43%
Sharia Principled Insurance%% Sharia Industry vs Total Insurance Industry	2.4	2.8	5.1	6.5	41
	5%	5%	7%	7%	-
% Sharia Life vs. Life Insurance Industry	3%	3%	5%	4%	-
% Non-Sharia Life vs. Non-Life Insurance Industry	8%	9%	15%	15%	-

Note: CAGR stands for *Compound Annual Growth Rate,* which is the average growth of each within a certain period (Annual Compound Growth Rate).
Source: OJK Indonesia Insurance Data (2012), processed (2016).

Based on Table 1, it can be concluded that the insurance industry is growing, not only in terms of the amount of gross premiums, but in the form and type of industry. It is seen that to answer the challenges presented by the conventional insurance industry, the Sharia insurance industry is also present as an alternative to avoiding contracts that are prohibited by Islamic law against conventional industries, especially in Indonesia. Sharia life insurance growth in Indonesia is believed to continue to increase. This is based on the fact that the Muslim segment at this time has become a concern and an important part of the development of the world economy. Temporal (2011) states that the United Nations Population Fund estimates that by 2050 the Muslim population will grow to 30% of the total world population. Research conducted by Johari (2010) also states that Muslim communities respond positively to the existence of sharia life insurance.
In the sharia insurance industry, there are also micro insurance products that use business models by collaborating with various other microfinance institutions (MFIs) such as BPRS (Sharia People's Financing Banks) and BMT Sharia Cooperatives (*Baitul Maal Wat Tamwil*). For example, one insurance company, Asyki Micro Takaful, uses business cooperation with the Baytul Ikhtiyar Cooperative for the purpose of developing the economic welfare of the lower middle (low-yielding) people of the economy.

The development of microinsurance is quite rapid, from observations there are 14 financial institutions in West Java cooperating with forms of cooperation partners with insurance companies (conventional and sharia) that provide micro insurance products. Based on these data, there is one interesting thing to study, namely there are 9 partners or 65% of the 14 financial institutions are Islamic microfinance institutions (LKMS).

So that this research was conducted with the aim of 1) analyzing strategies to develop sharia micro insurance products that are in line with the micro community and its marketing strategy; 2) Analyze the

factors that influence the purchase intention of the micro community towards Islamic micro insurance products; and 3) Formulating strategies to develop sharia micro insurance products that are in line with the micro community and increase the number of customers.
This research was conducted on the Asyki Micro Takaful partner, namely Syariah Cooperative Baytul Ikhtiar using a quantitative approach. Asyki Micro Takaful is a company that specializes in marketing sharia microinsurance to the people of the lower middle class or low income society. This research is limited to the collaboration with micro insurance product business partners in the Koperasi Baytul Ikhtiar partners as partners in Bogor. The object of research is sharia micro insurance customers in the Bogor area. The research design that will be used in this study is testing hypotheses that aim to test hypotheses that explain the characteristics of certain relationships between groups or the independence of two or more factors in one situation.

The population in this study is Islamic microfinance institutions (LKMS) which use micro insurance in the Bogor area as one of the goals / markets of micro insurance providers. While the sampling method used in this study is *convinience sampling* which considers the ease of collecting data. Respondents taken in this study are Muslim communities who reside in the Bogor area and already have individual life insurance. The criteria for further respondents are decision makers in the family (decision maker) or the main influencers for decision making (main influencers).

The latent variables and measurement indicators developed in this study refer to the previous framework of thinking and research. The attitude scale used is a Likert scale of 1 to 7, where 1 shows the most disagreeable attitude towards the statement on the measurement indicator and 7 shows the attitude that most agrees with the statement on the measurement indicator. The justification for using the linkert scale 1 to 7 is based on previous research which states that points up to 7 are optimal points (Ajzen 2006). The definitions and indicators for measuring variables are shown in Table 2 below.

Table 2 Definition and indicator of measurement of variables

No	Latent	Variables Variables Indicators	Source ofStudy	Attitude Scale
1	Intention (within 1 - 3 years)	Intention to buy; Intention to find info; Intention to recommend	Sujiwo (2015) Developed for research	*Likert*
2	Religiosity	Dimensions *Islamic Belief* Dimensions *IslamicPractice*,	Eid and Gohary 2015; Developed forresearch	*Likert*

Data analysis in this study is predictive analysis with the PLS-SEM method using the SmartPLS version 3.2.4 statistical program carried out on the basis of the research paradigm made in accordance with the research hypothesis. The results of data processing with this program are structural model tests, namely the overall model test and hypothesis testing. The overall model is tested in two ways, namely the Explanation of Endogenous Variable Variables with the coefficient of determination R^2 (Explanation of target endogenous variable variance), Path coefficient β (Beta), and Significance of Internal Models (Inner models of size and significance path coefficient). Jaya and Sumertajaya (2008) describe the steps in PLS-SEM modeling as follows, 1) First step, Designing the Structural Model (inner model); 2) Second Step: Designing a Measurement Model (outer model); 3) Step Three: Construct a Path diagram; 4) Fourth Step: Convert the Path diagram into the Equation System; 5) Step Five: Estimation; and 6) Step Six, Evaluation of the goodness-of-fit criteria or the goodness of the model. The following is a Goodness-of-fit indicator table at PLS-SEM.

Table 3 Goodness-of-fit indicators on PLS - SEM

No	Size of fit degree	Description	Acceptable match level
1	*Reliability Indicator*	Ensures the reliability and validity of indicators for use in structural models. The way to get the reliability indicator value is the multiplication of squared squares in all loadings or the weight of the indicator variables.	Minimum acceptance limit = 0.4 Minimum expectation limit = 0.7
2	*Composite Reliability*	Ensures the reliability and validity of the Indicator Segments for use in the structural model.	Minimum limit of acceptance = 0.6 Minimum limit of expectation = 0.7
3	*Convergent Validity*	Shows correlation between score of reflexive indicator and latent variable	Minimum limit = 0.5
4	*Discriminate Validity*	Compare the value of *square root of average variance extracted* (AVE) of each construct with correlation between other constructs in the model, if the *square root of average variance extracted* (AVE) constructs is greater than the correlation with the rest of the construct others then said to have *discriminant validity* was good	limits minimum = 0.5
5	*Inner models*	Measuring how well the observed values generated by the model and the estimation of the parameters shown by the value of R^2	Minimum limit R^2 = 0.25 The closer to number 1 means the better The

addition to the six steps above, after testing Goodness-of-fit in PLS-SEM, there is still the next step, 7) Seventh Step, Testing the hypothesis. Wong and Kwong (2013) explained that if the path coefficient between latent variables is more than 0.1, then the relationship between the two varaibel effects is significant.

Design the Model

The design of the model in the SmartPLS 3.2.4 program can be seen in Figure 4. Figure 4 explains that there are three latent variables namely INTENTION,Religiosity *Islamic Belief* and *Islamice Practice*.

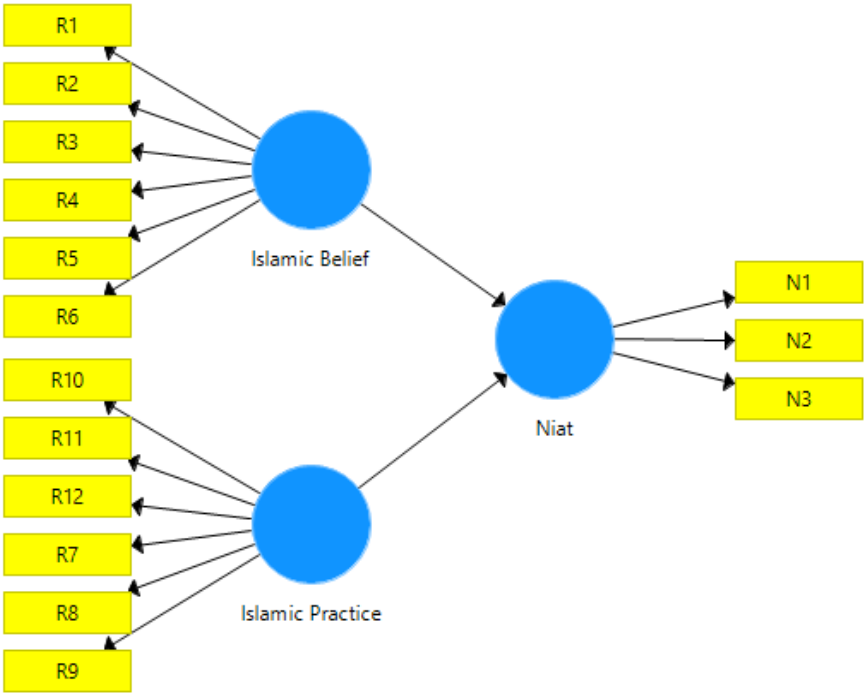

Figure 1 *Partial Least Square*

RESULTS Structural Model Test

After the validity and reliability analysis is carried out with results that meet the requirements as a good research instrument and in accordance with its objectives, the research results data is further processed using the SmartPLS statistical program version 3.2.4 package, to conduct structural model tests, namely the overall model test and test hypotheses based on the structure of the research model.

To test the hypothesis of the relationship between variables, structural modeling is used using SmartPLS 3.2.4 Figure 4.1 shows the structural model, including the value of the path coefficients (β) and variance explain (R2). Percentage or R2 of all Intention variables can be explained by *Islamic Belief* and *Practice* by 37.1%;

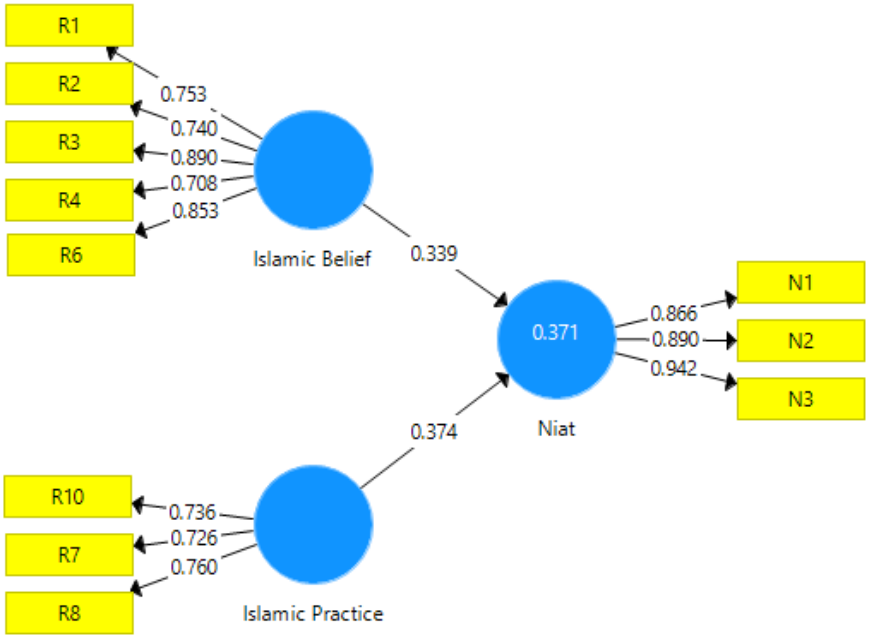

Figure 2 Results of SEM - PLS R^2

Hypothesis Test Hypothesis

testing is done by looking at the results of the T value at 95% confidence level and the path coefficient (Beta) of each relationship between the hypothesized variables. Here is a table of results of the relationship test between variables used to test hypotheses .

Table 4 Results of Inter-Variable Relations Test

	Original Sample (O)	T Statistics (| O / STDEV |)	P Values	Test Results
Islamic Belief -> Goodwill	0,339	3.625	0,000	influential
Islamic Practice -> Goodwill	0.374	4.235	0.000	Influential

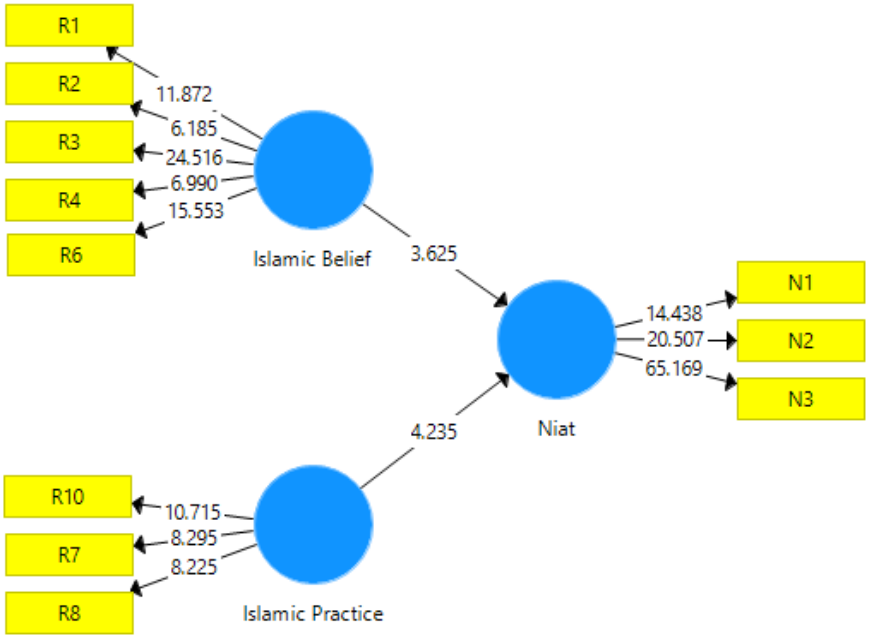

Figure 3 Results of SEM - PLS Hypothesis Testing

Hypothesis 1

Hypothesis testing results first shows *Islamic Belief* towards Intention with Tstatistic value of 3.625> 1.96 so that the decision of the hypothesis is to reject Ho. So it can be concluded that *Islamic Belief* has an effect on Intention. The effect shows a positive value of 0.339.

Hypothesis 2

The result of testing the second hypothesis shows *Islamic practice* against intention with Tstatistic value of 4,235> 1,96 so that the decision of the hypothesis is to reject Ho. So it can be concluded that *Islamic Practice* influences Intention. The effect shows a positive value of 0.374.

CONCLUSIONS AND SUGGESTIONS

Conclusions

The factors that influence the intention of the micro-community to purchase Islamic microinsurance products can be done through mathematical modeling. Based on the results of the analysis and discussion can find out the causal relationship of the variables that influence it.

Modeling using the *Theory of Planned Behavior* (TPB) showed that thevariables reliabilitywith the dimensions of *Islamic Practice* and *Islamic Belief* significantly affected the intention of the micro-society in buying Islamic micro insurance products. The thing that must be done by insurance companies to enter into microinsurance is through institutional distribution channels. Whether it's through LKMS such as Islamic cooperatives, Islamic BPRs or other sharia microfinance institutions both managed by the government and non-governmental organizations. In addition, the company must also be creative in plunging into community-based organizations, be it the official community recognized by the government or the religious community and / or community community.

Insurance companies engaged in the Islamic micro sector are also expected to be able to provide education to the public in relation to Islamic financial literacy. Because the micro-community is not yet familiar with conventional financial literacy and Islamic finance. Through an innovative

approach through sharia financial education the company not only provides an understanding of the benefits of insurance but also increases the desire and creates demand to buy insurance products in the community. The company must also be proactive in creating awareness of the target market because educating the micro community about the importance of sharia insurance requires creativity, empathy and innovative ways of thinking but still simple.

Suggestions

There are several suggestions that need to be considered in the study of the effect of religiosity on the intention to buy insurance products in the micro-Islamic community, as follows:

1. Because religiosity has a positive influence on the intention to buy insurance products by having a very high level of religiosity, it is advisable to maintain the level of religiosity .
2. Because *Islamic Practice* provides the largest contribution and has a positive influence on the intention to buy insurance products, insurance providers can package marketing strategies within the scope of religious activities such as holding *talk* religiousshows.

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