Pak. j. life soc. Sci. (2024), 22(2):18873-18891 E-ISSN: 2221-7630;P-ISSN: 1727-4915

Pakistan Journal of Life and Social Sciences

www.pjlss.edu.pk

https://doi.org/10.57239/PJLSS-2024-22.2.001384

RESEARCH ARTICLE

Determinants of Financial Self-Efficacy and Saudi's Household's Intention to Participate in Protection & Savings Insurance: A Conceptual Framework

Dalal Khalid Alsahliy[1*], Maizaitulaidawati Md Husin[2]

[1,2] Azman Hashim International Business School, University Teknologi Malaysia

ARTICLE INFO

Received: Oct 17, 2024

Accepted: Dec 11, 2024

Keywords

Financial Self-Efficacy

Future Time Perspective

Propensity To Plan

Household's Innovativeness

Trust In Insurers

***Corresponding Author:**

ABSTRACT

The current study aims to delve into the psychological determinants of Financial Self-Efficacy (FSE) and their influence on Saudi households' intention to engage with Protection & Savings (P&S) insurance. The primary goal is to provide a nuanced understanding of household behavior in the financial sector, contributing to the development of more effective financial advice, communication strategies, and policy interventions that resonate with diverse consumer needs and preferences.

This study proposes a conceptual model discussing the determinants of FSE and their influence on the uptake of P&S insurance among Saudi households. It explores key psychological factors—Future Time Perspective (FTP), perceived innovativeness, religiosity, and propensity to plan—and assesses their impact on FSE. Additionally, the model investigates the moderating roles of trust in insurers and gender in this context.

Findings indicate that these psychological determinants significantly shape FSE, influencing participation in P&S insurance. Trust in insurers and gender differences are identified as critical moderating factors, affecting financial decision-making and behavior in Saudi Arabia. The research offers valuable implications for financial education and policy in Islamic and non-Islamic finance, highlighting the need for tailored interventions. It suggests directions for future research to empirically assess these relationships and deepen understanding of financial behaviors.

Our model advances the understanding of financial behavior by delving into the psychological underpinnings of FSE. The insights gained from our conceptual model are invaluable for shaping financial education initiatives and policymaking, offering directions for future endeavours.

INTRODUCTION

The role of financial education in influencing consumer financial behavior is a topic of considerable debate among researchers and educators. As highlighted by Fernandes et al. (2014) and Galicki (2020), the provision of financial education alone often falls short of significantly altering financial behaviors. This observation underscores that beyond basic financial knowledge, there are deeper aspects of consumer behavior – such as behavioral biases and self-control issues, as discussed by Benton et al. (2007) and Shefrin and Thaler (2004) – which are not adequately addressed by education.

Despite access to financial knowledge and products, a notable gap persists between knowledge acquisition and its practical application. This gap has spurred research into the relationship between individual psychological traits and financial outcomes, both positive and negative, as explored by Hoffmann and McNair (2019). Strategies that minimize barriers, set realistic defaults, and provide meaningful incentives are seen as potential drivers for encouraging positive financial behaviors, as noted by Bertrand et al. (2004) and Thaler and Sunstein (2019). These insights have led to innovations in financial services that aim to simplify processes, thus empowering individuals to effectively act upon their financial intentions (Daminger et al., 2014). In this evolving landscape, the concept of financial self-efficacy (FSE) is gaining prominence as a critical factor for fostering healthier financial outcomes, supported by research from Loke et al. (2015), Lown et al. (2015), and Asebedo et al. (2019).

Enhancing our understanding of the mechanisms behind self-efficacy is vital for developing innovations that assist households in improving their financial behavior. This includes creating tailored financial advice, effective communication strategies, and impactful policy interventions. Research consistently demonstrates the significant impact of self-efficacy beliefs on financial behavior across various domains, including savings decisions (Lown et al., 2015), financial well-being (Lone and Bhat, 2022), avoiding financial distress (Kuhnen and Melzer, 2018), and financial management efficiency (Tang, 2022).

Concurrently, there is a low demand for Saudis' Protection & Savings (P&S) insurance, an innovative Islamic financial product serving as an alternative to conventional life insurance. This paper posits that the subdued demand for P&S insurance may be linked to weak FSE. To address this research gap, our study delves into the psychological determinants of FSE and their influence on Saudi households' intention to engage with P&S insurance. We propose key psychological factors such as future time perspective, perceived innovativeness, religiosity, and propensity to plan, conceptually exploring how these elements shape households' financial self-efficacy. Additionally, we speculate on the roles of trust and gender as potential moderators in this dynamic, particularly in the context of P&S insurance. Our goal is to provide a nuanced understanding of household behavior in the financial sector, contributing to the development of more effective financial advice, communication strategies, and policy interventions that resonate with diverse consumer needs and preferences.

Overview of Saudi P&S Insurance

Over the past few years, Saudi Arabia's insurance industry has shown a vibrant period, with support for strengthening the regulatory environment and implementing compulsory insurance. Saudi Arabia's 2030 vision for development and national transformation is considering the insurance sector to be part of the change. The changes that support the vision's three key elements involve a vibrant society, a thriving economy and an ambitious nation (Saudi Vision, 2030, p. 13). The evolution within the insurance sector can be attributed in part to the implementation of the Financial Sector Development Program (FSDP), initiated in 2017 with the aim of realizing the objectives delineated in Vision 2030. The FSDP endeavors to actualize the 2030 vision by facilitating financial institutions to bolster private sector expansion, fostering the development of a sophisticated capital market, and advocating for and facilitating financial planning endeavors such as savings and retirement planning, all while ensuring alignment with strategic objectives aimed at upholding the stability of the financial services sector (FSDP, 2022, p. 8). These objectives are designed to augment the overall performance of the financial services sector while concurrently mitigating systemic risks.

Similar to insurers worldwide who responded to the global COVID-19 pandemic by modernizing their operations and harnessing insurance technology (insurtech), numerous Saudi insurance firms have embarked on a phase of rapid digitization and modernization. Despite the pandemic's economic impact, the insurance sector in Saudi Arabia has sustained continuous growth in key performance indicators, a trend that persisted into 2022. By the conclusion of Q3 2022, the aggregate gross premium reached SAR39.82 billion, reflecting a notable 26.8% surge in gross written premium (GWP) compared to Q3 2021. Growth was evident across most categories, with the health and motor segments remaining significant contributors, collectively constituting 78% and 66% of GWPs and net underwriting income, respectively, for the period ending 30 September 2022. The FSDP is committed to raising the gross written premiums as a proportion of non-oil GDP to 2.4% by the year 2025, in contrast to the 1.9% figure documented in 2019 (FSDP, 2022, p. 13). However, this number of positives in the mandatory insurance business lines may create only short-term growth that may later decrease because of the decrease of growth in the insurance sector in general. The Saudi insurance industry faces several challenges that should be addressed adequately to maintain its growth and strong participation in the 2030 vision.

The Saudi insurance sector is categorized into three primary lines of business: health insurance, general insurance, and P&S insurance. The market continues to be dominated by business health and the general insurance business by motor lines. P&S insurance business, the smallest market segment, accounted for around 4.1% of total GWP in 2021, up from 3.3% in 2020 (Oxford Business Group, 2022). In particular, the market created by compulsory insurance lines would soon be saturated. In Saudi Arabia, there is a noticeable deficiency in household savings habits. According to the Household Income and Expenditure Survey (2018), the Saudi savings rate reaches only 1.6 % which is a very low rate when compared to the global average of 10% which represents the internationally recognized rate as a minimum to ensure long-term financial independence. There is a need to promote a culture of saving in society that would lead to the growth of financial saving products such as P&S insurance.

Overview of P&S Insurance Research

Overview of P&S Insurance Research: P&S insurance has become essential in financial planning, and crucial for risk management and economic security. Understanding the decision-making in P&S insurance is vital for policy developers and advisors. Research on P&S insurance demand has evolved from traditional economic theories to two main empirical approaches: a microeconomic perspective using micro data or household surveys to test life cycle and behavioral economic theories (Liebenberg et al., 2012; Luciano et al., 2016), and a macroeconomic perspective analyzing aggregate data to examine the impact of various factors (Dragos, 2014; Zerriaa and Noubbigh, 2016). This review focuses on the psychological aspects of P&S insurance research, outlining key theories and their influence on behavioral intentions, culminating in a hypothesis and conceptual model.

THEORETICAL BACKGROUND

Economic Theories

Yaari (1965) and Hakansson (1969) significantly contributed to understanding the demand for P&S insurance, particularly focusing on lifespan uncertainty and its impact on financial planning. Their research expanded upon the life cycle hypothesis originally formulated by Modigliani and Brumberg in the early 1950s, which elucidated the manner in which individuals strategize their consumption and savings patterns throughout their life spans Yaari (1965) extended this by incorporating lifespan uncertainty and integrating risk and insurance into financial planning. His model suggested that P&S insurance enhances expected utility, addressing needs like financial stability for dependents and retirement, influenced by wealth, income expectations, interest rates, and consumption preferences. Hakansson (1969) further developed this model, emphasizing P&S insurance as part of a broader investment and consumption strategy under uncertainty.

Subsequent research expanded upon these models, with Fischer (1973) highlighting motivations like safeguarding future income and Lewis (1989) incorporating dependents' preferences. Studies in the 2000s and 2010s continued to explore factors influencing P&S insurance demand, including dependents' ages, bequest motives, inflation, borrowing constraints, and human development (Beck and Webb, 2003, Hussels et al., 2005). However, these models, relying on rational decision-making, often overlook the complexities of human behavior. Prospect Theory, developed by Kahneman and Tversky in the late 1970s, addressed this by focusing on how people perceive risks and make decisions under uncertainty. This theory, applied in studies like Gottlieb's (2012) on life insurance, views insurance as a risky investment, influenced by factors such as loss aversion and wealth levels. It suggests that insurance decision-making is influenced by the perceived risks and potential losses, challenging the notion of insurance purely as risk mitigation. However, to fully understand the participation in P&S insurance, it's crucial to also consider the broader social and behavioral context of these decisions.

Behavioral Intention Theories: TRA & TPB

The Theory of Reasoned Action (TRA) Fishbein and Ajzen, 1975) and the Theory of Planned Behavior (TPB) (Ajzen, 1987, 1991; Ajzen and Madden, 1986) have been offering valuable frameworks for understanding the decisions to participate in P&S insurance, particularly in the Islamic financial domain. TRA posits that consumer behavior is directly influenced by their behavioral intentions, which are shaped by attitudes and subjective norms. In the context of P&S insurance, this means an individual's decision is influenced by their personal beliefs about insurance and the perceived social pressure or norms. In the context of Islamic finance, several research has applied the TRA, for instance, Islamic P&S insurance (Souiden and Jabeur, 2015) and Islamic financing (Ali and Chin-Hong, 2015), Islamic banking (Ali et al., 2017; Lujja et al., 2016).

The main limitation of TRA is that when there is no eager control over the behavioral performance or if its execution is dependent on other people, it cannot predict actual behavior (Ajzen, 1991). In 1985, Ajzen presented TRA with a new empirical variable called perceived behavioral control to overcome this constraint in order to describe actions not subject to absolute control. As a consequence, TPB's expected behaviour theory arose as an extension of TRA and a special criterion for anticipating actual behavior. This model states that if a behaviour is likely to be influenced by factors outside the person's control, then to accurately predict behaviour the extent to which the behaviour is under his or her volitional control needs to be considered (Ajzen, 1987, 1991; Ajzen and Madden, 1986).

The debate around the constructs of Perceived Behavioral Control (PBC) and Self-Efficacy (SE) in the Theory of Planned Behavior (TPB) centers on their distinct yet interrelated roles. Ajzen (1987, 1991) and Ajzen and Madden (1986) introduced PBC as an estimate of the degree of control over the performance of the behavior, akin to SE, which pertains to one's appraisal of their ability to execute the behavior. Researchers, including Akhtar and Das (2019) and Chan and Fishbein (1993), have debated whether PBC and SE are interchangeable, noting that controlling behavior differs from perceiving the difficulty of performing it. Bandura's Social Cognitive Theory (1982, 1997) distinguishes between efficacy expectancies (doubt in ability) and outcome expectancies (belief in achieving desired outcomes), aligning the latter with PBC. Empirical studies (Terry, 1991; Terry and O'Leary, 1995; Serido et al., 2013; Parkinson et al., 2017) support the distinction between SE and PBC as separate constructs, a differentiation with practical implications in behavioral research. This study focuses on FSE, a domain-specific construct of SE, to delve into the psychological factors influencing financial decision-making among Saudi households. FSE, encompassing skills like saving, budgeting, and understanding financial products, offers a detailed understanding of the intentions behind financial behavior.

Financial Self-Efficacy (FSE)

Self-efficacy, central to Bandura's Social Cognitive Theory, reflects an individual's belief in their ability to effectively execute specific actions. This concept goes beyond mere capability; it embodies the conviction to successfully accomplish tasks and is linked to specific situations rather than being a general trait (Bandura, 1977, 1997; Van der Bijl and Shortridge-Baggett, 2001). Bandura (1982, 1997) emphasizes that self-efficacy influences motivation, cognitive processing, and emotional states, affecting whether individuals undertake certain actions and their resilience in challenges. High self-efficacy is associated with tackling difficult tasks, setting ambitious goals, and maintaining commitment, while low self-efficacy often leads to avoidance of challenges, poor motivation, and lower goal-setting.

Differentiating from confidence, self-efficacy involves both the strength of belief and affirmation of capability (Bandura, 1994, 1997). It contrasts with self-control, self-esteem, and self-concept, which are more stable personal characteristics (Marsh and Shavelson, 1985). Self-efficacy is situation- and task-specific and varies with performance demands (Van der Bijl and Shortridge-Baggett, 2001; Bandura, 1997). Self-efficacy is categorized into general and specific types. General self-efficacy, stable across various domains, is linked to overall well-being and psychological health (Luszczynska and Gutiérrez-Doña, 2005; Zeng et al., 2021) and positively correlates with financial behaviors (Chatterjee et al., 2011; Copur and Gutter, 2019). Specific self-efficacy, however, pertains to perceived abilities in individualized scenarios or tasks, influencing approach and persistence in distinct domains (Bandura, 1997; Hayat et al., 2020; Çetin and Aşkun, 2018). In the financial realm, FSE explains personal finance behavior. Higher FSE is linked to savings likelihood, life and investment satisfaction, and influences the type and number of financial products held, particularly among women (Farrell et al., 2016; Lown et al., 2015; Reyers, 2019; Hu et al., 2021).

Determinants of FSE

While substantial research has been conducted on general self-efficacy, the exploration of the specific determinants of FSE remains relatively sparse. Bandura's extensive work on self-efficacy highlights that beliefs and a sense of agency continue to evolve across the lifespan, influenced by a confluence of experiences and psychological states (Maddux, 2016). Among these, performance experiences stand out as a critical source, as they provide authentic evidence of an individual's capability to succeed (Bandura, 1997, 1982; Potosky and Ramakrishna, 2002). Success in personal financial endeavors, for instance, directly strengthens FSE for related financial behaviors. Vicarious experiences or learning from the successes and failures of others in financial activities, also play a significant role. If an individual lacks direct experience, they often gauge their capabilities based on others' performances, impacting their self-efficacy beliefs (Bandura, 1997). Verbal persuasion, through motivational speeches or encouragement, acts as another source of self-efficacy. Bandura (1997) pointed out the potential of persuasive communication to elevate an individual's confidence in managing financial tasks, provided that these encouragements do not foster unrealistic expectations. The role of physiological and emotional states cannot be understated, as emotional reactions to success or failure and the ability to regulate these emotions crucially affect FSE (Muina-Lopez and Guidon, 2013; Gross, 2014).

Beyond these established sources, personality traits and self-esteem have been shown to correlate with self-efficacy. Abood et al. (2020) identified a relationship between personality traits like neuroticism and conscientiousness and academic self-efficacy. Similarly, Mann et al. (2004) found self-esteem to be positively linked to self-efficacy, and environmental factors such as social support have been demonstrated to bolster self-efficacy (Korte and Simonsen, 2018; Maddy et al., 2015). In financial contexts, psychological characteristics associated with improved FSE have been studied. McAvay et al. (1996) and Asebedo and Seay (2018) investigated how personality traits and affective states impact FSE, revealing significant correlations. The role of financial education in shaping FSE has also been emphasized, with studies showing how educational interventions can enhance FSE through various methods, including behavioral economics strategies (Loke et al., 2015; Skimmyhorn et al., 2016).

Among the socio-demographic variables applied regarding the FSE, gender has taken the spotlight in investigating its role. Based on a 2013 survey conducted among Australian women, Farrell et al. (2016) noted that financial self-efficacy emerges as a leading determinant influencing both the variety and quantity of financial products held by women. Their analysis demonstrated that women with heightened financial self-efficacy, denoting a stronger belief in their ability to manage finances adeptly, exhibit a greater propensity to possess investment and savings products while displaying a decreased likelihood of holding debt-related products. This association remains robust even when considering other influential factors such as education, financial risk preferences, age, and household income. Notably, the significance of financial self-efficacy persists at the 1% critical level, underscoring its substantial explanatory power in shaping financial product ownership among women. Bannier and Schwarz (2018) after explicitly accounting for gender and educational level found that not only men's wealth levels are driven by financial literacy and confidence, but so are women's wealth levels, though to a slightly different degree. In a Canadian study using national-level data, it was found that, at a cross-age, men scored higher than women on FSE tests (Rothwell and Wu, 2019).

Recent research advocates for innovative, hybrid financial education programs that address both knowledge and psychosocial barriers. These programs, which incorporate practical experiences, have been shown to be effective in elevating FSE across different demographics (Steinert et al., 2018; Rothwell and Wu, 2019; Zhu, 2019). Despite these advances, gaps remain in our understanding of specific determinants of FSE. Key areas like the propensity to plan, future time perspective, perceived innovativeness, and religiosity have been explored in relation to FSE but not extensively as direct determinants. These factors are pivotal in shaping financial behaviors and decision-making processes. A deeper understanding of how these elements influence FSE can lead to more effective and tailored financial education programs, thereby empowering households to navigate the financial landscape with greater confidence and competence.

Future Time Perspective

The concept of Future Time Perspective (FTP) is a pivotal focus in financial planning research. Defined as the degree to which individuals prioritize future outcomes over present or past considerations, FTP is essential for understanding financial behaviors. Strathman et al. (1994) describe FTP as the extent to which individuals consider the distant consequences of their current actions, and Lamm et al. (1976) focused on FTP as a set of personal expectations and beliefs about one's future. Seijts (1998) adds to this by conceptualizing FTP as a flexible cognitive structure, influenced by age, socialization, and targeted interventions.

A high FTP, according to Kooij et al. (2018), usually results in a forward-thinking mindset, belief in the connection between current actions and future goals, and a higher valuation of future objectives. This elevated FTP is linked to increased motivation and is associated with positive outcomes in areas like well-being, achievement, health behavior, risk-taking, and retirement planning. Empirical support for these concepts comes from recent studies. She et al. (2023) found a correlation between high FTP in Chinese working millennials and their financial well-being, mediated by factors like financial goal clarity and responsible financial behavior. Similarly, Van Raaij et al. (2023) and Tomar et al. (2021) identified FTP as a key determinant in financial security expectations and retirement planning behavior.

However, the direct relationship between FTP and FSE remains less explored. Evidence such as Karakış (2022), which indicates that FTP influences areas like online learning self-efficacy, mediated by a propensity for lifelong learning, suggests potential parallels in the financial domain. Given the established link between FTP and various positive life outcomes, it can be hypothesized that a higher FTP would similarly influence FSE. This hypothesis posits that Saudi households with a strong future-oriented mindset are more likely to exhibit greater confidence in managing their financial matters, believing in their ability to achieve future financial goals. This proposed relationship warrants further empirical investigation to explore the nuances of how FTP shapes a household's financial self-perception and decision-making processes.

Perceived Innovativeness

Zaltman et al. (1973, p. 10) defined innovation as 'any idea, practice, or material artifact perceived to be new by the relevant unit of adoption.' This concept of innovation, as Al-Jundi et al. (2019) note, can lead to increased curiosity and acceptance of new products or services. Specifically, perceived innovation pertains to how households view P&S insurance as a novel solution in banking and finance. Distinct from traditional savings methods, P&S insurance merges risk protection with investment possibilities, offering dual benefits: financial security against unforeseen events and opportunities for wealth accumulation. This unique combination caters to long-term financial planning needs while providing a safety net, marking P&S insurance as a diverse and adaptable financial product for households. In the realm of Islamic finance, this innovativeness extends to include adherence to shariah principles and ethical investing, attracting not only those with religious commitments but also a broader audience that values ethical and socially responsible financial options.

The significant influence of perceived innovation on consumer behavior towards Islamic banking products have been documented (Amin et al., 2013; Ezeh and Nkamnebe, 2021; Jamshidi and Hussin, 2016; Kiong Kok et al., 2014). It is thus reasonable to expect that the household's perceived innovativeness of P&S insurance could similarly affect Saudi households' FSE. When Saudi households regard P&S insurance as innovative, it may trigger a psychological response that bolsters their confidence in their financial management abilities. This reaction is anchored in the newness and perceived effectiveness of such innovative products. The innovative aspects of Islamic P&S insurance, particularly its alignment with modern financial requirements and ethical standards, may enhance its perceived utility and strengthen Saudi households' confidence in utilizing it for financial objectives. This synergy between perceived innovativeness and households' confidence is key to understanding financial behavior. Therefore, the following hypothesis is proposed: The Saudi household's perceived innovativeness of P&S insurance positively correlates with their FSE. The hypothesis suggests that the more Saudi households perceive P&S insurance as an innovative financial product, the higher their level of FSE.

Religiosity

Religiosity, the extent to which individuals engage with and practice their religious beliefs and values in daily life (Worthington et al., 2003, p. 85), has been linked to various financial behaviors, such as participation in P&S insurance (Aziz et al., 2019), usage of Islamic credit cards (Ali et al., 2017), and involvement in Islamic banking (Souiden and Rani, 2015). However, the specific influence of religiosity on FSE – an individual's confidence in managing financial tasks – remains under-explored. The limited research in this area leaves a gap in understanding how religious beliefs and practices might directly affect Muslim households' financial capabilities. This oversight in literature calls for more thorough studies to ascertain the degree of impact religiosity has on a household's financial self-efficacy, which could significantly inform financial planning and educational strategies, especially in Saudi Arabia or other communities where religion is integral.

Previous studies indicate a positive correlation between higher levels of religiosity and increased self-efficacy (Marashia and Esmaili, 2012). Pérez and Smith (2015) suggest that religion enhances well-being by boosting self-efficacy, while Bigdeloo and Bozorgi (2016) argued that religiosity enables a positive cognitive appraisal of events, enhancing individuals' belief in their coping abilities, including in financial contexts. Therefore, it is hypothesized that a higher level of Saudi household religiosity positively relates to FSE. Specifically, households with greater religious engagement are likely to demonstrate stronger financial self-efficacy, as their religious beliefs and practices provide coping mechanisms, ethical guidelines, and community support, thereby fortifying their confidence in financial management.

Propensity to Plan

The concept of propensity to plan assumes that individuals with high propensities to plan would manage their finances well (Lee and Kim, 2016), accumulate more wealth (O'Neill et al., 2016), and achieve a higher level of financial well-being (Xiao and O'Neill, 2018), compared to their counterparts with low planning tendencies. It's defined as the set of attitudes and skills that affect the way a household addresses the task of financial planning (Ameriks et al., 2003). Lee and Kim (2016) explained that Individual differences in the propensity to plan refer to individual variability in attitudes that control distractions or impose constraints. Those who are willing and able to engage actively in managing their financial affairs, and attend constantly and carefully to their consumption patterns, have a greater tendency to review and resolve problems such as excessive spending (Ameriks et al., 2003). The propensity to plan was positively linked with four financial capability indicators: objective financial literacy, subjective financial literacy, desirable financial behavior, perceived financial capability and financial satisfaction (Xiao and O'Neill, 2018).

While existing studies have confirmed the significant influence of goal setting on FSE, demonstrating how setting and pursuing financial goals can enhance an individual's confidence and ability in financial management (Muñoz and Jojoa, 2014), there remains a notable gap in research regarding the specific influence of the household's propensity to plan on FSE. While goal setting focuses on the outcomes of financial planning, the propensity to plan pertains more to the habitual and behavioral aspects of financial management. This distinction suggests that the household propensity to plan might impact their FSE in different ways compared to goal setting. Planning is a life management strategy which allows individuals to structure and manifest control in their lives (Prenda and Lachman, 2001). That gap in the literature presents a unique opportunity to explore how the general inclination to plan, independent of specific goal-oriented outcomes, affects household FSEs. Consequently, our hypothesis states that there is a significant positive relationship between the Saudis' household propensity to plan and their FSE. Specifically, we hypothesize that the Saudi household's higher propensity to plan will correlate with increased levels of their FSE, reflecting the broader scope of planning behaviors and attitudes in enhancing financial confidence and competence.

Moderation Role of Trust in Insurers

Trust is a basic element for the well-functioning of institutions, including governments, markets, businesses, and society more broadly (OECD, 2019). Trust has been defined by different research disciplines, for instance, Trust is a state involving confident positive expectations about another's motives with respect to oneself in situations entailing risk (Boon and Holmes, 1991). Mui (2002) defined trust as a subjective expectation an agent has about another's future behavior based on the history of their encounters. Trust is also defined as a person's belief that another person or institution will act consistently with their expectations of positive behaviour (OECD, 2017). Trust in financial institutions is the consumers' expectation that financial institutions are generally dependable and can be relied on to deliver on their promises (Sirdeshmukh et al., 2002). Thus, it's a form of expectation that the institution would work effectively in protecting transactions. Using survey data from ten Central, Eastern, and Southeastern European nations, Beckmann and Mare (2017) documented that confidence in financial institutions raises the likelihood of engaging in formal savings, specifically bank savings. Additionally, these authors discover that households which have a lack of faith in banks utilize formal non-bank savings as well as informal savings when they have faith in the financial system's stability. Ampudia and Palligkinis (2018) similarly find that the likelihood that an Italian household has a bank account is lower among those who lack confidence in the banking sector. A significant determinant in households' savings decisions was identified as a trust by Guiso et al. (2008). Additionally, overconfidence and mistrust of financial institutions impact the decision to invest in private pensions, according to Goedde-Menke et al. (2014).

In the insurance sector, lower trust in the insurer was statistically associated with negative prior experiences, according to an exploratory study by Balkrishnan et al. (2003). Zheng et al. (2002) arrive at a comparable conclusion, demonstrating that there is a robust correlation between satisfaction and insurer trust. The level of trust in insurers and the source of information are the only specific factors that determine the intention to participate in P&S insurance (Dragos et al., 2020). Omar and Owusu-Frimpong (2007), showed that the lack of trust is a key factor in the behavioural intention to participate in P&S insurance. We propose that Saudi Household trust in insurers play a moderation role between FSE and intention to participate in P&S insurance. A high level of trust in insurers can significantly strengthen the relationship between the household's FSE and the intention to participate in P&S insurance. Trust in insurers reinforces the belief that decisions regarding P&S insurance are secure and well-founded. When household with high FSE also trust their insurance providers, they tend to exhibit greater confidence that their financial decisions, including the choice to purchase insurance, are prudent and beneficial.

Moderation Role of Gender

Differences between men and women can lead to distinct expectations, attitudes, and behaviors, as highlighted by Bakshi (2012). These gender differences significantly influence behavioral intentions, as evidenced by studies from Hai and See (2011), and Jeddi and Zaiem (2010). Specifically, Lo et al. (2011) found that men demonstrate a higher interest in insurance participation. This disparity might be attributed to the generally lower financial awareness among women, as suggested by research from Bucher-Koenen et al. (2016) and Tinghög et al. (2021). Moreover, Luciano et al. (2016), investigated variances between traditional life insurance contracts and term life insurance contracts, finding consistently lower rates of insurance coverage among women compared to men across all scenarios analyzed.

Socio-demographic variables, including gender, are often seen as moderators in the relationship between attitudes and behaviors, a concept established by Fishbein et al. (1980). This moderation effect is frequently observed in customer research. For instance, Ltifi et al. (2016) examined the factors influencing Islamic bank selection, assessing the moderating effect of demographic characteristics. Their study revealed a significant relationship between bank availability, service quality, confidence, Shari'ah compliance, and the gender of the customer, with these factors being more pertinent for women. Additionally, Warsame and Ireri (2016) found that the impact of gender on the relationship between bank reputation and awareness of Islamic financial services and marketing was significantly more pronounced for females than males.

In the context of Saudi Arabia, a region where male dominance in social structures is prevalent, understanding these gender differences is crucial for tailoring marketing strategies and product offerings, especially in the insurance sector. According to Fishbein et al. (1980), socio-demographic variables are potential moderators in the dynamic between attitudes and behaviors. Nysveen et al. (2005) and Gitimu (2013) further emphasize that gender influences not only attitudes and cognition but also affective responses and buying behaviors. Echoing this, Lo et al. (2011) observed that men have a heightened interest in insurance participation, while other studies (Gudjonsson et al., 2022) suggest that women possess less financial awareness compared to men. Therefore, within the frameworks of the Theory of Planned Behavior (TPB) and the FSE, it is hypothesized that a household's FSE, which reflects perceived ability and confidence, plays a more significant role in predicting behavioral intentions among men than women. Hence, the proposed hypothesis is that gender moderates the relationship between FSE and behavioral intention, with this relationship being stronger for household males than for females. See Figure 1 for the proposed conceptual model.

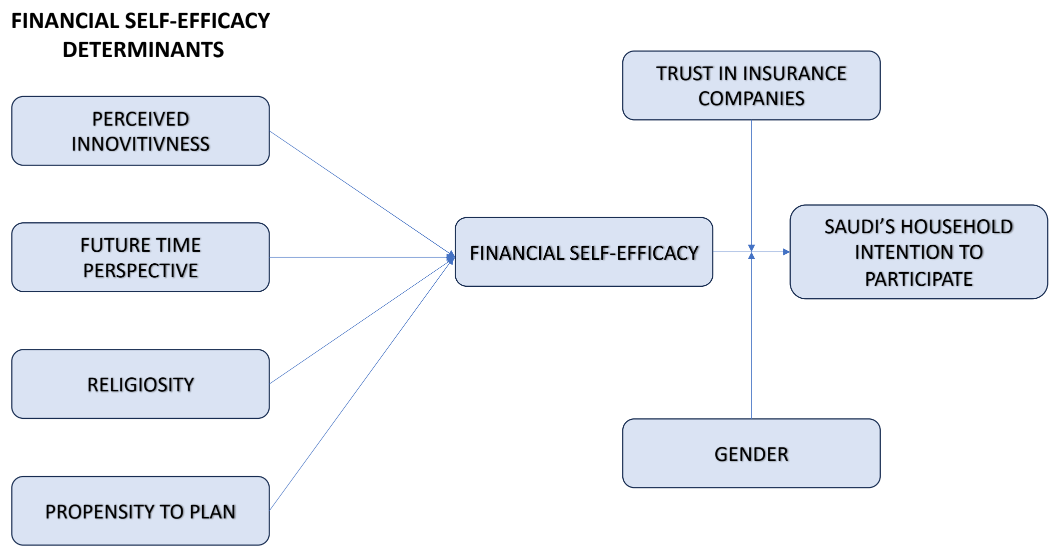

Figure 1. Proposed Conceptual Model.

DISCUSSION AND CONCLUSION

The conceptual framework presented in this paper seeks to address significant gaps in the existing literature by exploring the determinants of FSE and their influence on Saudi households' intention to participate in P&S insurance. This model integrates psychological determinants, such as Future Time Perspective (FTP), perceived innovativeness, religiosity, and propensity to plan, along with the moderating roles of trust in insurers and gender. Our discussion underscores the implications of these factors on financial behavior and decision-making, especially in the context of Islamic finance.

Our model advances the understanding of financial behavior by delving into the psychological underpinnings of FSE. We argue that factors like FTP, perceived innovativeness, and religiosity directly influence the household's FSE. The inclusion of trust and gender as moderators offers a nuanced perspective on how external factors and individual differences shape financial decisions. This comprehensive approach is crucial in understanding the low participation rates in P&S insurance among Saudi households.

The linkage between FTP and FSE is particularly intriguing. Our hypothesis suggests that households with a high FTP are more likely to exhibit strong FSE, underpinning the notion that a future-oriented mindset translates into effective financial planning and decision-making. This finding could have significant implications for financial education and policy interventions, emphasizing the need to foster a long-term view of financial matters. Our model also proposes that a household's perceived innovativeness in financial products, such as P&S insurance, positively correlates with FSE. This relationship implies that innovative financial products that align with modern financial needs and ethical standards can bolster consumer ability and confidence and potentially increase participation in such schemes.

Given the cultural context of Saudi Arabia, the role of religiosity emerges as a crucial determinant of FSE. Our framework suggests that deeply ingrained religious values and practices can significantly influence financial behaviors, including the decision to participate in Islamic financial products like P&S insurance.

The propensity to plan is posited as a critical factor influencing Saudis' household FSE. This aspect underscores the importance of not just goal setting but also habitual behaviors and attitudes towards financial management, suggesting that enhancing one's planning propensity could lead to better financial outcomes. This planning mindset fosters a sense of preparedness and control over financial futures, thereby influencing the decision to engage with financial products like P&S insurance.

The trust in financial institutions, particularly insurers, is hypothesized to play a moderating role between the household's FSE and their intention to participate in P&S insurance. The level of trust could either facilitate or hinder this relationship, indicating the importance of building and maintaining trust in the financial sector. Additionally, exploring gender as a moderator could reveal how cultural and societal norms impact financial decisions differently for men and women. In conclusion, the moderating roles of trust in insurers and gender add layers of complexity to the model, highlighting the importance of considering these factors in understanding and predicting households' behavior in the context of Islamic finance. The interplay of these moderators with FSE and other psychological determinants provides a richer, more nuanced understanding of the factors that drive Saudi households' intentions to participate in P&S insurance.

IMPLICATIONS FOR FINANCIAL EDUCATION AND POLICY

The insights gained from our conceptual model are invaluable for shaping financial education initiatives and policymaking. By tailoring financial advice and education programs to specifically address the psychological factors identified in our model, such as Future Time Perspective, perceived innovativeness, religiosity, and the propensity to plan, these programs can become more effective in enhancing household Financial Self-Efficacy. This targeted approach in financial education could bridge the gap between knowledge and application, ensuring that households not only understand financial principles but are also equipped to apply them in real-world scenarios.

In the realm of policymaking, the model's findings highlight the need for policies that are sensitive to the cultural and psychological nuances of the target demographic. For instance, in the Saudi context, integrating principles of Islamic finance and respecting cultural values related to religiosity can increase the relevance and effectiveness of financial policies and products. Policies designed with an understanding of trust dynamics and gender-specific financial behavior can lead to more inclusive financial environments. This is particularly crucial in encouraging the participation of more households in schemes like Protection & Savings insurance.

Additionally, the model suggests that fostering a long-term view of financial matters through education and policy interventions can significantly impact household financial decision-making. Financial institutions and policymakers could focus on developing innovative financial products that align with the evolving financial needs and ethical standards of households. Such products, backed by trust-building measures and gender-sensitive approaches, can enhance consumer confidence and drive up participation rates in financial schemes like P&S insurance. Moreover, the emphasis on planning propensity in our model indicates the need for policies and educational programs that encourage proactive financial behaviors. This could include initiatives to promote regular savings, budget management, and long-term investment planning. By enhancing the propensity to plan through both education and policy, households can be better prepared to manage their financial futures, contributing to overall financial stability and resilience.

FUTURE RESEARCH DIRECTIONS

Our conceptual framework opens avenues for empirical research to validate the proposed relationships. Future studies could focus on quantitatively assessing the impact of these determinants on FSE and the intention to participate in P&S insurance. Such research is vital for deepening our understanding of financial behavior in the context of Islamic finance and for developing targeted interventions to improve financial outcomes.

In conclusion, this paper underscores the complexity of financial decision-making and the need for a holistic approach that integrates psychological, socio-demographic, and cultural factors.

Understanding these dynamics is crucial for fostering effective financial behaviors, particularly in the context of Islamic financial products.

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