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# TABLE of CONTENTS

<b>TAX AVOIDANCE AND MANAGEMENT FRAUD IN MALAYSIAN PUBLIC LIMITED COMPANIES: CONCEPTUAL PAPER</b> Roshidah Safeei	<b>1 -13</b>
<b>RELIGIOSITY AND ATTITUDE INFLUENCE ON MUSLIMS' INTENTION TO VISIT HOMESTAYS IN SABAH, MALAYSIA</b> Azrin Jalasi <sup>1</sup> & Sylvia Nabila Azwa Ambad <sup>2</sup>	<b>14 -28</b>
<b>MEDICAL HEALTH INSURANCE: A CROSS-SECTIONAL STUDY OF FACTORS ASSOCIATED WITH THE FINAL YEAR UNDERGRADUATE STUDENT'S INTENTION</b> Muhammad Danial Kamarulzaman <sup>1</sup> , Mohd Nazir Rabun <sup>2*</sup> & Mustaqim Mohd Halim <sup>3</sup>	<b>29 - 41</b>
<b>APPLICATION OF GOLDEN RATIO IN INCREASING THE APPEAL OF PROPORTIONS IN DESIGN</b> Azmir Mamat Nawi <sup>1</sup> , Wan Zaiyana Mohd Yusof <sup>2</sup> , Hafeezur Rahman Mohd Yassin <sup>3</sup>	<b>42 - 48</b>
<b>THE DOMINANT OF VALUES AND LIFESTYLES (VALS) BETWEEN GENERATIONS IN MALAYSIA</b> Ahmad Subhi Zolkafly	<b>49 - 57</b>
<b>CASHLESS SOCIETY IN CAMPUS: STUDENT'S USAGE AND LEVEL OF AWARENESS</b> Nurul Azwa Binti Abdul Rais <sup>1</sup> , Noorezatty Mohd Yusop <sup>2</sup> , Syamila Nabilah Binti Sabtu <sup>3</sup> , Nur Elya Ezzaty Binti Shamsul Bahrin <sup>4</sup>	<b>58- 66</b>
<b>A STUDY OF STUDENTS' PERCEPTION OF ONLINE LEARNING CLASSES BASED ON MARS MODEL IN UITM SEREMBAN 3 CAMPUS</b> Muhammad Akif Zakwan Amir <sup>1</sup> , Abdul Hakim Mat Luwi <sup>2</sup> , Farah Adilla Ab Rahman <sup>3</sup>	<b>67 - 80</b>
<b>THE DOMINANT TRAITS FOR WOMEN TO BECOME ACADEMIC LEADERS IN HIGHER EDUCATION INSTITUTIONS: A CONCEPT PAPER</b> Nur Idayu Badrolhisam <sup>1</sup> , Nur'Ain Achim <sup>2</sup> & Norhayati Omar <sup>3</sup>	<b>81- 90</b>
<b>THE INFLUENCE OF CUSTOMER INCIVILITY TOWARDS DEVIANT BEHAVIOUR: A CASE STUDY OF CASUAL RESTAURANT FRONTLINE EMPLOYEES IN THE KLANG VALLEY, MALAYSIA</b> Tasnimul Islam <sup>1</sup> & Fahmi Sarin <sup>2</sup>	<b>91 -99</b>
<b>ASSESSING USAGE OF METACOGNITIVE ONLINE READING STRATEGY AND ITS RELATIONSHIP WITH STUDENTS' COMPREHENSION ACHIEVEMENT IN THE NEW NORM</b> Saripah Anak Sinas <sup>1</sup> , Suthagar A/L Narasuman <sup>2</sup> and Sandra Phek-Lin Sim <sup>3</sup>	<b>100 - 115</b>
<b>INFLUENCING FACTORS OF CUSTOMER LOYALTY IN THE MALAYSIAN AIRLINE INDUSTRY USING STRUCTURAL EQUATION MODELLING (SEM)</b> Haslinda Ab Malek <sup>1</sup> , Nurhamiza Haris <sup>2</sup> , Siti Sara Wendri <sup>3</sup> , Sharifah Najihah Syed Faisal <sup>4</sup> & Isnewati Ab Malek <sup>5</sup>	<b>116 - 128</b>
<b>THE ACCEPTANCE OF ISLAMIC DEPOSIT PRODUCTS AMONG NON-MUSLIM BANK CUSTOMERS IN MALAYSIA</b> Nurul Afidah Mohamad Yusof <sup>1</sup> , Khoo Siew Teng <sup>2</sup> , Khor Siew Yi <sup>3</sup> , Teh Shu Yi <sup>4</sup> , Webster Ho Min Zhang <sup>5</sup> , and Wong Soon Seng <sup>6</sup>	<b>129 - 141</b>

<b>MEASURING THE VALUE ADDED INTELLECTUAL CAPITAL ON FINANCIAL PERFORMANCE: A CASE OF MALAYSIAN GREEN TECHNOLOGY COMPANIES</b> Noor Sharida Badri Shah <sup>1</sup> & Noor Azuddin Yakob <sup>2</sup>	<b>142 - 157</b>
<b>THE MEDIATING ROLES OF CRITICAL PSYCHOLOGICAL FACTORS TOWARDS THE RELATIONSHIP BETWEEN JOB CHARACTERISTICS AND JOB OUTCOMES: A CONCEPTUAL FRAMEWORK</b> Emi Normalina Omar <sup>1</sup> , Nur Atiqah Rochin Demong <sup>2</sup> , Lailatul Faizah Abu Hassan <sup>3</sup> , Narehan Hassan <sup>4</sup> , Anisah Alwi <sup>5</sup>	<b>158 - 168</b>
<b>A STUDY ON THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION TOWARDS SERVICE QUALITY IN A THREE-STAR HOTELS IN PERLIS</b> Nurul Labanihuda Abdull Rahman <sup>1</sup> , Syaza Syahirah Samsul <sup>2</sup> , Muhammad Shyazzwan Ibrahim Brian <sup>3</sup> , Nurul Izzati Idrus <sup>4</sup>	<b>169 - 181</b>
<b>A CONCEPTUAL FRAMEWORK FOR ENTREPRENEURIAL PERSONALITY AND ENTREPRENEURIAL POTENTIAL TRAITS FOR TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) STUDENTS IN MALAYSIA</b> Norffadhillah Rofa <sup>1</sup> , Rohana Ngah <sup>2</sup>	<b>182 - 197</b>
<b>HOW GOOD IS SOCIAL EQUALITY IN THE PENINSULAR MALAYSIA; A CROSS-SECTIONAL STUDY AMONG BUMIPUTERA COMMUNITY</b> Mohd Nazir Rabun <sup>1</sup> , Abdul Jalil Mohamed Ali <sup>2</sup> & Nuraisyah Chua Abdullah <sup>3</sup>	<b>198 - 210</b>
<b>THE IMPLEMENTATION OF MARKOV CHAIN TO PREDICT MARKET SHARE SMARTPHONE CUSTOMERS IN SURABAYA DURING PANDEMIC COVID-19</b> Hilyatun Nuha <sup>1</sup> , Wiwin Widiasih <sup>2</sup> & Mustofa Wahyu Romadon <sup>3</sup>	<b>211 - 225</b>
<b>PEMBANGUNAN KEUSAHAWANAN ASNAF BERDASARKAN KERANGKA NLP: SATU KAJIAN AWAL</b> Abd Latif Abdul Rahman <sup>1</sup> , Zuraidah Arif <sup>2</sup> , Zati Atiqah Mohamad Tanuri <sup>3</sup> , Hasniza Hassim <sup>4</sup> , Che Halimah Hassan <sup>5</sup> & Norazliza Amil <sup>6</sup>	<b>226- 234</b>
<b>ANALYSIS OF PRODUCT DESIGN IN DEVELOPING LEARNING AIDS FOR DYSLEXIC CHILDREN</b> Siti Nur Solehah <sup>1</sup> , Wan Noor Faaizah <sup>2</sup> , Hasnul Azwan Azizan <sup>3</sup>	<b>235- 249</b>



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## **MEDICAL HEALTH INSURANCE: A CROSS-SECTIONAL STUDY OF FACTORS ASSOCIATED WITH THE FINAL YEAR UNDERGRADUATE STUDENT'S INTENTION**

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### ABSTRACT

Medical and health insurance is crucial nowadays than it ever was. Lifestyle of people keep on changing from time to time in their daily activities. Malaysian government has taken a step forward regarding the health insurance by planning in launching insurance scheme for its people that have difficulties in paying the premium. However, the level of awareness and inclination towards medical health insurance was still at its lowest level. Thus, the study tries to examine the medical health insurance intentions among final year students and its correlated variables between knowledge, social influence, financial literacy and product attributes factors. Relationships between these factors were examined and analysed. Results shows that all factors are found to correlate significantly with their level of medical health insurance intentions. Surprisingly, findings found that most of the students had a high level of medical health insurance intentions. This study is crucial in increasing the awareness and intention of final year students to purchase medical health insurance after they have graduated from the universities..

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## **1. Introduction**

Medical health insurance is a serious issue around the world since its prevalence is undeniable. According to the previous results of inadequate health care in the United States of America (USA), there were 45,000 Americans die due to lack of insurance (Wilpers et al., 2009). In a more recent statistics, it was reported that there were around 30.4 million people lacked health insurance coverage in 2018 (Cohen et al., 2018). This is to say that people who have lacked insurance coverage were uninsured for a time or were underinsured in 2018. This recent result is supported by the former USA president, Barack Obama who pleaded to the citizens of the USA in the 2009 State of Union Address, stating that lack of insurance causes a bankruptcy in America every thirty second. This statistics is based on the study conducted by Himmelstein (2005) which also found that 62.1 percent of consumer bankrupts is caused by medical expenses. This situation has provided a clear image of the impact of not having health insurance on the people. In addressing the issue, the most developed nation like the USA is also considered at a critical level of people who have lacked insurance coverage.

In the Philippines, Emami (2010) stated in the World Health Organization (WHO) report revealed that even with Philhealth (SHI) reimbursements and public provision and funding of care, out-of-pocket expenditures still become the major source to fund health care services costs. This situation also added with uncovered treatment; medicines, laboratory tests, and other procedures that is not available in the public hospital. Before this occurrence, this report found that the people are forced to purchase the services and medicines needed outside the public hospital and of course when the patients went to the private sector health care they cannot claim reimbursement under Philhealth, which means to pay the service they need to pay out-of-pocket. The impact of not having insurance can be seen around the countries even in a well-developed country such as the USA. This gives the signal that the level of awareness of having health insurance is still low globally even though the outcome of not having health insurance is significant. In order to make them realize the significance of having insurance, there is a saying by Oliver Gaspirtz, "Getting life insurance is like making a bet you cannot win. If you live, you don't get the money. If you die, you don't get to enjoy the money".

The government has not overlooked the importance of life and medical health insurance. This can be seen through the implementation of National Key Economic Areas (NKEA), which through Financial Services area, the government has initiated to raise insurance penetration rate of 2.8

percent of Gross Domestic Product (GDP) to 4 per cent by 2020, and current 54 percent of population insured to increase to 75 percent by that year (Economic Transformation Programme Report ,2014). Besides the effort by the government, this statistical data also exposes the serious low level of policy penetration in our country considering other countries which have high level of policyholders across the population. The President of National Association of Malaysian Life Insurance and Family Takaful Advisors (NAMLIFA) James Bong has pointed out that in Taiwan, the percentage is about 260 percent, which reveals that each person holds two policies to say the least (Borneo Post, September 30, 2016). He further told that despite the country's population which are around 25 million people, 300,000 insurance agents has registered whereas Malaysia has barely 85,000 insurance industry players, worsen by the fact that only 80 percent of the latter are considered active. In addition to that, according to the Bank Negara Malaysia (BNM) (2017), it reported that over half of the country's population at about 54 per cent to 56 per cent are still insured. This signifies as low compared to developed countries, such as Singapore which recorded more than 80 percent penetration rate.

From the changing of demographic landscape, it also has significant implications for healthcare financing. With the ageing population and medical inflation, total expenditure on healthcare is on the rise. Malaysians today live longer and have fewer children. As anticipated by BNM (2007) by the year 2020, the percentage of the population above the age of 60 years is estimated to more than double to 16 percent of the population, from only 7 percent in 2000 as specified by Mohd Razif bin Abd Kadir, Deputy Governor of the Central Bank of Malaysia.

Essentially, pertaining the above issue mentioned, it has drawn the primary objectives of this present study which are to examine level of students' intention to have medical health insurance and the correlations between its antecedents. The methodology, discussion and conclusion at the end of this study are also presented.

## **2. Literature Review**

### **2.1 Medical Health Insurance**

The Private medical health insurance plays significant role in health care financing system in developing countries (Aliza, 2012). She found that several studies have figured out that medical health insurance can lead to increase in health system performance and enhancing the individual accountability. Health insurance is considered more reactive and competent to stun future

challenges. It will also provide easy access to health care that is better in terms of quality and protection. Furthermore, it brings financial alternatives for people in the fight against catastrophic events. Griffin (1992) as cited in Aliza (2012) views that mentioned the main concept of insurance is sharing the unexpected health care cost risk and it transformed to fixed premium. Insurance also gives extensive range of coverage for individual and the future result is, it can expand health status and individual wellbeing.

The demand for insurance products has grown rapidly over the last ten years in Malaysia, which has been mentioned by Chong et al., (2015). They perceived that, insurance has become a critical foundation of earning in the global in nowadays (Li et al., 2007). The gist of "demand" in economics can be clarified as want and ability to acquire the product or services. In his study, the demand of life insurance will be the dependent variable and respondent will use Malaysian currency, which is Ringgit Malaysia (RM) to buy life insurance policy as cited from Mahadzhan and Victorian (2013). Not only that, demand for life insurance has been verified with different types of model done by previous researchers. As viewed by Beck and Webb (2003), life insurance has lowered the demand in developing countries because of the differences in economic development compared with developed countries. Previously, people purchased life insurance because it will leave certain amount to the beneficiaries so that they are able to pay the cost of funeral of the insured. Nowadays, life insurance has turn out to be a necessity in people's life. When involving the study of the demand for life insurance is problematic due to some reasons such as purchaser standpoints toward life insurance, the social structure of the country, and the government's funds to help those needy and aged. Hwang and Greenford (2005) perceived these factors as essential part towards the life insurance demand.

The same goes to medical health insurance demand since life insurance is not very much different from the medical health insurance. Medical health insurance is an instrument in which a individual defends himself from the financial loss because of accident and or disability. Even though disability is not ensured, its significant effect to the society is that the condition of illness in health arising from the disease or injury that happened to the individual will prevent the person from executing his normal routine of living such as working. Earlier, as mentioned by Knight (1921), uncertainty is one of the fundamental facts of life. This is the reason why people will pursue medical health insurance as it is necessary not because as a want but as need to their life and as protections against uncertainty

## **2.2 Knowledge**

According to Deloitte (2011), it can be seen that the reason why people do not have medical health insurance is due to knowledge factor where those people are not aware or have little knowledge regarding the importance in having medical health insurance in today's world. Another study conducted by Prudential Research Study in the year of 2012 to 2013 found out that having little knowledge makes the people that do not have insurance a little less confident in meeting their financial goals. As suggested by Life Insurance Association (2011), these individuals require advices from professionals before making wise decision in subscribing insurance. In addition, according to Costich (2015), health insurance literacy consists of four building blocks which are reasonable level of both literacy and numeracy, willingness to invest as much time in health insurance decision as in other major purchases, ability to contemplate the possibility of a range of family health events, and understanding of personal financial status (e.g., resources to support high deductible).

In relation to this, lack of knowledge about insurance is one of the crucial obstacles in subscribing insurance since there is no exposure regarding importance of insurance by these people's friends, family and relatives to keep them aware of existence and the vitality in having insurance (Sarwar and Qureshi, 2013). Bhat and Jain (2006) also pointed out that it is crucial in building greater awareness among non-buyer of medical health insurance to increase the probability that can lead the behaviour to buy health insurance. Based on the above notion, it can be understood that they are trying to emphasize on the gist for increasing the awareness among people that capable in subscribing health insurance policy. Similarly, in India, knowledge and awareness of the people regarding medical health insurance can be said the most important factor to purchase health insurance. Little numbers of studies have been done to identify the causes that contribute to the low penetration of medical health insurance in the country (Bhat and Jain, 2006). Previous study by Yin et al., (2010) demonstrates that a number of studies have reported the correlation between knowledge and medical health purchase intention. Jeddi and Zaiem (2010) also found that the level of knowledge provides some impact on customers' intention. Meanwhile, based on the research conducted by Deloitte (2011), it is found that the reason why people do not subscribe health insurance is due to knowledge factor where those people do not aware or only have little knowledge concerning the importance of having health insurance in their life. Therefore the following hypothesis is proposed:



H1: There is a significant correlation between knowledge and final year students intention to have medical health insurance

### **2.3 Social Influence**

Social influence includes the peer effect, family, insurance agent and other social interactors (Benjamin et al., (2014). These social interactors is considered as one of the important aspects, which influence the demand on health insurance among persons. In Ulbinate, Kucinkiene and Moullec (2013) research, they mentioned that social influences and health insurance demand showed positive relationship between these two.

Furthermore, social influence as expressed by Rashotte (2006) is the process by which individuals make real changes to their feelings and behaviours as a result of interaction with others who are perceived to be similar, desirable, or expert. People adjust their beliefs with respect to others to whom they feel similar in accordance with psychological principles. Individuals are also influenced by the majority. When a large portion of an individual's referent social group holds a particular attitude, it is likely that the individual will adopt it as well. Additionally, individuals may change an opinion under the influence of another who is perceived to be an expert in the matter at hand. Therefore the following hypotesis is proposed:

H2: There is a significant correlation between social influence and final year students' intention to have medical health insurance

### **2.4 Financial Literacy**

Financial literacy aids individuals by increasing their level of understanding on financial matters, which allows them to process financial information and make better decisions regarding personal finance (Bhushan & Medury, 2013). McCormack et al., (2009) proposed that basic financial literacy would influence a person's selection of insurance and the use of the health care system. In another study, Mahdzan and Victorian (2013) hypothesized that financial literacy would have a significant impact on life insurance demand because more knowledge on financial matters will assist individuals in making better financial plans and well-informed decisions on the allocations of their financial resources. Yusuf, et al., (2009) also stated that the status of education in Nigeria has significant effect towards the life insurance. People who are highly educated are more conscious towards life insurance compared to less educated ones. In addition, Li et al., (2007) examined the effect of education level on the purchase of life insurance through cross section data for 30 Organisation for Economic Co-operation and Development (OECD) countries between

1993 and 2000. They indicated that people with high are more conscious of the welfares of health and life insurance, and these people will be easier to obtain the insurance from bank or financial intermediaries compared to the people with low levels of education. This goes accordingly to Sarwar and Qureshi (2013) that lack of insurance knowledge is one of the most important barriers in purchasing health and life insurance, which include the respondents lack of awareness about it due to the fact that no close social members has purchased health insurance. Therefore the following hypotesis is proposed:

H3: There is a significant correlation between financial literacy and final year students' intention to have medical health insurance

## **2.5 Product Attributes**

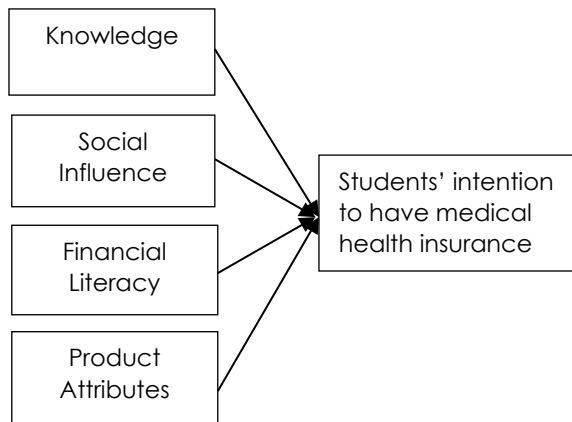
Wang (2010) stated that product attributes are considered as one of the factors that influence the demand of life insurance. Life insurance and health insurance are the same except the term use and its coverage that differs from each other but it is still in the same context of insurance since objectives of each other is the risk aversion. According to Chong e.t al. (2015) product attributes in life insurance such as death benefit, risk coverage, premium price, premium flexibility, investment benefit, firms' financial strength and advertising will influence insurance purchasing. This bringing out the meaning that people will look into the attributes of the product, which is the insurance policy before making the decision to purchase it or not based on the attributes of the insurance that the purchaser would gain from it.

Furthermore, Zietz (2003) demonstrated that there is a negative relationship between premium price and demand of insurance. However, Hwang and Greenford (2005) stated that price is not the key factors in their research target area, because of the low level of marketing strategy and benefits. This statement is supported by Browne et al., (2000) that detects the relationship between these variables because the premium of insurance is considered as a part of daily expenses. Therefore, a lower premium price is expected to encourage the demand for life insurance. This study also explained that a consumer's decision regarding purchasing or not from a particular company could still be directly influenced by the perceived price and benefits. The same goes to Beck and Webb (2003); Zietz (2003). They supported the previous result that the price level is negatively affecting the demand of life insurance. Another research conducted in Africa found out that the demand for insurance services was reduced when the premiums need to be paid in immediate cash payments. Sinha (2002) also found that the rural customers such as farmers would

pay a lump sum of premium during the harvest seasons. However, for the urban customers, they will normally get a small sum of money regularly, and this caused premium flexibility to be a significant factor to be considered when they wanted to purchase life insurance. Therefore the following hypothesis is proposed:

H4: There is a significant correlation between product attributes and final year students' intention to have medical health insurance

In this current context, the study employed the previous reports of Chong et al. (2014) & Benjamin et al., (2014). as the basis of the correlations which congregate amongst the variables. The knowledge, social influence, financial literacy & product attributes factors are the determinants that can influence the final year students intention to have medical health insurance. Figure 1 shows the conceptual framework of the study.



*Figure 1: Conceptual Framework of the Study*

### **3. Methodology**

This is a quantitative with a cross sectional study. This study tries to examine the final year students' level of intention to have medical health insurance and its correlated factors. A self-administered questionnaire was distributed to 400 respondents via the purposive sampling method. The main criterion is that the respondents must be the final year undergraduate students. The final year students were selected as the respondents' future ability to subscribe the medical health insurance after graduating from the university as well as about entering the working environment and workplace risks. Previous study by Okunnu and Fadeyemi (2007) demonstrated that university

students were found aware of having medical insurance as they perceived it could protect them in term of financial insecurity. In addition, findings found that most of the respondents think it is necessary to take medical insurance policy.

Of this, 195 questionnaires were complete and used for analysis of data, constituting a valid response rate of 75%, exceeding the threshold by Hair et al., (2010) and Roscoe (1975). These scholars noted that a sample size of between 30 and 500 is appropriate. The constructs in this study were measured by using 5 points Likert scales as drawn from the existing studies of Chong et al. (2014) & Benjamin et al. (2014). Those gathered data are then analyzed using descriptive and correlation analysis.

#### **4. Results**

##### **4.1 Descriptive and the Correlational Analysis among the Study Variables**

Table 1 explains the Cronbach alpha values respectively. Cronbach alpha was employed to determine reliability. As the values are between 0.60 and 0.91, the high reliability of each construct is indicated. Table 2 illustrates the level of final year students intention to have medical health insurance and all the determinants: knowledge, social influence, financial literacy & product attributes. Based on the reported result it showed that most students were found to have high level of intention on health insurance (M= 3.92, SD= 3.92).

Furthermore, Table 1 shows the results from Pearson correlation analysis between the study variables. It was found that knowledge, social influence, financial literacy & product attributes were significantly related to the level of final year students intention to have health insurance ( $r=.646$ ,  $p<0.05$ ;  $r=.432$ ,  $p<0.05$ ;  $r=.554$ ,  $p<0.05$ ;  $r=.381$ ,  $p<0.05$  respectively). Therefore, it can be concluded that this study's second objective was achieved with all its developed hypotheses.

*Table 1:  
Summary of Mean(M), Standard Deviation (SD) and Correlational Among the Study Variables*

<b>No.</b>	<b>Variable(s)</b>	<b>M</b>	<b>SD</b>	<b>Cronbach's Alpha</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	Level of Intention to have Medical Health Insurance	3.92	3.90	0.910	-				
<b>2</b>	Knowledge	-	-	0.600	<b>.646*</b>	-			

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3	Social Influence	-	-	0.700	<b>.432*</b>	-
4	Financial Literacy	-	-	0.670	<b>.554*</b>	-
5	Product Attributes	-	-	0.800	<b>.381*</b>	-

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## 5. Discussion

The purpose of the present study was two-fold. The primary purpose was to examine the level of students intention to have medical health insurance. These results indicated that most of the final year students had a high level of intention to have medical health insurance. This goes significantly with the previous study by Aliza (2012) who claimed medical health insurance plays a decisive role in health care financing system in developing countries. She found that several studies have discovered that medical health insurance can lead to increase in health system performance and enhancing the individual accountability. Health insurance is more reactive and competent to stand future challenges as well as provide easy access to health care with better quality and protection. Furthermore, it brings financial alternative for people confronting catastrophic events. Insurance also can expand health status and individual wellbeing as it gives extensive range of coverage for individual. The second purpose was to determine the correlations. The findings reported that there were significant correlations between knowledge, social influence, financial literacy & product attributes and students intention to have health insurance. The present results are in line with the previous findings of Yin et al., 2010; Jedi and Zaiem (2010); Ulbinaite et al., (2013); Liu, et al., (2014). Mahdzan and Victorian (2013); Browne et al., (2000). The most probable reasons could be the final year students are knowledgeable and need to have more information regarding health insurance since they have many thoughts and perspectives about the importance of health insurance. They belived that health insurance purchase should be part of their financial planning in their early career that among others include marriage, accommodation, transport, savings, loans and investment.

## 6. Conclusion

In this current study, results showed that most of the students' intention to to have medical health insurance was reported to be at the high level. Results revealed that most of the students' intentions to have medical health insurance correlated with the knowledge, social influence, financial literacy & product attributes. These findings are significant contributions to the existing literature, but several limitations of the present study need to be highlighted. First, it was conducted using only 195 respondents from the undergraduate final year students at UiTM Cawangan

Selangor, Kampus Puncak Alam. Consequently, the results might be enriched if the number of respondents and campuses are increased. Second, the present study only relies on the instruments deployed by selected previous studies which were specifically developed for measuring behavioral intention. More contextual factors that affect the intention such as financial strength, legal factors, life expectancies & environment safety, demographic influence can be incorporated in understanding why there are many and low level of medical health insurance intention in future studies. Future research is also encouraged to test the moderating and mediating to test the present model.

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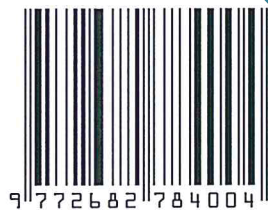
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