TAKAFUL AWARENESS IN MALAYSIA: AN EMPIRICAL STUDY ON THE INFLUENCE OF KNOWLEDGE, FINANCIAL STATUS, AND SOCIAL FACTORS

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Abstract:

This paper examines the factors influencing Takaful awareness among Malaysian residents, with a focus on knowledge, financial status, and social influences. Using a quantitative survey method, data were collected from 384 respondents and analyzed through regression and correlation techniques to assess the impact of these variables on Takaful awareness. The findings indicate that both knowledge and social factors significantly affect awareness, highlighting the role of education and social dynamics in shaping consumer perceptions. Additionally, financial status emerged as a critical determinant, showing that individuals' economic conditions greatly influence their awareness and engagement with Takaful products. The results suggest that Takaful awareness extends beyond financial literacy, emphasizing the importance of social networks and communal knowledge exchange. The study also underscores the need to improve financial conditions, particularly in lower-income regions, to enhance participation in Takaful schemes. This analysis contributes to existing literature by exploring the combined effects of knowledge, financial status, and social factors on Takaful awareness. The findings provide actionable insights for Takaful managers and marketers, suggesting that strategies focused on public knowledge enhancement and community outreach could increase Takaful penetration. Educational campaigns and efforts to mitigate financial barriers are recommended to boost consumer engagement. Overall, this study offers a comprehensive framework

for understanding the key drivers of Takaful awareness and provides practical recommendations for improving its adoption across Malaysia.

Introduction

Takaful, an Islamic alternative to conventional insurance, has gained significant prominence in the Malaysian financial landscape. The rapid growth of the takaful industry in Malaysia can be attributed to the increasing demand for Shariah-compliant financial products among the Muslim population, as well as the efforts of the government and regulatory bodies to promote this industry (Daod et al., 2019). The importance of takaful cannot be overstated, as it provides a Shariah-compliant alternative to conventional insurance that aligns with the principles of Islamic finance. Takaful offers a unique risk-sharing mechanism that promotes social solidarity and mutual assistance among the Muslim community (Kasim et al., 2016; Qian & Darman, 2023). Its growth has significant implications for the development of the Islamic financial sector in Malaysia and the broader acceptance of Islamic financial products among the population.

Takaful provides financial protection against contingent risks such as premature death, disability, and critical illness that can disrupt a family's financial stability, especially when the primary breadwinner is affected (Ghani & Lambak, 2018). In the event of such unforeseen circumstances, the family's savings and financial well-being can be severely compromised, exposing the spouse and children to the risk of insufficient funds for living and severe financial hardship (Yakob et al., 2019). Therefore, these contingent risks must be properly managed through the systematic approach of purchasing a takaful plan to minimize the negative impact on the family's financial security. However, the level of awareness and understanding of takaful among the Malaysian community remains a critical factor in the industry's continued expansion (Abdullah, 2018).

Recent statements by the Deputy Finance Minister highlight that public awareness of the importance of having takaful and insurance protection is still low, with 60 percent of the nation's population lacking adequate takaful or insurance coverage for emergencies (Malay Mail, 2023). Despite the government's efforts to promote takaful as a viable alternative to conventional insurance, the prevailing perception remains that insurance is not essential or relevant to their financial planning. This misunderstanding contributes to the underutilization of takaful, which can provide essential financial protection against unforeseen events such as illness or accidents. Moreover, the lack of tailored marketing strategies and educational initiatives further exacerbates this problem, preventing the broader population from recognizing the importance of takaful in their financial well-being. The challenge lies in addressing these awareness gaps and effectively communicating the unique advantages of takaful, particularly its compliance with Shariah principles, to foster greater acceptance and participation among Malaysian consumers.

Existing research suggests that the limited awareness and understanding of takaful among Malaysian consumers is a significant obstacle to the further growth and development of the industry (Hassan et al., 2018). This lack of awareness can be attributed to various factors,

including the complexity of takaful products, the limited financial literacy of the public, and the cultural and religious factors that influence consumer perceptions of insurance-related services (Ali et al., 2019). To address this gap, this study aims to provide a comprehensive understanding of the key determinants of takaful awareness in Malaysia, examining the influence of consumers' knowledge, financial conditions, and social factors in shaping their familiarity and perceptions of this Islamic financial service.

Research Objectives
The purpose of this quantitative study is to identify the factors influences takaful awareness among Malaysian Residents. The primary objectives of this study are:

Firstly, to investigate the level of awareness and knowledge about takaful among Malaysian consumers.

Secondly, to examine the impact of consumers' financial conditions, such as income, savings, and financial literacy, on their understanding and engagement with takaful.
Thirdly, to analyze the role of social factors, including peer influence, cultural norms, and religious beliefs, in shaping takaful awareness and participation.

Literature Review
The importance of takaful awareness cannot be overstated, as it is a crucial factor in the continued growth and success of the takaful industry in Malaysia. Raising awareness and understanding of takaful among the Malaysian community is essential to promote the uptake of these Shariah-compliant insurance products and ensure their widespread adoption. Past literature indicates that the level of knowledge and awareness of takaful among Malaysian consumers is still relatively low compared to conventional insurance (Ismail et al., 2023).

Knowledge is seen as a factor that has a huge impact on influencing takaful ownership. This is due to the development of acquired knowledge and being more sensitive to the environment. Education allows a person to be more aware of the importance of having a personal, family, financial protection and so on. Education is significant in influencing takaful demand (Hassan et al, 2018; Wahab& Tajudin, 2019; Sang et al, 2020; Hassan et al, 2022). It is declared that the customer's awareness of the existence of a new product in the market is the first procedure in the decision-making process for items purchased (Abd Latib et al, 2024). Additionally, customers' understanding of how insurance can meet their needs and improve their lives influences their decisions to purchase takaful. As a result, insurance providers need to inform and advertise their products to future customers.

Other study examined the awareness and knowledge of takaful among Malaysian consumers and found that there is a significant lack of understanding about the differences between takaful and conventional insurance (Khairi et al., 2020). Many consumers still perceive takaful as being similar to conventional insurance, with limited knowledge about the Shariah-compliant principles and risk-sharing mechanisms that underlie the takaful model. This lack of understanding can hinder the further growth and development of the takaful industry, as it may lead to misconceptions and hesitation among consumers to participate in these Islamic financial services. Previous studies have explored the determinants of takaful awareness and participation in Malaysia (Ghani & Lambak, 2018) . Their findings suggest that knowledge,

religious beliefs, and trust in the takaful provider are significant predictors of takaful participation.

In addition to knowledge, an individual's financial condition can also influence their awareness and participation in takaful. Financial condition and income levels have been identified as important determinants of takaful participation. Individuals with more robust financial positions are more likely to possess the necessary resources and capacity to invest in takaful products, whereas those facing financial constraints may be less inclined to do so. Past papers explored the impact of financial conditions on takaful awareness (Ghani & Lambak, 2018; Ali et al., 2019; Khairi et al., 2020). Specifically, previous studies have found that individuals with higher income levels, greater savings, and higher financial literacy tend to have a stronger awareness and understanding of takaful. Research suggests that financial literacy, income, and savings levels are important determinants of takaful awareness and participation (Aziz et al., 2017). Individuals with higher financial literacy and income levels tend to have a better understanding of takaful and are more likely to participate in these Islamic insurance products (Sherif & Hussnain, 2017).

Furthermore, research indicates that social determinants, including cultural traditions, religious convictions, and peer influence, significantly shape takaful awareness and participation among Malaysian individuals (Ghani & Lambak, 2018; Qian & Darman, 2023; Khairi et al., 2020; Nasir et al, 2021). The influence of social factors, such as the role of family, friends, and community, in shaping individual perceptions and decisions regarding takaful products has been highlighted in several studies. Individuals may be more likely to consider takaful products if they receive positive recommendations or endorsements from their social networks. Besides, study on the factors influencing the purchase intention of takaful products among Malaysian Muslims also revealed that social influence is one of the key factors that drive the takaful awareness and participation (Ismail et al., 2023).

In conclusion, examining the interplay between knowledge, financial conditions, and social factors is critical to understanding the dynamics of the takaful industry in Malaysia and developing effective strategies to promote the uptake of these Shariah-compliant insurance products.

Research Method
The researcher chooses a quantitative method in this study due to its emphasis on empirical evaluation through numerical measurements and analysis. Primary data was collected via online questionnaires. Data is categorized into two types: primary and secondary. In this research, primary data was gathered using an online survey, specifically through an online questionnaire. All the prepared questionnaires were distributed to random residents in Malaysia. The sample size, calculated using the Krejcie and Morgan (1970) formula, is 383, while the total sample size indicated by the Krejcie and Morgan (1970) table for the population size is 384. The researcher employed simple random sampling, a type of probability sampling where participants are randomly selected from the population of Malaysia residents. The target population consists of a specific group of individuals in Malaysia who are of interest to the researcher.

The study involves a random selection of 384 residents from Malaysia. The Google Form used for data collection is divided into five sections: Part A, Part B, Part C, Part D, and Part E. Part A covers demographic segmentation, which includes characteristics such as age, gender, education level, marital status, employment status, and household income. Part B focuses on family Takaful awareness, addressing the independent variables in the study. Part C examines the dependent variable of knowledge, which influences Takaful awareness. Part D discusses financial conditions, another dependent variable affecting family Takaful awareness. Finally, Part E looks at social factors as the third dependent variable influencing family Takaful awareness among Malaysia residents.

The questionnaires utilized Likert scales in these sections. The anticipated sample size for the study is 384 respondents, with a pilot study already conducted, involving 39 participants. This pilot study was designed to test the validity of the survey that will be utilized in the subsequent chapter. Once the respondents are identified, the data will be analyzed using SPSS to assess the validity of both the questionnaire and the data collected. Cronbach's Alpha will be used to measure reliability, with values between 0.6 and 0.8 considered acceptable, reflecting the trustworthiness of the survey and data.

Both nominal and ordinal data were used as variable types in this study. This approach was chosen to ensure the collection of more accurate data needed to complete the research. The nominal scale was applied to qualitative variables where the numbers have no inherent mathematical meaning. In contrast, ordinal variables, used for quantitative variables, are arranged in a specific order or rank. This ordinal scale represents the second level of measurement, building upon nominal variables, and organizes responses based on levels of satisfaction, from least to most satisfied. Data analysis and interpretation were carried out using the statistical software SPSS. Descriptive analysis, reliability testing, and Spearman correlation analysis were employed to analyze, customize, and identify patterns between various data factors.

Research Finding

Table 1
Profile of Respondents

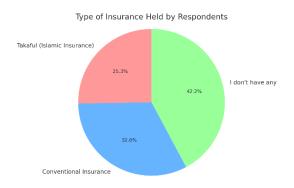| Respondent profile	Classification	Frequency N = 384	Percentage (%)
Gender	Male	139	36.2
	Female	245	63.8
Age	20-30	216	56.3
	31-40	130	33.9
	41-50	33	8.6
	51 and above	5	1.3
Educational Level	Certificate SPM	85	22.1
	Diploma	106	27.7
	Bachelor's degree	176	45.8
	Others	17	4.4
Religion	Muslim	325	84.6
	Non-Muslim	59	15.4
Marital Status	Single	155	40.4

	Married	218	56.8
	Divorced	11	2.9
Employment Status	Student	98	25.5
	Self-employed	41	10.7
	Private sector employee	132	34.4
	Government sector employee	77	20.1
	Housewife	28	7.3
	Retired	8	2.1
Total Household Income	Below RM1000	116	30.2
	RM1001-RM3000	114	29.7
	RM3001-RM5000	129	33.6
	RM5001-RM7000	23	6.0
	More than RM7001	2	0.5
What are the most serious problems that you are afraid of?	Health	135	35.2
	Fire	20	5.2
	Accident	229	59.6
Have you ever known about insurance?	Yes	374	97.4
	No	10	2.6
What type of insurance do you have?	Takaful (Islamic Insurance)	97	25.3
	Conventional Insurance	125	32.6
	I don't have any	162	42.2

The demographic profile of the study's respondents reveals a diverse sample in terms of gender, age, education, religion, and employment status. Among the 384 participants, a majority were female (63.8%), with males constituting 36.2%. The age distribution shows a predominance of younger adults, with 56.3% aged between 20 and 30 years, while older age groups are less represented. Educationally, most respondents hold a Bachelor's degree (45.8%), followed by those with a Diploma (27.7%) and Certificate SPM (22.1%).

A significant majority are Muslim (84.6%), reflecting the predominant religious demographic in Malaysia, with non-Muslims making up 15.4%. Marital status indicates that most participants are married (56.8%), with singles at 40.4%, and a small percentage are divorced (2.9%). Employment status is varied, with private sector employees (34.4%) and students (25.5%) being the largest groups, while self-employed individuals and government sector employees constitute smaller proportions. Regarding household income, 33.6% of respondents earn between RM3001 and RM5000, with 30.2% earning below RM1000. Health concerns are the most significant fear for 35.2% of participants, followed by accidents (59.6%) and fire (5.2%).

The majority of respondents are familiar with insurance (97.4%), though 42.2% do not have any insurance coverage. This pie chart in Figure 1 illustrates the distribution of insurance types held by respondents, with 42.2% of participants reporting no insurance, 32.6% having conventional insurance, and 25.3% holding Takaful (Islamic insurance). This demographic overview provides a comprehensive understanding of the respondents' backgrounds and highlights key factors influencing their engagement with insurance products.

Figure 1
Type of Insurance Held by Respondents

Besides, Table 2 presents the correlation coefficients among four variables: Awareness about Takaful, Level of Knowledge, Financial Condition, and Social Factors, based on a sample of 384 respondents. Spearman's rho was used to measure the strength and direction of the relationships between these variables. The results reveal a strong positive correlation between Awareness about Takaful and the Level of Knowledge (r = .845, p < .01), indicating that higher awareness is associated with greater knowledge about Takaful. Similarly, there is a significant positive correlation between Awareness about Takaful and Financial Condition (r = .765, p < .01), suggesting that better financial conditions are associated with higher awareness.

Awareness about Takaful also correlates positively with Social Factors (r = .578, p < .01), albeit to a lesser extent. The Level of Knowledge is strongly correlated with Financial Condition (r = .785, p < .01) and Social Factors (r = .638, p < .01), implying that increased knowledge is associated with improved financial conditions and more favorable social factors. Financial Condition and Social Factors also exhibit a strong positive correlation (r = .687, p < .01), indicating that better financial conditions are related to more supportive social factors. All correlations are statistically significant at the 0.01 level, highlighting robust relationships among the variables.

Table 2
Correlations Analysis

			Takaful Awareness	Knowledge	Financial Condition	Social Factors
Spearman's rho	Takaful Awareness	Correlation Coefficient	1.000	.845**	.765**	.578**
		Sig.(1-tailed)	.000	.000	.000	.000
		N	384	384	384	384

Level of Knowledge	Correlation Coefficient	.845**	1.000	.785**	.638**
	Sig.(1-tailed)	.000	.	.000	.000
	N	384	384	384	384
Financial Condition	Correlation Coefficient	.765**	.785**	1.000	.687**
	Sig.(1-tailed)	.000	.000	.000	.000
	N	384	384	384	384
Social Factors	Correlation Coefficient	.578**	.638**	.687**	1.000
	Sig.(1-tailed)	.000	.000	.000	.000
	N	384	384	384	384

**. Correlation is significant at the 0.01 level (1-tailed).

Findings of the Result

Table 3
Findings

Hypothesis	Results	Findings the Data of Analysis
H1: There is a significant relationship between knowledge and the awareness of family Takaful among residents in Malaysia	$r = 0.845$ $p = 0.000$ substantial	H1 is accepted
H2: There is a significant relationship between financial condition and the awareness of family Takaful among residents in Malaysia	$r = 0.765$ $p = 0.000$ substantial	H2 is accepted
H3: There is a significant relationship between social factors and the awareness of family Takaful among residents in Malaysia	$r = 0.578$ $p = 0.000$ substantial	H3 is accepted

The analysis results indicate that all three hypotheses regarding the awareness of family Takaful among residents in Malaysia are supported. Specifically, a significant and substantial positive relationship was found between knowledge and awareness of family Takaful ($r = 0.845$, $p < 0.01$), between financial condition and awareness ($r = 0.765$, $p < 0.01$), and between social factors and awareness ($r = 0.578$, $p < 0.01$). These findings confirm that higher levels of knowledge, better financial conditions, and more favorable social factors are all associated with increased awareness of family Takaful.

Conclusion

The primary objective of this study was to identify the factors influencing family Takaful awareness among residents of Malaysia. Through extensive analysis of survey data, it has been established that knowledge, financial conditions, and social factors significantly impact Takaful awareness. As a conclusion, it is recommended that Takaful management and staff enhance their efforts in promoting and educating the community about Takaful to leverage these influential factors effectively and improve overall awareness.

Acknowledegment

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