

Educational Approach to Foster Knowledge and Understanding of Takaful among Malaysians

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ABSTRACT

Takaful, an Islamic insurance concept, is crucial for financial planning, yet many Malaysians remain unaware of its benefits and functionalities. Hence, this study explores an educational approach to enhance the knowledge and understanding of Takaful, particularly among Malaysian citizens. The research targets a sample of 500 Malaysian respondents, selected through random sampling techniques to ensure a broad representation. The data will be collected using an online survey questionnaire, focusing on respondents' knowledge and understanding of Takaful concepts and principles. Structural Equation Modeling (SEM) will be employed to analyze the data of this study. The findings will provide insights into the current level of Takaful knowledge among Malaysians and identify key areas where educational interventions could be most effective. This study also aims to contribute to the broader adoption of Takaful by equipping the Malaysian population with the necessary knowledge to make informed financial decisions in line with Islamic principles. By prioritizing Takaful education, Malaysia can strengthen its position as a leader in Islamic finance and promote a deeper understanding of *Shariah*-compliant financial products.

Keywords: Knowledge, Understanding, Takaful, Educational Approach

INTRODUCTION

The concept of Takaful, an Islamic alternative to conventional insurance, has gained significant attention in Malaysia, a country with a predominantly Muslim population. According to [1], both conventional and Takaful products may appear similar in terms of the coverage they offer, but the underlying processes involved in these two types of insurance are fundamentally distinct. Takaful operates on the principles of mutual assistance and shared responsibility, aligning with many Malaysians' ethical and religious beliefs [2]. Takaful primarily revolves around the pooling of funds contributed by individuals through premium payments, enabling them to collectively share the financial burdens of losses or damages experienced by fellow Takaful participants. In contrast, conventional insurance is not permissible in Islam due to its association with *gharar* (uncertainty), *riba* (interest), and *maisir* (gambling). This is in line with [3] by which Takaful is the only insurance product free from prohibited elements and is the best alternative introduced to conventional insurance.

Nowadays, the Takaful market has witnessed substantial growth and the emergence of new competitors following the introduction of *Shariah*-compliant products. As a vital component of Islamic financial services, Takaful made a substantial contribution of \$27.6 billion to the global market in 2021 [4]. The data clearly illustrates that the Takaful market has experienced growth over time, both on a global scale and within Malaysia. This growth is evident through the significant increase in the Compound Annual Growth Rate (CAGR) and the number of takaful operators operating worldwide as well as in Malaysia. As per the Islamic Finance Development Report 2020, the assets within the Islamic finance industry increased from US\$2.5 trillion in 2018 to US\$2.8 trillion in 2019, reflecting a 3% growth [5].

However, despite its potential, Takaful remains underrepresented among Malaysians compared to conventional insurance. This is evident from [6], the market penetration for Takaful was 18.6%. It showed that the level of knowledge and understanding of Takaful remains limited among Malaysians. Consequently, fostering knowledge and understanding of Takaful through educational initiatives is essential to increase its uptake and integrate it into the broader financial system in Malaysia. Therefore, to increase the penetration rate of Takaful in Malaysia which currently remains low, it is pertinent to understand the public especially Muslims' predicament in opting for Takaful products.

This deficiency is attributed to a lack of targeted educational programs and insufficient integration of Takaful topics within the broader financial education framework. Moreover, cultural and religious factors, coupled with misconceptions about Takaful, further hinder its understanding among the general public. This gap is partly due to the insufficient educational efforts tailored to explain Takaful's unique benefits and principles. Education plays a pivotal role in bridging this gap by enhancing public knowledge and shaping perceptions about Takaful, which could lead to broader acceptance and adoption. This is supported by [3] and [7] that education can play a significant role in understanding the purpose and benefits of Takaful. Hence, the Takaful operators should create awareness among Malaysian consumers regarding Takaful products to penetrate the market. This paper seeks to explore the educational approaches necessary to foster greater knowledge and understanding of Takaful among Malaysians. By examining the existing gaps in knowledge and proposing strategies for effective educational interventions, this study aims to contribute to the sustainable growth of the Takaful industry in Malaysia.

LITERATURE REVIEW

Research by [3] and [8] reveals a significant lack of knowledge and awareness of Takaful among Malaysian consumers, with many respondents, including non-Muslims, being unfamiliar with key Islamic principles such as the prohibition of interest, uncertainty, and gambling in insurance practices. There may be a clear absence of consumer-motivated reasons to own insurance products and services if customers are unaware of the fundamentals and complexity of the goods and services they are interacting with [9]. On the other hand, the study by [10] found that 88% of respondents believe Bruneians need more exposure and education on Takaful products. It also highlighted that limited educational programs and low education levels contribute to poor participation in Takaful services. Although the findings on the level of knowledge about Takaful among the public is relatively good, it should still be enhanced further by introducing various techniques through education that could be used to increase the level of knowledge as knowledge is a crucial element for the development of a person or a society [11].

[9] found in his study the respondents have limited knowledge and understanding but with acceptable awareness levels, of the advanced products and services. This implies that pertinent information about the technical aspects of the products was not explained to customers in the way it should have been. It is believed that the future of the takaful industry is dependent on industry players who must take a more active role in educating their customers and regulators while enhancing discipline in their activities. On the other hand, the agents are in charge of educating both Muslims and non-Muslims about Takaful and helping their clients in any situation about their financial security [12]. This is in line with [13] whereby agents are responsible for educating the public about the primary purpose of Takaful products and the importance of securing financial protection for their heirs.

Meanwhile, [14] discovered awareness understanding, and experience have an impact on Takaful involvement. Besides, knowledge is the ability to anticipate and identify something or someone based on one's background of experience and education, encompassing information, facts, and skills. An individual's knowledge can encompass both practical and theoretical understanding. According to [15], many potential customers compare Takaful products with conventional insurance products. The knowledge of the differences between both products is important because it allows customers to compare the better alternatives before opting for a protection policy [16]. Therefore, having a good knowledge and understanding of both options allows individuals to make informed choices based on their beliefs, preferences, and financial goals.

The role of education in enhancing knowledge and understanding of financial products, including Takaful, is well-documented. [17] highlight that education plays a crucial role in increasing awareness, with higher education levels correlating with a greater understanding of Takaful. According to [18], education is key to

helping people understand the purpose and benefits of Takaful. The government should prioritize educating the younger generation, as education fosters rational thinking and informed decision-making. In the context of Takaful, several studies have emphasized the importance of targeted educational programs that address the unique principles and benefits of Takaful, particularly in predominantly Muslim countries like Malaysia [18]; [19]. [19] highlights that despite the growing interest in Takaful, the public's understanding remains limited, primarily due to a lack of comprehensive educational efforts. The study underscores that education is essential not only in raising awareness but also in correcting misconceptions about Takaful, which often stems from a lack of clarity on its principles compared to conventional insurance. Meanwhile, [20] further explores the factors influencing consumer preferences for Takaful products, noting that educational interventions are critical in increasing the appeal of Takaful by demonstrating its alignment with Islamic values and its practical benefits. The researchers argue that integrating Takaful education into the broader financial literacy curriculum could significantly enhance understanding and adoption rates.

THE CONCEPTUAL FRAMEWORK

The conceptual framework for this study is designed to investigate the relationship between educational interventions and the knowledge and understanding of Takaful among Malaysians. The framework is structured around the key educational interventions proposed: Takaful curriculum integration, Takaful pocketbook, utilizing digital platforms for Takaful education, and mobile applications. These interventions are hypothesized to influence the level of understanding and awareness of Takaful, ultimately leading to a greater acceptance and adoption of Takaful products.

A. Takaful Curriculum Integration

One of the challenges in the Islamic finance industry in general (including Takaful) is the lack of adequately trained human resources [21]. The challenge can only be overcome by producing more qualified people through the educational system. However, in the process of integrating Takaful into the academic curriculum of higher learning institutions, it is important to ensure that the learning outcomes of the Takaful courses are in line with what the industry needs. This is because there is a phenomenon where there are graduates of Islamic finance qualifications (including Takaful) who find difficulties in getting jobs within the industry due to the following reasons [22].

A review of the literature suggests that education is crucial in raising public understanding of the ideas and values behind takaful. Integrating Takaful courses into university and training institute curricula is considered a crucial and effective method to boost public awareness and expand Takaful's market share. This could involve creating modules that cover the principles of takaful, its benefits, and its differences from conventional insurance. Hence, spreading the message of takaful through the educational system has been scientifically proven as an effective way to increase public awareness of takaful concepts and principles. It also implies that integrating takaful courses into the academic curriculum of universities and training institutes across countries where takaful is in existence is believed to be a very important and effective way to enhance public awareness and thus market share of takaful [18];[19]. Thus, this study hypothesize that:

H1: Takaful curriculum integration significantly enhances the knowledge and understanding of Takaful among Malaysians.

B. Takaful Pocketbook

The Takaful pocketbook serves as an accessible educational tool that outlines the principles and workings of Takaful. According to [23], the pocketbook is compact enough to fit in a pocket, making it convenient for students to carry it anywhere and read whenever they choose. By providing clear definitions and examples, the pocketbook can help individuals grasp the differences between Takaful and conventional insurance, thereby reducing misconceptions that Takaful is merely a *Shariah*-compliant version of insurance. The Takaful pocketbook is an innovative educational tool designed to enhance public understanding of Takaful by providing easily accessible and concise information about its principles, benefits, and applications. This pocket-sized resource serves as a practical guide, offering readers a quick reference to key concepts in Islamic insurance,

which is particularly useful in regions where Takaful is still gaining traction. Besides, the pocketbook was designed to raise awareness of Shariah-compliant insurance practices in Malaysia by providing essential knowledge [24]. The objectives of the pocketbook are: i) to offer the public a platform to access information about Takaful; (ii) to protect consumers from engaging in conventional insurance products; (iv) to guide participants in selecting and managing Shariah-compliant Takaful plans; and (v) to recommend best practices for adopting Shariah-compliant insurance processes. Accordingly, this study would hypothesize that:

H2: The Takaful pocketbook significantly enhances the knowledge and understanding of Takaful among Malaysians.

C. Utilizing Digital Platforms for Takaful Education

In the rapidly evolving digital age, utilizing online platforms for Takaful education has become an increasingly effective strategy to enhance public awareness and understanding of Islamic insurance. Digital platforms, including websites, social media, e-learning modules, and mobile applications, offer a wide reach and convenience, making them ideal tools for disseminating information about Takaful to diverse audiences. Thus, Takaful operators need to pay full attention to the digitalization strategy and take advantage of consumers' evolving behaviour [25]. By adopting digitalization strategies, it will not only encourage productive innovation that will drive costs down but at the same time, improve the quality of service to customers. One of the key advantages of digital platforms is their ability to provide accessible, interactive, and engaging content. For example, e-learning modules can break down complex Takaful concepts into manageable lessons, allowing users to learn at their own pace. These modules can include multimedia elements like videos, quizzes, and infographics, which cater to different learning styles and make the content more relatable [26]. In addition, social media is another powerful tool in Takaful education. Platforms like Facebook, Instagram, and YouTube can be used to run targeted awareness and knowledge campaigns, share educational videos, and host live Q&A sessions with experts. These activities not only help in spreading knowledge but also in addressing common misconceptions and answering queries directly from the public. A study by [27] found that social media campaigns significantly increased the understanding and interest in Takaful and counted as an integral part of marketing strategy, leading to a paradigm shift in this area. Accordingly, this study hypothesize that:

H3: Utilizing Digital Platforms for Takaful Education significantly enhances the knowledge and understanding of Takaful among Malaysians.

D. Mobile Applications

Mobile applications have emerged as a pivotal tool in enhancing public knowledge and understanding of Takaful, providing users with convenient access to educational resources and personalized information on Islamic insurance. As smartphones become ubiquitous, mobile apps offer an effective platform for disseminating Takaful education to a broad audience, including tech-savvy younger generations and individuals in remote areas. There has been significant attention on mobile shopping apps, but research on the use of mobile apps specifically for Takaful services remains limited. This gap highlights the need for further studies to explore how mobile technology can enhance the accessibility, understanding, and adoption of Takaful products. [28] also suggested making use of technology in Takaful, as the number of smartphone users increases over time. Thus, promoting the Takaful market and creating Takaful awareness via smartphone advertising, also known as mobile advertising, may help to increase the penetration rates. [29] in their study suggested that takaful operators identify and adopt fintech that could influence positively customer experience and optimize cost efficiency. The Takaful operators need to remain competitive in a fast-changing business environment. Hence, this study hypothesize that:

H4: Mobile Applications significantly enhance the knowledge and understanding of Takaful among Malaysians.

METHODOLOGY

A. Research Design and Data Collection

This study employed a quantitative research design, utilizing primary data collected through an online survey questionnaire. The questionnaire was designed to capture respondents' knowledge and understanding of Takaful

as well as their exposure to various educational interventions. The items in the questionnaire were adapted from previous studies on Takaful education, ensuring relevance to the current research context. The data collection process involved an online survey, which allowed for efficient and broad distribution among the target population.

B. Sampling and Sample Size

The population in this study is assumed to be the Malaysian respondents. Then, the sample will be selected using random sampling techniques to ensure a representative distribution across different demographic groups, including age, gender, education level, and geographic location. This approach was chosen to generalize the findings to the broader Malaysian population. [30] and [31] minimum appropriate number of samples size depending on the model of complexity and basic measurement model is 100. Hence, for this study, the data were gathered from 500 Malaysian respondents after taking into consideration that 100% returnable and completion of questionnaires was highly unlikely [30].

C. Data Analysis

The data collected through the online survey were analyzed using Structural Equation Modeling (SEM), a statistical technique that allows for the examination of complex relationships between observed and latent variables. SEM was chosen due to its ability to assess the impact of multiple educational interventions simultaneously while accounting for measurement errors. The analysis involved several steps:

1. **Measurement Model:** Confirmatory Factor Analysis (CFA) was conducted to validate the measurement model, ensuring that the constructs were accurately represented by the questionnaire items.
2. **Structural Model:** The structural model was then tested to evaluate the hypothesized relationships between educational interventions and the knowledge and understanding of Takaful.
3. **Model Fit:** The overall fit of the model was assessed using various indices such as the Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA) to ensure the robustness of the findings.

The results of the SEM analysis provided insights into the effectiveness of the different educational interventions in enhancing Takaful knowledge and understanding among Malaysians, thereby contributing to the broader objectives of this study.

CONCLUSION

In conclusion, this study underscores the critical role of targeted educational interventions such as integrating Takaful into educational curricula, utilizing digital platforms, developing accessible resources like pocketbooks, and leveraging mobile applications are effective strategies to bridge the knowledge gap and promote Takaful as a viable alternative to conventional insurance. Moreover, to implement these findings and strengthen Malaysia's position as a global leader in Islamic finance, institutions, and government bodies, particularly the Ministry of Education, must take proactive steps. For example, the Ministry should prioritize the integration of Takaful education into the national curriculum at various educational levels, from secondary schools to higher education institutions. This will ensure that future generations are well-informed about Shariah-compliant financial products and their benefits, fostering a deeper understanding and wider acceptance of Takaful.

Besides, the government should collaborate with Takaful operators and industry stakeholders to develop comprehensive digital learning platforms and mobile applications that can reach a broader audience. The Ministry of Education also can work with financial institutions to distribute Takaful pocketbooks in schools, universities, and public libraries, providing an easy-to-understand resource that explains the principles and advantages of Takaful. These initiatives will not only promote a deeper understanding of Shariah-compliant financial products among Malaysians but also position Malaysia as a leading hub for Islamic finance education and innovation on the global stage. By fostering a well-informed public, the government can drive the growth of the Takaful industry and contribute to the overall development of the Islamic finance sector in Malaysia and

beyond.

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