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Awareness of Takaful Ownership among the Kuala Klawang Community: Challenge or Opportunity?

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Abstract: The Takaful industry in Malaysia has grown rapidly in line with the development of the Islamic banking industry. This development offers an alternative approach to Islamic risk management and control. The study aims to examine the impact of financial, attitude, and knowledge towards the awareness of Takaful among the Kuala Klawang district, Jelebu community. The findings of the study obtained through the distribution of a questionnaire of 90 respondents were analyzed and focused on correlation and regression analysis. The result of the study shows a moderate correlation between financial, attitude, and knowledge towards takaful awareness. Takaful is a reliable financial instrument offering guaranteed and safe protection.

Keywords: *Takaful, awareness, finance, attitude, knowledge*

1. Introduction

One of the strategies in risk management in terms of reducing uncertainty risk is known as takaful. Takaful is also one of the appropriate financial instruments for more guaranteed and safe protection. The strength of takaful and its uniqueness lies in providing Sharia-based protection to an individual or household if faced with the risk of uncertainty in the financial context such as accidents, illness, death, and so on. The concept of takaful has been developed into a tradable protection scheme. Various takaful plans and packages are offered to meet the increasingly complex human protection needs.

The Takaful industry plays a crucial role in maintaining the financial well-being of individuals and communities. Despite the positive growth of the takaful industry in the country, less than half of the Malaysian population is covered by takaful. The level of awareness among the Malaysian population regarding takaful is still low with only 40% having the protection of takaful according to the Deputy Minister of Finance 1 (2023). Furthermore, the lack of awareness of takaful ownership is seen not only among the poor and low-income communities but also involves all levels of society in Malaysia. Among B40 communities, even though there are affordable takaful offers introduced, they still put the takaful option as the second option in fulfilling it because they are more likely to prioritize their income in meeting basic needs and other ancillary needs. This problem is in line with Thaidi et al (2022), where the result shows that disease and the economic downturn make the less able community need protection and help. In the meantime, screening services in the private health sector are quite expensive to perform subsidized screening while government clinics or hospitals require a relatively long procedure. This problem is in line with Abdul Rahim & Che Saperiz (2021) where the results show that disease and the economic downturn make the less able community need protection and help. In the meantime, screening services in the private health sector are quite expensive to perform subsidized screening while government clinics or hospitals require a relatively long procedure.

According to the Governor of Bank Negara Malaysia (BNM), it shows a large number of Malaysians are still 'short-term minded' regarding financial management. This is due to the attitude of Malaysians who do not care about managing financial risks and facing unexpected situations. This becomes more serious to face disease threats and a challenging economic climate. The level of awareness about takaful is seen to be related financially. In addition, according to the Credit Counselling and Management Agency (AKPK), it shows that most Malaysians are forced into debt when they need money to face an emergency. Therefore, the objective of this study is to examine whether finances, attitude, and knowledge have a significant influence on Takaful awareness among the community in the district of Kuala Klawang, Jelebu.

2. Literature Review

Overview of Takaful

Yaari (1965) stated in the Theory of Consumer - Uncertain Lifetime, Life Insurance by Marshal and Fisher that both were aware of the uncertainty of survival but for one reason or another they did not expound on how a consumer might be expected to react to this uncertainty if he is to behave "rationally". Arlan and Abdullah (2024) found that awareness significantly influences the acceptance of Takaful. Awareness is about the customer's understanding of a particular product, service, or situation (Rogers, 1995). This can help customers choose products in their decision-making during the buying process (Raza, Ahmed, Ali and Qureshi, 2019). Hassan et al. (2018) state that insurance nowadays is no longer a luxury but rather a necessity. Takaful operators should create awareness among Malaysian consumers about Takaful products to penetrate the market. This is supported by researchers Xu, Prybutok, and Blankson (2019) also found that consumer awareness significantly influences purchasing decisions. Previous studies have shown that there is prejudice against those who choose not to invest in Takaful and a poor understanding of it (Hassan and Abbas, 2020).

Moreover, good financial management refers to how an individual can make an adequate expenditure distribution that can make payments on any form of financing loans (Fan & Babiarz, 2019), which is also supported in a study conducted by Yusoff et al. (2021). Poor financial management contributes to financial problems that may persist and will affect life in the future. According to a previous study conducted by Meerangani & Mad Zin (2022), the study stated that the financial factor was a barrier. This is where, in the survey conducted, most respondents agreed that their financial situation is a major obstacle to producing a tainted product. Therefore, it needs to be properly maintained for comfort and quality of life. In the meantime, based on a freelance study conducted by Sang et al. (2020), stated that the level of financial knowledge among Malaysians is low. Therefore, many people in Malaysia are plagued by problems related to the failure of financial planning and errors in managing finances. This causes them to be unable to understand the function and importance of takaful protection.

Additionally, the Oxford Learner's Dictionary explains that attitude is a way of thinking and feeling about someone or something. Attitude is also said to be the way an individual behaves towards another individual, or it can also be said about something that shows how the individual thinks and feels (Oxford, 2021). According to a study conducted by Md. Jusoh and Jaafar (2019), it is the opinion that the ownership of this takaful plan will protect them from unwanted things happening and that it is a good financial planning step. The study also stated that the majority of respondents had a positive attitude towards the ownership of this takaful plan. However, according to a recent study by Meerangani & Mad Zin (2022), the level of acceptance was moderately high among civil servants who owned takaful because they still did not know about the benefits and importance of takaful to themselves.

According to a previous study conducted by Awang et al. (2022), the results of the findings showed that the respondent's level of knowledge about the product's protection is at a moderate level because there are still some individuals who do not pay attention to the services provided by the company. Furthermore, according to a previous study conducted by Md. Jusoh & Jaafar (2019), the level of education and knowledge on takaful awareness is moving in parallel. Highly educated consumers are more aware of the benefits of having takaful coverage that has long-term savings and can avoid incurring losses.

3. Methodology

This study used a correlational research design to investigate the relationships between finances, attitudes, and knowledge toward takaful awareness. The research is designed as a descriptive study, employing structured questionnaires as the primary data collection tool. The sample was drawn from the Kuala Klawang district's population of 40,000, using a purposive sampling method. Based on Tabachnick & Fidell (2013) formula, a sample size of 90 respondents was deemed appropriate. The questionnaire includes a five-point Likert scale to capture the intensity of respondents' financial, attitudes, and knowledge towards takaful awareness.

Data analysis was conducted using the Statistical Package for Social Sciences (SPSS) Version 27.0. The Pearson Correlation method was applied to determine the strength and direction of the relationships between the

dependent variable (takaful awareness) and the independent variables (financial, attitudes, and knowledge). This analysis provided the degree to which each factor influenced the level of takaful awareness among respondents. Additionally, Multiple Regression Analysis was employed to examine the predictive power of each independent variable on the dependent variable. This technique allowed the study to assess the relative impact of financial, attitudes, and knowledge on takaful awareness, providing a more comprehensive understanding of how these factors interact. The findings suggest that all three factors financial, attitudes, and knowledge significantly contribute to variations in takaful awareness, reinforcing the importance of these variables in shaping public understanding and acceptance of takaful. Arlan and Abdullah (2024) found that awareness significantly influences the acceptance of Takaful.

4. Findings and Discussion

All the data was analyzed using several statistical methods, which included descriptive analysis of variables and correlation analysis. Descriptive data analysis is used in this study to explain the age, gender, race, status, and income of respondents among the residents of Kuala Klawang, Jelebu.

Table 1: Demographic Characteristics

Demographic	Category	Frequencies	Percentage (%)
Age (years)	20 - 25	23	25.6
	26 - 30	19	21.1
	31 - 35	10	11.1
	36 - 40	15	16.7
	41 - 45	8	8.8
	45 and above	15	16.7
Gender	Male	38	42.2
	Female	52	57.8
Race	Malay	78	86.7
	Chinese	9	10.0
	Indian	3	3.3
Status	Married	47	52.2
	Single	36	40.0
	Others	7	7.8
Employment	Unemployed	22	24.4
	Student	24	26.7
	Self-employed	9	10.0
	Retired	20	22.2
	Private sector	11	12.3
	Government sector	4	4.4
Income (RM)	No income	13	14.4
	Less than 500	12	13.3
	501 - 1000	7	7.8
	1001 - 2000	5	5.6
	2001 - 3000	32	35.6
	Above 3000	21	23.3

Based on Table 1 the demographic distribution of respondents shows that the majority aged are in the group of 20-25 years (23.0%). In terms of gender, 38.0% of the respondents are male, while 52.0% are female, indicating that there are more female respondents compared to male respondents in this study. Ethnically, 78.0% of respondents are Malay, 9.0% are Indian, and 3.0% are Chinese. It indicates that the majority of respondents are Malay, and the study reflects a multicultural community. Regarding marital status, 47.0% of respondents are single, 36.0% are married, and 7.0% have other statuses, showing that there are more single respondents than married. Income distribution shows that 12.0% of respondents earn below RM 500, 7.0%

earn between RM 501 – RM 1000, 5.0% earn between RM 1001 – RM 2000, 32.0% earn between RM 2001 – RM 3000, and 21.0% earn more than RM 3000, while 13.0% have no income. It indicates that the majority of respondents have an income between RM 2001 – RM 3000. In terms of employment, 22.0% of respondents are unemployed, 24.0% are students, 9.0% are self-employed, 20.0% are retirees, 11.0% work in the private sector, and 4.0% work in the government sector. It shows that the majority of respondents in this study are students.

Table 2: Correlation Analysis with Awareness of Takaful

Independent Variables	*r*	*p*
Financial Status	0.447	< 0.001
Attitude	0.472	< 0.001
Knowledge	0.550	< 0.001

The analysis reveals a significant positive correlation between financial and awareness of takaful ($r = 0.447$, $p < .001$). According to the relationship strength metrics outlined by Davis (1971), the correlation between financial and takaful awareness is considered moderate. The positive Pearson correlation suggests that as individuals' financial status improves, their awareness of takaful also tends to increase. It indicates that financial stability plays a notable role in enhancing awareness of takaful within this community, although the relationship is not exceptionally strong.

Furthermore, a significant positive relationship was observed between attitude and awareness of takaful ($r = 0.472$, $p < .001$). Based on the strength of the relationship as described by Davis (1971), this correlation is classified as moderate. The positive Pearson correlation coefficient implies that individuals with more favorable attitudes towards takaful exhibit higher levels of awareness. This finding underscores the importance of attitudes in influencing awareness levels, suggesting that cultivating a positive attitude towards takaful may significantly enhance awareness among individuals.

Finally, a significant positive correlation between knowledge and awareness of takaful ($r = 0.550$, $p < .001$). According to Davis (1971) criteria for relationship strength, this correlation is deemed strong. The positive Pearson correlation indicates that increased knowledge about takaful corresponds with higher levels of awareness. This suggests that enhancing individuals' knowledge about takaful is crucial for raising overall awareness. It emphasizes the role of education and information dissemination in fostering a better understanding of takaful within the community.

Overall, these findings highlight the relationship between all the variables, financial, attitude, and knowledge towards the awareness of takaful. The moderate to strong correlations suggest that financial resources, positive attitudes, and increased knowledge each contribute to greater awareness of takaful. Addressing these factors through targeted educational and promotional efforts could significantly improve takaful awareness in Kuala Klawang, Jelebu.

Table 3: Multiple Linear Regression

Dependent variable	Independent variable	β	BETA	t	Sig.
Awareness of Takaful (Y)	Constant	1.176		2.269	0.026
	Financial Status (X_1)	0.271	0.211	2.214	0.029
	Attitude (X_2)	0.172	0.217	2.192	0.031
	Knowledge (X_3)	0.299	0.355	3.524	0.001
R^2	0.392				
F	89.160				
Sig F	0.000				

The findings presented in Table 4.2 demonstrate that 39.2% of the variance in takaful awareness ($R^2 = 0.392$) is explained by three key factors: financial, attitude, and knowledge. The data in Table 4.2 also reveals a highly significant F-statistic ($F = 18.468$) and a p-value of 0.000, well below the conventional alpha threshold of 0.01. This indicates that the slope of the linear regression model is not equal to zero, confirming the appropriateness and robustness of the linear regression models proposed in this study.

The regression analysis suggests that the level of takaful awareness (Y) is significantly influenced by the three independent variables: financial (X1), attitude (X2), and knowledge (X3). Each of these factors plays a crucial role in shaping the level of awareness among the residents studied. This relationship is quantitatively expressed through the following regression equation:

$$Y = 1.176 + 0.271(X1) + 0.172(X2) + 0.299(X3)$$

The coefficients for this equation provide the degree to which each variable contributes to the awareness of takaful. The coefficient of financial (X1) at 0.271 indicates that, for each unit increase in the financial status of respondents, there is a corresponding 0.271 unit increase in takaful awareness. This finding highlights the importance of economic stability in fostering awareness and acceptance of takaful products.

Similarly, the coefficient for attitude (X2) at 0.172 demonstrates that a one-unit improvement in the attitude towards takaful results in a 0.172 unit increase in awareness. This suggests that cultivating a positive perception of takaful through effective communication strategies and education could be essential for enhancing awareness levels.

The strongest predictor in this model is knowledge (X3), with a coefficient of 0.299. This implies that a one-unit increase in knowledge about takaful correlates with a 0.299-unit rise in awareness, underscoring the pivotal role of education and information dissemination in promoting takaful awareness. This finding aligns with previous studies that have established knowledge as a fundamental driver of awareness and decision-making in financial and insurance products.

These results highlight the multifaceted nature of takaful awareness, where financial, attitude, and knowledge factors each contribute to varying extents. The implications of these findings are significant for policymakers, financial institutions, and marketers aiming to increase the adoption of takaful products.

5. Conclusion and Recommendations

This study determines the level of takaful awareness among the residents of Kuala Klawang, Jelebu district, through financial, attitudes, and knowledge. The findings show a moderate correlation between financial, attitude, and knowledge towards takaful awareness. Inadequate handling of finances leads to persistent financial issues that will impact one's life in the future (Yusoff et al., 2021). Thus, it is necessary to provide the locals with more knowledge about sound financial management so they can have takaful protection in case of unforeseen dangers or accidents. Furthermore, for attitude variables there exists a positive correlation towards takaful awareness. The data obtained from the research indicates that the population's awareness of takaful can be influenced by their safety concerns. Given that they were still unaware of the advantages and significance of takaful for themselves, the acceptance was moderately high (Meerangani & Mad Zin, 2022).

The relationship between knowledge and takaful awareness shows the highest value, automatically it determines that the respondents have a high degree of takaful knowledge, which may have an impact on their awareness of takaful. The study's findings unequivocally demonstrate how the three independent variables affect takaful awareness. Knowledge is the most powerful link. The degree of takaful awareness, education, and knowledge is increasing simultaneously. Consumers with higher levels of education are more conscious of the advantages of having long-term savings and loss prevention through takaful coverage (Md. Jusoh & Jaafar, 2019).

This study proposes that future research should further broaden its scope. This is to produce a more comprehensive and robust research outcome such as proposed on rural area populations. Several barriers arise in rural communities from being widely publicized. Based on the results, this research recommends that takaful agents broaden their marketing strategies to include the entire community. There are still issues preventing people in rural areas from having takaful, which means that their awareness of the product is still inadequate. Takaful agents must develop a marketing plan more appealing and simpler for the Malaysian community to embrace. The fact shows evidence that takaful agents are not being marketed through the proper channels to the general public. Increase the quantity of these takaful agencies in rural areas as well. Additionally, the takaful

agent may arrange to offer a special package for rural areas because the rural communities lead less capable lifestyles.

The community should exercise caution and wisdom when selecting a takaful protection plan so that they won't have a heavy financial burden if they choose to pay for the protection plan monthly. As a result, they must prioritize plans that are significant to them and their families. Individuals must be conscious of their financial situation and take appropriate action due to the uncertainty of the economy and, the value of money, and being ready for any kind of risk is imperative. The community must carefully plan and concentrate on the strategy outlined in takaful protection. This can assist the community in altering its way of life and in minimizing the losses that will inevitably occur.

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