

***THE RELATIONSHIP BETWEEN KNOWLEDGE AND INTENTION TO
OWN TAKAFUL AMONG RESIDENTS OF
THE MELAKA TENGAH DISTRICT***

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ABSTRACT

This study aims to examine the relationship between knowledge and the intention to own Takaful among residents in the Melaka Tengah district. The main objective of the study is to identify whether there is a relationship between knowledge and the intention to own Takaful among the residents. Respondents consist of 100 residents of Melaka Tengah. This study was conducted in residential areas and business centre in the Melaka Tengah district only. Data analysis was conducted using the IBM Statistical Package for Social Sciences (SPSS) version 27.0. The results of this study show a significant relationship between knowledge and the intention to own Takaful ($r = 0.316$, $p = 0.001$). The findings of this study can provide significant contributions to the government, society, and existing Takaful companies.

Keywords : *Knowledge & Intention to Own Takaful*

1.0 INTRODUCTION

In this era of globalization, Takaful plays an important role in the economic sector. This is because, in the current era, the global economy is experiencing a significant downturn due to fluctuating world currency rates and rising living costs, such as medical expenses and daily necessities. Takaful serves as a tool to mitigate risks against losses for individuals and business organizations that require protection plans. Previously, the public was unaware that conventional insurance is considered haram in Islam. The implementation of Takaful is not solely for profit but focuses more on cooperation, protection, and mutual responsibility in facing disasters (Mohamad & Zakaria, 2021). Takaful originates from the Arabic word "kafala," which means to take care of and guarantee each other. In financial terms, Takaful can be defined as an agreement among at least two parties to guarantee each other against any loss in the event of a misfortune. Contributors appoint a Takaful operator based on the Wakalah concept, where the operator professionally manages the Takaful fund (Masri Azrul Bin Nayan et al., 2022). Takaful is divided into two categories: General Takaful and Family Takaful. General Takaful, known as general protection plans, provides protection to participants against losses arising from hazards such as accidents, fires, floods, and liabilities (debts). Family Takaful, also known as life protection plans, offers financial protection to participants against illnesses, disabilities, and death (Maizaitulaidawati Md Husin, 2019). This study will assess the extent to which public knowledge about Takaful is related to the intention to own or subscribe to a Takaful plan, which is crucial for family protection. This is because, according to Harian Metro (business) published in 2020, only 4% of people are aware of the importance of life Takaful, especially among low-income households. Over the past five years, the life Takaful penetration rate in Malaysia has remained around 54%, and this figure is expected to decline to 41% after accounting for the disposal of multiple policies owned by each protected population.

1.1 Research Question

Is there a relationship between knowledge and the intention to own Takaful among residents in the Melaka Tengah district?

1.2 Research Objective

To identify the relationship between knowledge and the intention to own Takaful among residents in the Melaka Tengah district.

1.3 Hypothesis

H₁: There is a significant relationship between knowledge and the intention to own Takaful among residents in the Melaka Tengah district.

2.0 PROBLEM STATEMENT

The level of public awareness regarding the importance of owning Takaful remains low. This is because people do not pay much attention to the need for additional protection in emergencies and are less interested in Sharia-compliant protection plans, preferring other conventional plans. In Malaysia, only 39-40% of people have a Takaful plan, while more than 60% lack sufficient Takaful protection or plans in case of emergencies (Berita Awani, 2023).

Furthermore, the lack of awareness about the importance of Takaful, according to a study conducted by Lim et al. (2020), shows that the main factor limiting the increase in awareness and ownership of life Takaful is the lack of understanding of the products related to protection. This is because life Takaful policies are long-term contracts with many complicated legal terms involving additional protection such as investments and health.

A study by Mohamad & Zakaria (2021) found that awareness of the intention to own Takaful among youths or adolescents remains low. This is because most of them do not have accurate information about the importance of Takaful protection plans. They do not clearly understand the significance of Takaful protection plans in their lives and do not consider them necessary for obtaining such plans.

3.0 LITERATURE REVIEW

According to Lim et al. (2020), researchers have long believed that increased knowledge leads to higher perceptions, attitudes, and behaviours. Therefore, an individual must have good knowledge and understanding of the legal terms of protection and financial plans if they want to thoroughly examine policy content.

This study is also supported by Tijan Hanini Abdul Hamid et al. (2019), who state that Muslims in Malaysia have become accustomed to using protection plans widely. Most people consider them a part of daily life, viewing them as a situation for obtaining

protection or safety guarantees, such as compensation in the form of property and finances when a disaster occurs, like Takaful for life, accidents, theft, and robbery.

Takaful is an Islamic insurance concept based on the principles of mutual assistance and risk-sharing in accordance with Shariah law. Unlike conventional insurance, Takaful does not involve *riba* (usury), *gharar* (uncertainty), or *maisir* (gambling), making it the preferred choice for Muslim communities seeking financial planning solutions that comply with Islamic principles Arifin et al, (2024). However, despite the growing interest in Takaful, the ownership rate of this product remains lower than that of conventional insurance. One of the main factors influencing the intention to own Takaful is the level of public knowledge regarding its concept and benefits Juhari et al., (2022). Sufficient knowledge about Takaful can enhance awareness and confidence among individuals, ultimately driving the growth of this industry.

Previous studies have shown that low awareness and knowledge among consumers serve as major obstacles to Takaful ownership by Ismail et al (2023). A study conducted in Malaysia found that while factors such as religiosity and subjective norms strongly influence the intention to purchase Takaful, low awareness of its advantages and mechanisms reduces people's likelihood of choosing this product. Additionally, a study by Abdullah et al. (2023) in Afghanistan found that higher awareness and knowledge about Takaful lead to a more positive perception of the product Abdullah et al (2023). Therefore, increasing educational efforts and disseminating information about Takaful within communities can play a crucial role in boosting its ownership rate.

Based on previous research, the relationship between knowledge and the intention to own Takaful is significant. Therefore, this study aims to further investigate how individuals' level of knowledge influences their intention to own Takaful, as well as other factors that may affect this decision.

4.0 METHODOLOGY

This study employs a quantitative research design with a survey approach to assess the relationship between knowledge and the intention to own Takaful among residents of Melaka Tengah. A purposive sampling technique was used, with a sample size of 100 respondents to ensure more detailed and unbiased data. Data was analysed using SPSS version 27.0, where Pearson correlation analysis was conducted to determine the relationship between the variables. The findings indicate a moderate positive relationship, with a correlation value of $r = 0.316$, $p = 0.001$, based on Albert Davis's (1971) scale. This suggests that an increase in knowledge about Takaful is likely to enhance an individual's intention to own it. The researcher used Tabachnick and Fidell's (2013) method to determine the sample size based on the following formula:

$$n > 50 + 8(m)$$

$$n = \text{sample}$$

$$m = \text{number of variables}$$

$$n > 50 + 8(2) = 66 \text{ respondents}$$

Therefore, the sample size used was 66 respondents; however, the researcher chose to collect data from 100 respondents to obtain a more detailed sample that was not biased in the study.

5.0 RESULTS AND DISCUSSION

For hypothesis testing and to examine the relationship between variables, the Albert Davis Scale (1971) will be used to determine the relationship between the two variables, as shown in the table below:

Range	Measurement Scale
0.70 - 1.00	Very strong
0.50 - 0.69	Strong
0.30 - 0.49	Moderate
0.10 - 0.29	Low
0.01 - 0.09	Very low

H₁: There is a significant relationship between knowledge and the intention to own Takaful among residents in the Melaka Tengah district.

Variables	Intention to own Takaful
Knowledge	0.316**

** Correlation is significant at the 0.01 level (2-tailed)

The study results show a significant positive relationship between knowledge and the intention to own Takaful among residents ($r = 0.316$, $p = 0.001$). Based on Albert Davis's (1971) correlation strength, the relationship between knowledge and the intention to own Takaful among residents of Melaka Tengah is moderate. The positive correlation indicates a moderate positive relationship, meaning that as knowledge increases, so does the intention to own Takaful.

This study aligns with the findings of Lim et al. (2020). According to their study, researchers have long believed that increased knowledge leads to higher perceptions, attitudes, and behaviors. Therefore, an individual must have good knowledge and understanding of the legal terms of protection and financial plans if they want to thoroughly examine policy content. In addition, this study is supported by Tijan Hanini Abdul Hamid et al. (2019), who state that Muslims in Malaysia have become accustomed to using protection plans widely. Most people consider them a part of daily life, viewing them as a situation for obtaining protection or safety guarantees, such as compensation in the form of property and finances when a disaster occurs, like Takaful for life, accidents, theft, and robbery.

Table 1: Floating-point operations necessary to classify a sample

Bil	Item	Min	s.p	Interpretasi
1	Pengajaran adalah berfokuskan jururawat pelatih.	3.89	.68	Tinggi
2	Pensyarah memberikan maklum balas kepada jururawat pelatih dengan baik.	2.89	1.06	Sederhana
3	Pensyarah memberikan kritikan membina dalam proses pembelajaran.	3.84	.68	Tinggi
4	Pensyarah menyediakan bahan pengajaran dengan lengkap.	3.95	.61	Tinggi
5	Pensyarah mudah didekati dari aspek pengajaran dan pembelajaran.	3.99	.58	Tinggi
6	Pensyarah kejururawatan mengamalkan etika kejururawatan sepanjang masa.	4.03	.55	Tinggi
7	Pensyarah mengekalkan profesionalisme sepanjang masa.	4.01	.57	Tinggi
Keseluruhan Pengajaran		3.80	.40	Tinggi

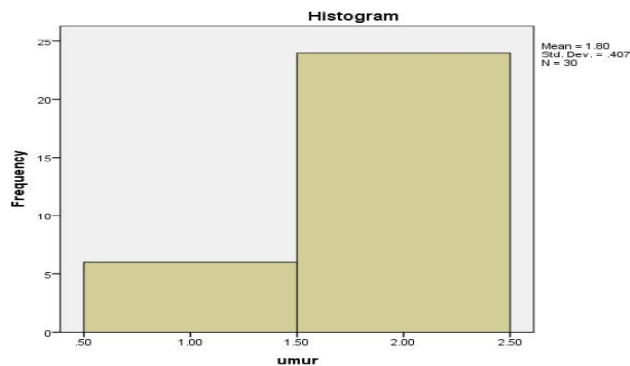


Figure 1: A diagram of the frequency

6.0 CONCLUSION

Firstly, the importance to the government is highlighted. This study can increase public awareness to become financially literate. It should be instilled among the people in each district to start learning about financial management. The process of instilling this can be done from the school level, through the education sector. Examples of lessons that can be introduced include knowledge of the need for retirement savings and short-term emergency savings. The importance of this study to the public is to increase awareness and knowledge about the importance of Takaful. Awareness regarding Takaful can be enhanced among the public, indirectly attracting their interest in contributing and purchasing products provided by Takaful. Lastly, this study benefits Takaful companies by reducing the burden on customers or contributors in obtaining services provided by Takaful agents or operators. Therefore, Takaful companies need to be more efficient in introducing and expanding products to be better known and to make improvements in the products or services provided.

AUTHOR CONTRIBUTIONS

Norman, H., Mosdi, N.F., Omar Mokhtar, M.Y., Ab Rahman S., Ibrahim, S., and Ibrahim, R. contributed equally to the conception, design, data collection, analysis, writing, and final approval of the manuscript.

CONFLICT OF INTEREST

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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