

THE AWARENESS OF THE DIFFERENCES BETWEEN ISLAMIC INSURANCE AND CONVENTIONAL INSURANCE AMONG UNDERGRADUATES OF THE ISLAMIC STUDIES SECTOR IN SRILANKA

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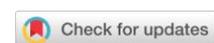
Abstract: This study investigates Takaful, an Islamic insurance model, as a viable alternative to conventional insurance. It identifies the issue of insufficient awareness and understanding of Takaful among Sri Lankans despite its increasing popularity in the region. This study aimed to assess the level of awareness and acceptance of Takaful and identify the factors influencing these aspects. The research methodology involved a survey of Sri Lankan consumers, with data collected through questionnaires. The findings indicate that although there is a rising demand for Takaful in Sri Lanka, a significant number of individuals remain either unaware of it or are hesitant to utilize it due to misconceptions. The study suggests that enhancing awareness and comprehension of Takaful could foster greater participation in this form of insurance in Malaysia. Future research should investigate the reasons for the lack of engagement with Takaful and explore strategies to promote insurance literacy and engagement.

Keywords: *awareness, insurance, Islamic insurance, Takaful, Sri Lanka.*

Abstrak: Penelitian ini mengkaji konsep Takaful, sebuah skema asuransi Islam, sebagai alternatif dari asuransi tradisional. Penelitian ini mengidentifikasi masalah kurangnya kesadaran dan pemahaman tentang Takaful di kalangan masyarakat Sri Lanka, meskipun popularitasnya semakin meningkat di negara tersebut. Penelitian ini bertujuan untuk menentukan tingkat kesadaran dan penerimaan Takaful dan untuk mengidentifikasi faktor-faktor yang mempengaruhinya. Metode penelitian yang digunakan adalah survei terhadap nasabah Sri Lanka, dengan data yang dikumpulkan melalui kuesioner. Hasil penelitian menunjukkan bahwa meskipun ada permintaan yang meningkat untuk takaful di Sri Lanka, banyak orang yang tidak menyadarinya atau enggan menggunakannya karena kesalahpahaman. Penelitian ini menunjukkan bahwa peningkatan kesadaran dan pemahaman tentang takaful dapat mendorong partisipasi yang lebih aktif dalam bentuk asuransi ini. Penelitian di masa depan dapat mengeksplorasi alasan kurangnya keterlibatan dengan takaful dan strategi untuk mempromosikan literasi dan keterlibatan asuransi.

Kata kunci: *asuransi, asuransi syariah, kesadaran, Takāful, Sri Lanka.*

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INTRODUCTION

At some point in their lives, everyone loses something, whether it is a business, vehicle, life, or piece of property. Insurance companies are one of the options for covering losses in emergencies. The basic concept of insurance is that the insurance

company guarantees payment to the insurer in the event of a future unforeseen event. Meanwhile, the policyholder or insurer pays a small premium to the insurer to cover the uncertain future event. This traditional insurance scheme dates back approximately 1400 years.¹ The traditional insurance scheme, on the other hand, is unjust and highly uncertain because it is profit-driven and based on interest rates. Consequently, some traditional insurance policies are incompatible with the values of a moral and religious society, compelling the Muslim community to devise a religious, Sharia-compliant insurance scheme. Muslim scholars have devised an Islamic insurance scheme, known as Takaful, as a solution to this problem.

Takaful, sometimes translated as "solidarity" or mutual guarantee, is a cooperative system of reimbursement or repayment in case of loss, organized as an Islamic or sharia-compliant alternative to conventional insurance, which contains Riba (usury) and Gharar.² Takaful markets are now found all over the world, and it is more accurate to say that Takaful has boosted the less popular Islamic market.³ It encourages Muslims to develop, govern, and participate in the global market in an acceptable way.⁴ The growth and participation of *Takāful* operators in the global market has accelerated significantly, with annual growth rates of 15-20%, making the global *Takāful* industry one of the fastest-growing segments of the insurance market.⁵ Conventional insurers in the United Kingdom, the United States, and Germany have established *Takāful* or *ReTakāful* companies as separate entities within their agencies. This is a significant advancement in the field.⁶

Takāful is popular in Muslim countries such as Malaysia, Indonesia, and Turkey.⁷ Malaysia is the world's third-largest *Takāful* consumer.⁸ Takaful was

¹ W. S. Holdsworth, "The Early History of the Contract of Insurance," *Columbia Law Review* 17, no. 2 (Februari 1917): 85, <https://doi.org/10.2307/1111672>.

² Syed Ahmed Salman, "Contemporary issues in takaful (islamic insurance)," *Asian Social Science* 10, no. 22 (Oktober 2014): 201-16, <https://doi.org/10.5539/ass.v10n22p210>.

³ Hafidh Abdulla Hemed dkk., "The Potential Use of FinTech Developments in Takaful," *International Journal of Management and Applied Research* 8, no. 2 (Juni 2021): 109-21, <https://doi.org/10.18646/2056.82.21-007>.

⁴ Mohd Fauzi Abu-Hussin, Nasrul Hisyam Nor Muhamad, dan Mohd Yahya Mohd Hussin, "Takaful (Islamic insurance) industry in Malaysia and the Arab Gulf States: Challenges and future direction," *Asian Social Science* 10, no. 21 (September 2014): 26-34, <https://doi.org/10.5539/ass.v10n21p26>.

⁵ Dila Puspita, Adam Kolkiewicz, dan Ken Seng Tan, "Discrete Time Ruin Probability for Takaful (Islamic Insurance) with Investment and Qard-Hasan (Benevolent Loan) Activities," *Journal of Risk and Financial Management* 13, no. 9 (September 2020): 211, <https://doi.org/10.3390/jrfm13090211>.

⁶ Nur Azlina Abd Aziz dkk., "Incorporating Expert Judgement into Life Insurance and Life Takaful Companies' Efficiency Measurement Through DEA-AR/FAHP Approach," *International Journal of Academic Research in Business and Social Sciences* 11, no. 11 (November 2021), <https://doi.org/10.6007/ijarbss/v11-i11/11250>.

⁷ Mohammad Abdeen dkk., "Employing Takaful islamic banking through state of the art blockchain: A case study," *International Journal of Advanced Computer Science and Applications* 10, no. 12 (Januari 2019): 648-54, <https://doi.org/10.14569/ijacsa.2019.0101283>.

⁸ M. S. Che Rusuli dkk., "Influence of marketing mix strategy in insurance business: The case of Kota Bharu," *Research in World Economy* 10, no. 2 Special Issue (Juli 2019): 88-95, <https://doi.org/10.5430/rwe.v10n2p88>.

introduced in 1979 to replace traditional insurance schemes in Malaysia.⁹ Malaysia is one of the leading Islamic countries in terms of *Takāful* consumption.¹⁰ *Takāful* is used in both Islamic and non-Islamic countries. *Takāful* has become one of the most widely used forms of insurance in Sri Lanka, where non-Muslims comprise most of the population.¹¹ *Takāful* was first offered in Sri Lanka in 1999. *Takāful* has grown rapidly in Sri Lanka since 2010. In Sri Lanka, both Muslims and non-Muslims have opted for this insurance scheme. It is encouraging to see that, in addition to traditional insurance, there is a growing demand for *Takāful*.¹² However, most Sri Lankans are either unaware of *Takāful* or are afraid to use it because it is misunderstood as being Islamic insurance.¹³

The only substitute for conventional insurance that has been introduced is *Takāful*. It is a risk management strategy that compensates for losses by dividing hazards and risks among policyholders based on the principles of solidarity, brotherhood, and mutual aid.¹⁴ Unless the participant's awareness plays a substantial role, perceptual and religious factors have a significant impact on choices for *Takāful* products.¹⁵

Nairoos and Jahan examined the awareness of Islamic and conventional insurance among Sri Lankans.¹⁶ As a result, customers from Sri Lanka were chosen to complete the questionnaires. According to the data, respondents mostly know about Islamic insurance, and a minimum number of participants know only about conventional insurance. According to the findings of this study, most customers stated that they used insurance because they were freely involved in it. It gives a positive impression of *Takāful* since people have a strong desire to learn more about it without

⁹ Rossazana Ab Rahim, Asif Ahmed, dan Nur Nadhira Baharuddin, "Efficiency Performance of GCC Insurance Sector," *International Journal of Academic Research in Business and Social Sciences* 11, no. 5 (Mei 2021), <https://doi.org/10.6007/ijarbss/v11-i5/10008>.

¹⁰ Puspita, Kolkiewicz, dan Tan, "Discrete Time Ruin Probability for *Takāful* (Islamic Insurance) with Investment and Qard-Hasan (Benevolent Loan) Activities."

¹¹ Abu-Hussin, Muhamad, dan Hussin, "*Takāful* (Islamic insurance) industry in Malaysia and the Arab Gulf States: Challenges and future direction."

¹² M I Umar Ali, M Y Minnathul Suheera, dan M Y Munawwara, *The Moderate Approach to Human Development through Islamic Sciences and Arabic Studies Knowledge and Practice of Hospital Waste Management among Health Care Workers: A Sociological Study on Nintavour Base Hospital*, dalam *7th International Symposium 2020, FIA, SEUSL* (2020).

¹³ Ali, Suheera, dan Munawwara.

¹⁴ Syed Ahmed Salman, Rusni Hassan, dan Adnan Yusoff, "Feasibility of introducing *takāful* (Islamic Insurance) in India from the perspective of islamic finance experts," *Indian Journal of Public Health Research and Development* 9, no. 12 (2018): 2656–61, <https://doi.org/10.5958/0976-5506.2018.02117.4>.

¹⁵ Waheed Akhter dan Tajammal Hussain, "*Takāful* standards and customer perceptions affecting *takāful* practices in Pakistan: a survey," *International Journal of Islamic and Middle Eastern Finance and Management* 5, no. 3 (Agustus 2012): 229–40, <https://doi.org/10.1108/17538391211255214>.

¹⁶ Seinulabdeen Nathira Jahan, Mohamed Haniffa Mohamed Nairoos, dan Mohamed Shafeek Fathima Sulaiha, "Participants' Knowledge and Awareness about Islamic Insurance: A Study on Sammanthurai in Sri Lanka," *International Journal of Research and Innovation in Social Science (IJRISS)* IV, no. Vii (Juli 2020): 490–95.

being forced to. However, were forced to obtain an insurance policy. The participants had more than three years of experience with Islamic insurance.

According to the investigation by Nairoos & Jahan explores the awareness level as well as knowledge level of *Takāful* of general Muslim public from Sammanthurai division.¹⁷ The findings of this study indicate that out of 160 respondents, only 49 are aware of *Takāful*, while 45 respondents do not know about *Takāful*, and the majority of respondents are not confirmed about it.

Nur Fazlin examine the awareness of Takaful V Conventional Insurance among degree students at UiTM Puncak Alam.¹⁸ In this study, 50 sets of questionnaires were randomly distributed to undergraduate students at UiTM Puncak Alam. In this study, 50 people were given questionnaires to fill out, and 5 people were interviewed. The participants ranged in age from 19 to 25 years, and they were all Malays and Muslims. The majority of the respondents were unsure about *Takāful* and its operations, according to the questionnaires and interviews. Only a few participants explained *Takāful*, its concept, and its characteristics. However, the most crucial finding of this study is that the majority of students are unaware of the importance of *Takāful* and are not exposed to *Takāful*. Then they recommended to *Takāful* companies from this study, they should take an action to spread the information to students in university level.

Mazahir et al. examined the role of the Shari‘ah Advisory Council in the *Takāful* industry in Sri Lanka, as this council formulates policies and guidelines and ensures that investments and operations are in line with Shari‘ah principles.¹⁹ This study argues that there is a need for Muslim Leaders, Shari‘ah scholars, *Takāful* operators, and academics to be effectively involved in designing a framework for *Takāful* regulations in Sri Lanka.

Rizniya and Rooly identified the challenges faced by Islamic insurance (*Takāful*) in Sri Lanka while providing their services. This study also significantly identifies the *Takāful* concept, its services, its level of process in Sri Lanka, growth, problems, and challenges.²⁰

A Research was conducted by Geeta H. Patel on the topic of Islam and capital, mortared by trust: A case study of Sri Lanka.²¹ This study aims to trace the history and legacy of Islamic finance (IF) in Sri Lanka in the context of the emergence of life

¹⁷ Jahan, Nairoos, dan Sulaiha.

¹⁸ Nur Fazlin Ghazali, "The awareness among degree student at UiTM Puncak Alam toward Takaful V Conventional Insurance," *Academy of Contemporary Islamic Studies (ACIS)* 2017, 2017.

¹⁹ Seyed Mohamed Mohamed Mazahir, Asmak Ab Rahman, dan Mohammad Ismath Ramzy, "An Analysis On Takaful Operation Under Conventional Regulator: A Sri Lankan Experience," *Journal of KATHA* 13, no. 1 (2017): 54-72, <https://doi.org/10.22452/katha.vol13no1.3>.

²⁰ J F Rizniya dan M S A Rooly, *Challenges faced by Islamic insurance industry in Sri Lanka: special referance to Amanata Takaful PLC*, 2014.

²¹ Geeta H. Patel, "Islam and capital, mortared by trust: the case of Sri Lanka," *Society and Business Review* 12, no. 3 (2017): 373-94, <https://doi.org/10.1108/sbr-07-2017-0045>.

finance. Through a history of trust and capital, it follows the social life of finance itself. The findings of this study highlight the need for trust, transparency, and ethics to be understood locally in order for them to be relevant and sketched. The implicit effect of locally recognized principles of trust integrated into capital movement (through ethical branding and openness in Islamic Finance, education, and social awareness) can rearrange relationships between communities in a war-torn region.

The studies above are about *Takāful*, which have been conducted based on regional and various focused groups. The research gap of this study is based on the awareness of the differences between Islamic and conventional insurance among undergraduates in the field of Islamic studies in Sri Lanka. The only state university in Sri Lanka that offers bachelor's degrees in Islamic studies is the South-Eastern University of Sri Lanka. Therefore, this study was conducted based on undergraduates currently studying in the Department of Islamic Studies at the South-Eastern University of Sri Lanka.

Takāful, a globally recognized insurance system, is prevalent in virtually all developed countries. In Sri Lanka, *Takāful* operates either as a standalone institution or as a window product. This study aims to ascertain the level of awareness among Sri Lankan undergraduates regarding the differences between Islamic and conventional insurance, which are crucial components of the financial system, and to understand whether they incorporate it into their daily lives. The primary objective of this study is to gauge the understanding of Sri Lankan undergraduates regarding the differences between Islamic and conventional insurance, given their significant role in the global financial market. Furthermore, this study aims to foster awareness of the importance of a *Takāful* insurance system.

The researcher applied both qualitative and quantitative methodologies, with the latter used to assess Islamic Insurance (*Takāful*) awareness among Muslim undergraduates in Sri Lanka. A set of questionnaires was used to assess undergraduates' understanding of Islamic insurance. The questions asked of the participants were divided into two parts. The purpose of this study was to learn more about the participants' social and economic backgrounds and to determine their ability to participate in the study. Then, following the study, they tried to figure out what they knew and experienced regarding *Takāful*. In the second portion of the questionnaire, this study dug deep into the participants' awareness and perceptions about *Takāful*. Questionnaires were prepared for each section of the study to focus on the participants' knowledge from the beginning to the end of this topic area. To collect samples, this study created a Google form and incorporated our questionnaires into it during the pandemic and economic crisis in Sri Lanka. Following the creation of the Google form, this study was distributed via social media, such as WhatsApp and email, to undergraduates studying in the Department of Islamic Studies at the South

Eastern University of Sri Lanka. Following the collection of the required data, this study analyzed it using Microsoft Excel software in accordance with the manner in which it was pre-planned.

This study was conducted with the participation of university students from all over Sri Lanka, with the idea that it would be better to choose people from educated backgrounds. This study aimed to determine how undergraduates perceive the differences between Islamic Insurance and Conventional Insurance and what they know about it (*Takāful*). This study also aims to determine the extent of *Takāful* awareness among Sri Lankan undergraduates and their desire for Islamic insurance. This is because students are the future citizens of Sri Lanka, and as educated or graduate individuals, they must be aware of *Takāful* as a major corporation in the global financial markets. Subsequently, this study will delve deeper into the understanding of *Takāful*.

DISCUSSION

This section presents an analysis of a study conducted to understand the awareness and perception of insurance, particularly Islamic insurance or *Takāful*, among Sri Lankan students. This study delves into various aspects of insurance awareness, including the understanding of the concept, engagement in the industry, awareness of insurance categorization, modes, processes, and benefits. It further explores the understanding and awareness of *Takāful*, its principles, its differences from conventional insurance, and its compliance with Sharia law. This study also investigates the sources of knowledge about *Takāful*, the perception of its importance, and the understanding of its purposes. The data are presented in a series of tables, each followed by a brief interpretation of the findings.

1.1 Background of Participants

As shown in Table 1, the majority of the participants in this study were female. As a result, most of the students who participated in this study were female.

Table 1. Demographic Characters of Participants

Variable	Frequency	Percentage	Valid Percent	Cumulative Percent
Gender				
Male	98	80.3	80.3	80.3
Female	24	19.7	19.7	100.0
Total	122	100.0	100	
Age				
18 – 20	17	13.9	13.9	13.9
21 – 22	56	45.9	45.9	59.8
23 – 25	42	40.2	40.2	100.0
Total	122	100.0	100.0	

Table 1 presents the participants' demographic characteristics. The table is divided into two main variables: sex and age. In terms of gender, the table shows that the majority of the participants were male, accounting for 80.3% of the total, while females accounted for 19.7%. The age variable was divided into three categories: 18-20 years, 21-22 years, and 23-25 years. The largest group of participants fell into the 21-22 years category, followed by those in the 23-25 years category. The smallest group was those aged 18-20 years. The study found that most participants were in the 21-22 years age range. However, there were also middle-aged participants, and notably, some students were above the age of 23.

1.2 Awareness about the concept of Insurance

Table 2 presents an analysis of the participants' comprehension of insurance. The data were presented in terms of frequency and percentage, thereby elucidating the participants' level of awareness.

Table 2. Understanding of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	47	38.5	38.5	38.5
	Yes	75	61.5	61.5	100.0
	Total	122	100.0	100.0	

Upon analyzing the data in Table 2, it is evident that the majority of the participants (61.5 %) had a basic understanding of insurance. This suggests that most of the undergraduates who participated in this study were aware of the fundamental principles of insurance.

1.3 Engagement of Insurance Industry

Table 3 provides an overview of the participants' engagement in the insurance industry. The data are presented in terms of frequency and percentage, providing a clear picture of the level of involvement of the participants in insurance.

Table 3. Engagement of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	110	90.2	90.2	90.2
	Yes	12	9.8	9.8	100.0
	Total	122	100.0	100.0	

The data revealed that a significant majority of the participants (90.2 %) were not engaged in any insurance category. This suggests that while there is a level of awareness about insurance among the participants, this awareness does not translate into active engagement or the usage of insurance services. Only a small fraction of the participants (9.8 %) reported being engaged in an insurance category. This finding underscores the need for further efforts to encourage active engagement in insurance among participants.

1.4 Awareness of the categorization of Insurance

Table 4 provides an overview of the participants' understanding of the different categories of insurance. The categories considered in this study were general insurance, life insurance, or both.

Table 4. Understanding about Categories of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both	96	78.7	78.7	78.7
	general insurance	17	13.9	13.9	92.6
	Life insurance	9	7.4	7.4	100.0
	Total	122	100.0	100.0	

The table 4. reveals that a significant majority of the participants (78.7%) were aware of both general and life insurance. A smaller proportion of participants were aware of only general insurance (13.9%) or only life insurance (7.4%). This suggests that the participants had a broad understanding of the different categories of insurance. This awareness is crucial as it indicates the participants' familiarity with the fundamental divisions within the insurance industry.

1.5 Awareness about the modes of insurance

Table 5 presents the distribution of participants' awareness of the different modes of insurance. This includes both Islamic and conventional insurance, conventional insurance alone, and Islamic insurance alone.

Table 5. Modes of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both Islamic and conventional	74	60.7	60.7	60.7
	Conventional insurance	7	5.7	5.7	66.4
	Islamic insurance	41	33.6	33.6	100.0
	Total	122	100.0	100.0	

Table 5. reveals that most participants (60.7%) were aware of both Islamic and conventional insurance. A smaller proportion of participants (33.6%) were aware of Islamic insurance alone. Interestingly, only a small proportion of participants (5.7%) were aware of conventional insurance alone. This suggests that while awareness of both modes of insurance is prevalent among the participants, there is a noticeable gap in the awareness of conventional insurance. This finding underscores the importance of enhancing educational and awareness initiatives to ensure a comprehensive understanding of all modes of insurance.

1.6 Awareness about the process of Insurance

Table 6 presents the findings of the study regarding the participants' understanding of the insurance process. The data were categorized into two responses: those who had a general understanding of the insurance process and those who did not.

Table 6. Understanding about the Process of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	55	45.1	45.1	45.1
	Yes	67	54.9	54.9	100.0
	Total	122	100.0	100.0	

The results in Table 6 indicate that a slight majority of participants (54.9%) had a general understanding of the insurance process, as explained by insurance firms. This suggests that a significant proportion of the participants were familiar with how insurance services offered by insurance companies work. However, it is important to note that a substantial percentage of participants (45.1%) reported that they did not understand the insurance process. This highlights a potential area for improvement in terms of insurance education and awareness.

1.7 Awareness about the benefits of Insurance

Table 7 presents the participants' understanding of the benefits of insurance. The benefits are categorized into five main areas: financial planning, profitability, protection for policy holders/subject matters, risk coverage, and savings. The frequency and percentage of participants who identified each category as a benefit of insurance are provided.

Table 7. Understanding about the benefits of Insurance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial planning	15	12.3	12.3	12.3
	Profitability	3	2.5	2.5	14.8
	Protection for policy holder /subject matters	29	23.8	23.8	38.5
	Risk coverage	23	18.9	18.9	57.4
	Savings	52	42.6	42.6	100.0
	Total	122	100.0	100.0	

In Table 7, the participants' responses are categorized into five main benefits of insurance. The frequency column shows the number of participants who identified each category as a benefit of the program. The percentage column shows the proportion of the total sample that each category represents. The valid percent column adjusts these proportions by excluding missing responses, and the cumulative percent column shows the running total of the valid percent.

The results in Table 7 indicate that the majority of respondents (42.6%) believe that the primary benefit of insurance comes from savings behavior. Protection for

policy holders/subject matters and risk coverage were also identified as significant benefits, with 23.8% and 18.9% of respondents identifying these categories, respectively, respectively. Fewer participants identified financial planning and profitability as the benefits of insurance. These findings provide insights into participants' understanding of the benefits of insurance.

1.8 Awareness about *Takāful*

Table 8 presents the findings of the study regarding the participants' understanding of the concept of *Takāful*. *Takāful* is a form of Islamic insurance in which members contribute money to a pooling system to guarantee each other against loss or damage. Understanding this concept is crucial in Islamic studies.

Table 8. Understanding about the concept of *Takāful*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	43	35.2	35.2	35.2
	Yes	79	64.8	64.8	100.0
Total		122	100.0	100.0	

Table 8 reveals that the majority of the participants (64.8 %) were aware of the concept of *Takāful*. However, it also highlights that a significant portion (35.2 %) lacks awareness of *Takāful*. This finding underscores the importance of enhancing knowledge of Islamic financial concepts such as *Takāful*, especially among students in Islamic studies.

1.9 Sources of knowledge gained about *Takāful*

Table 9 provides a detailed breakdown of the sources from which the participants gained their knowledge of *Takāful*. The sources were categorized into four main groups: family or friends, masjid, society, and university. The frequencies and corresponding percentages of each source are also provided.

Table 9. Sources of Knowledge

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	From family or Friends	25	20.5	20.5	20.5
	From Masjid	4	3.3	3.3	23.8
	From Society	51	41.8	41.8	65.6
	From university	42	34.4	34.4	100.0
Total		122	100.0	100.0	

The results of the study in Table 9 reveal that most participants (41.8 %) gained their knowledge about *Takāful* from society. This was closely followed by universities, which contributed to the *Takāful* knowledge of 34.4% of the participants. Family or friends were the source of knowledge for 20.5% of the participants, while masjids were the least common source, contributing to the knowledge of only 3.3% of the

participants. A unique observation from these results is the minimal response indicating awareness of *Takāful* from Masjids.

1.10 Awareness about the principles under the concept of Takaful

Table 10 offers an analysis of the participants' comprehension of the foundational principles of *Takāful*, an Islamic insurance system. These principles are classified into three primary categories: cooperation, mutual responsibility, and protection. The table presents the frequency and percentage of participants who identified with each principle of the program.

Table 10. Principles of Takaful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	co-operation	17	13.9	13.9	13.9
	mutual responsibility	56	45.9	45.9	59.8
	protection	49	40.2	40.2	100.0
	Total	122	100.0	100.0	

Table 10 reveals that 45.9% of the participants understand *Takāful* as being primarily based on the principle of mutual responsibility. Protection was identified as a key principle by 40.2% of the participants, while cooperation was recognized by 13.9%. This distribution of responses provides a clear indication of the participants' awareness and understanding of the principles underpinning the concept of *Takāful*.

1.11 Awareness about the differences between Conventional insurance and Takāful

Table 11 presents the findings regarding the participants' understanding of the differences between conventional insurance and *Takāful*, an Islamic form of insurance.

Table 11. Understanding of Differences between Conventional Insurance, and Takaful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	40	32.8	32.8	32.8
	Yes	82	67.2	67.2	100.0
Total		122	100.0	100.0	

Table 11 illustrates participants' general understanding of the differences between conventional insurance and *Takāful*. It is observed that a majority of the participants (67.2%) have a basic understanding of these differences, while a significant portion (32.8%) reported a lack of knowledge in this area.

Table 12. Types of Differences between Conventional Insurance and Takaful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Benefits more than conventional insurance	20	16.4	16.4	16.4
	Free form prohibited earnings of Islam	25	20.5	20.5	36.9
	Sharia compliance	64	52.5	52.5	89.3
	Sharing risk with participants	13	10.7	10.7	100.0
	Total	122	100.0	100.0	

Table 12 delves deeper into the specific types of differences that participants identified between conventional insurance and *Takāful*. The differences were categorized into four main areas: benefits more than conventional insurance, freedom from prohibited earnings of Islam, Sharia compliance, and sharing risk with participants. The data indicate that most participants (52.5%) recognized Sharia compliance as a key difference. Other notable differences included freedom from prohibited earnings in Islam (20.5%), benefits beyond those of conventional insurance (16.4%), and risk-sharing with participants (10.7%).

These findings provide valuable insights into participants' understanding and perception of *Takāful* compared to conventional insurance. While most participants were aware of the differences, further education is needed to enhance understanding, particularly in areas with less awareness.

1.12 Awareness about the Sharia Compliance of Takaful Process

Table 13 presents the findings related to the understanding of *Takāful* under Islamic law and the perception of any prohibited elements activated under the *Takāful* process.

Table 13. Understanding of Takaful under the Islamic Law

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	may be	66	54.1	54.1	54.1
	No	14	11.5	11.5	65.6
	Yes	42	34.4	34.4	100.0
	Total	122	100.0	100.0	

Table 13 provides insights into participants' understanding of the compliance of *Takāful* with Islamic law. The responses indicate a degree of uncertainty among the participants, with a majority expressing that there may be Sharia compliance in the *Takāful* process. However, a significant portion of the participants affirmed the presence of Shariah compliance in the *Takāful* process.

Table 14. Understanding about if any Prohibited elements activate under the Takaful Process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	42	34.43	34.43	34.43
	Yes	80	65.57	65.57	100.0
Total		122	100.0	100.0	

Table 14 delves into the participants' understanding of whether any prohibited elements are activated during the *Takāful* process. The findings reveal a notable divide in the participants' perceptions, with a majority believing that prohibited elements are activated under the *Takāful* process. This suggests a need for further education on *Takāful* to enhance understanding and awareness among participants.

These findings highlight the complexities of understanding and interpreting Islamic insurance, particularly *Takāful*, and the need for comprehensive education on this subject. The results underscore the importance of providing clear and accurate information about *Takaful* and its compliance with Islamic law to ensure proper understanding and engagement.

1.13 The Perception of the participants about the Importance of Takaful

The following section delves into the participants' perceptions of the importance of *Takāful* and the reasons behind its significance.

Table 15. The importance of Takaful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Maybe	32	26.2	26.2	26.2
	No	4	3.3	3.3	29.5
	Yes	86	70.5	70.5	100.0
Total		122	100.0	100.0	

Table 15 presents the participants' perceptions of the importance of *Takāful*. The data indicate that a significant majority of the participants (70.5%) believe that *Takāful* is important to society. A smaller proportion (26.2%) were unsure of its importance, while a minimal percentage (3.3%) did not see *Takāful* as important to society.

Table 16. The reasons for why Takaful important

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Helps to manage risks in Islamic way	59	48.4	48.4	48.4
	Reject prohibited earnings	16	13.1	13.1	61.5
	Share risk with participants	7	5.7	5.7	67.2
	Social responsibility	40	32.8	32.8	100.0

Total	122	100.0	100.0
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Table 16 explores the reasons participants believe that *Takāful* is important. The data reveal that a large portion of participants (48.4%) believe that *Takāful* helps manage risks in an Islamic way. Additionally, 32.8% of participants see *Takāful* as making a social contribution, and 13.1% believe that *Takāful* rejects prohibited elements more than conventional insurance.

Table 16 also provides insights into the perceived importance of *Takāful* among the participants and the reasons contributing to this perception. This understanding can be instrumental in developing strategies to enhance awareness and engagement with *Takāful* in the future.

1.14 The Perception about the purposes of Takaful

Table 17 provides an overview of the participants' perceptions regarding the purposes of *Takāful*. The table categorizes the purposes into three main areas: establishing social solidarity and cooperation, indemnifying loss or damage from a fund to which members collectively contribute, and mitigating the financial risk of unforeseen events. The frequencies and percentages of participants who identified each purpose are also presented.

Table 17. The purposes of Takaful

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	establish social solidarity and cooperation	45	36.9	36.9	36.9
	indemnify loss or damage from a fund what members donate to collectively	30	24.6	24.6	61.5
	mitigate the financial risk of unforeseen events	47	38.5	38.5	100.0
	Total	122	100.0	100.0	

Upon analysis, it was found that the participants' perceptions of the purpose of *Takāful* varied. Table 17 reveals that 38.5% of participants believed that *Takāful* serves to mitigate the financial risk of unforeseen events. Meanwhile, 36.9% of participants viewed *Takāful* as a means of establishing social solidarity and cooperation. Lastly, 24.6% of participants perceived *Takāful* as a mechanism to indemnify loss or damage from a fund to which members collectively contributed.

This study aimed to explore the level of understanding and awareness of insurance, with a particular focus on Islamic insurance, also known as *Takāful*, among

Sri Lankans. This study hypothesized that there would be a basic understanding of the concept of insurance among the majority of participants, but that a significant portion would remain unengaged with any form of insurance. It also anticipated a general understanding of the insurance process and familiarity with *Takāful* among participants.

The results of the study indicated that the majority of the participants (61.5 %) had a basic understanding of insurance concepts. However, a significant majority of the participants (90.2 %) were not involved in any category of insurance. This suggests that while there is a level of awareness about insurance among participants, this awareness does not translate into active engagement or the use of insurance services. The study also found that a slight majority of participants (54.9%) had a general understanding of the insurance process, as explained by insurance companies.

Regarding the benefits of insurance, most respondents (42.6%) believed that the primary benefit of insurance is savings. Policyholder protection and risk coverage are also cited as important benefits. Fewer respondents cited financial planning and profitability as the benefits of insurance.

Previous studies have focused on the awareness and understanding of *Takāful* and conventional insurance among various groups, including Sri Lankan customers,²² Muslim communities in the Sammanthurai district,²³ UTM Puncak Alam undergraduates,²⁴ and Sri Lankan Islamic Studies undergraduates.²⁵ In general, these studies found that awareness and understanding of *Takāful* varied, with some groups having high and others having low awareness levels.

These results are consistent with those of related studies in the field. For example, studies of the global *Takāful* industry have shown that it is one of the fastest-growing segments of the insurance market, with annual growth rates of 15-20%.²⁶ This suggests a growing awareness and acceptance of *Takāful*, particularly in countries with significant Muslim populations. However, the lack of engagement with insurance services among the majority of participants in this study suggests that a gap still exists between awareness and active participation.

²² Jahan, Nairoos, dan Sulaiha, "Participants' Knowledge and Awareness about Islamic Insurance: A Study on Sammanthurai in Sri Lanka."

²³ Jahan, Nairoos, dan Sulaiha.

²⁴ Ghazali, "The awareness among degree student at UiTM Puncak Alam toward Takaful V Conventional Insurance."

²⁵ Mohamed Mazahir, Ab Rahman, dan Ramzy, "An Analysis On Takaful Operation Under Conventional Regulator: A Sri Lankan Experience"; A M F Roshan dkk., "Comparative study between Islamic insurance and conventional insurance in Sri Lanka" (Faculty of Islamic Studies and Arabic Language, 2022).

²⁶ Puteri Nur Farah Naadia Mohd Fauzi dan Khairuddin Abdul Rashid, "Transparency in the assessment of takaful claims for construction works loss and damage," dalam *Global Journal Al-Thaqafah*, no. 1, preprint, Kolej Islam Darul Ridzuan, 2016, 6:23-35, <https://doi.org/10.7187/gjat10020160601>.

Comparing the research findings with the initial hypothesis, it can be concluded that the findings of this study largely support the hypothesis. The majority of the participants showed a basic understanding of the concept of insurance, and there was general familiarity with *Takāful*. However, the hypothesis that a significant portion of the participants would not engage with any form of insurance was confirmed. This suggests that while awareness and understanding are important, they are insufficient to ensure active engagement with insurance services. Further efforts are needed to encourage active participation in insurance, particularly in the context of *Takāful*.

CONCLUSION

This study provides awareness and understanding of insurance, particularly Islamic insurance or *Takāful*, among students in Sri Lanka. This confirmed that while most participants had a basic understanding of insurance, a significant proportion were unfamiliar with any form of insurance. The study also highlighted the perceived benefits of insurance, with savings behavior, policyholder protection, and risk coverage identified as the most important benefits. These findings suggest that further efforts are needed to bridge the gap between awareness and active engagement with insurance services.

Despite these findings, this study had several limitations. First, the sample was limited to Islamic Studies students in Sri Lanka, which may not be representative of the broader population. Second, the study relied on self-reported data, which may be biased. Third, the study did not explore the reasons for lack of engagement with insurance services in depth, which could be a critical factor in understanding the gap between awareness and active participation.

Future research should address these limitations. For example, studies could be conducted with a more diverse sample to ensure broader representation of the findings. This could include participants from diverse educational backgrounds, age groups, and regions. In addition, future research could use mixed methods, combining quantitative data with qualitative insights to gain a deeper understanding of the reasons for the lack of engagement with insurance services. Research could also explore the effectiveness of different strategies to encourage active participation in insurance, particularly in the context of *Takāful*. This could provide valuable insights for policymakers, insurance providers, and educators in their efforts to promote insurance literacy and engagement among the youth.

DISCLOSURE

Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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Authorship and Level of Contribution

All authors conceived of this study. Mohamed Naushad Mohamed Minaz was designed this research and Ahamed Mukthar Faisar Fathumma Nihla and Kalanthar lebbe Fathima Masliha was collected the data from participants of this research. Mohamed Naushad Mohamed Minaz and Prof Seyed Mohamed Mohamed Mazahir was analysed the data of this research and Prof Seyed Mohamed Mohamed Mazahir was supervised this study and done the proof reading in every part of this study.

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