

**UNIVERSITI TEKNOLOGI MARA**

**[THE PERCEPTION BETWEEN FAMILY  
TAKAFUL AND LIFE INSURANCE AMONG  
COMMUNITY IN BUKIT PAYONG,  
TERENGGANU]**

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## ABSTRACT

Research investigating the perception of Family Takaful and conventional life insurance among the community in Bukit Payong, Terengganu. It aims to understand how religious beliefs, cultural norms, socioeconomic factors and personal experiences influence insurance choices in a predominantly Muslim context. Bukit Payong, reflecting Malaysia's rich Islamic heritage, offers a unique environment to study these dynamics. The study identifies key drivers and barriers that influence insurance decisions, highlighting the role of financial literacy and awareness in shaping consumer behavior. Through quantitative studies, including surveys and secondary data analysis, the research provides insights into community awareness and preferences. This research is based on data and information obtained from a questionnaire that has been conducted and answered by residents of Bukit Payong who participated as study participants regarding their perception of Family Takaful and conventional life insurance, based on their financial understanding as a financial protection measure to support daily needs. This research contributes to the academic literature on Islamic finance and consumer behavior, offering practical implications for policy makers and industry practitioners. By addressing knowledge gaps, it aims to foster financial inclusion, ethical financial principles, and community empowerment, ultimately promoting a more inclusive and resilient financial ecosystem in Bukit Payong and similar contexts. The data collected was analyzed to find out the level of understanding of the Bukit Payong community towards Family Takaful and conventional life insurance, especially among those who understand the principles of Shariah and the ethical values offered by Takaful products. The research results also suggest that more ethical and conscious financial management practices are needed to improve financial literacy among Bukit Payong residents. This research is expected to contribute to the planning and management of financial literacy as well as increase the level of awareness and understanding of the difference between Family Takaful and conventional life insurance among this community.

**Keywords:** Family Takaful , Insurance life, Community Bukit Payong Terengganu

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Research Background**

The insurance sector, encompassing both life insurance and family takaful, is a pivotal component of Malaysia's financial market. According to the Bank Negara Malaysia (BNM) report, this sector demonstrated significant momentum in 2017, with an 8.1 percent growth in asset value compared to 2016 (BNM, 2018). The total assets of insurance and takaful reached RM309 billion in 2017, with BNM projecting continued strength in the industry, based on a high aggregate capital adequacy ratio of 233.8 percent at the end of 2017, surpassing the minimum requirement of 130 percent. The sustained growth of the insurance and takaful sectors is crucial for driving the nation's economic growth, highlighting the importance for stakeholders to understand the factors influencing demand for these products.

In the field of financial planning, the concept of insurance plays an important role in protecting individuals and families from unexpected risks and uncertainties. In the Malaysian context, the choice between Family Takaful (Islamic insurance) and conventional life insurance offers individuals a spectrum of options to secure their financial future. (Muhammad Ridhwan, 2016) The results of my thesis research aim to delve into the complex landscape of perceptions surrounding these two insurance frameworks in the community of Bukit Payong, Terengganu.

The Bukit Payong area, located in the heart of Terengganu, represents a microcosm of Malaysia's rich cultural tapestry and Islamic heritage. With a population rooted in Islamic principles and traditions, the financial decisions of the community are often influenced by religious beliefs, political influence, socioeconomic factors, and cultural norms. Against this background, the coexistence of Family Takaful and conventional life insurance presents a unique dynamic, where individuals must navigate between faith based preferences and pragmatic considerations.