

UNIVERSITI TEKNOLOGI MARA

**INVESTIGATING THE
UNDERSTANDING AND
SUBSCRIPTION LEVEL OF
TAKAFUL AMONG YOUNG ADULTS
IN PEKAN, PAHANG**

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Academic writing submitted in partial fulfilment of the
requirements for the degree of
Bachelor of Muamalat (Hons)

Academy of Contemporary Islamic Studies

January 2025

ABSTRACT

This research explores the level of understanding and subscription of Takaful among young adults in Pekan, Pahang, to determine the important factors influencing their subscription to Takaful products. While the performance of the Takaful industry has been growing positively in Malaysia, the subscription rate among young people is still low, especially in small-town areas like Pekan, compared to metropolitan areas. Using a quantitative methodology, data are gathered through structured Google Forms questionnaires in this research on three major aspects: the level of awareness of Takaful, the extent of subscription, and the factors affecting subscription among young adults. These findings will contribute to solving issues of low a lack of awareness of Takaful's benefits and barriers to engaging with Takaful because of misconceptions or a lack of access to information and others. Young adults, aged 20 - 34, are a critical demographic for the sustainability of Takaful since they are the future long-term subscribers whose financial literacy and risk management strategies will go a long way in either dampening or promoting growth in the industry. This research underlines the need to increase awareness, as studies have proved a strong correlation between understanding Takaful products and subscription rates. It also underscores Takaful's role as a Shariah-compliant financial tool for risk mitigation, providing financial security and promoting inclusive finance. By focusing on Pekan's young adults, this study aims to offer actionable insights to improve Takaful penetration rates in rural areas and support informed decision-making for a generation poised to shape the industry's future.

Keywords: Takaful, young adults, Islamic risk management.

ACKNOWLEDGEMENT

In the name of Allah, the Most Beneficent, the Most Merciful. All praise and gratitude are due to Allah. Salawat and Salam are extended to Prophet Muhammad PBUH, who has enlightened our path with the teachings of Islam.

I would like to begin by expressing my heartfelt appreciation to God for granting me the opportunity to pursue my degree and successfully navigate this challenging journey. His mercy and compassion have been instrumental in enabling me to complete my studies. I extend my sincere thanks to my supervisor, Dr. Asiah binti Kamal for her invaluable support, patience, guidance, and the sharing of her insights throughout this project. Her expertise and experience in various research areas have inspired me and made my experience under her mentorship truly rewarding.

Additionally, I wish to acknowledge the respondents for their cooperation and willingness to participate in the survey for this research. Their contributions have provided me with a wealth of new information and have motivated me to see my study through to completion.

I would also like to express my gratitude to my colleagues and friends for their assistance with this project. Furthermore, I am deeply thankful to my parents for their vision and unwavering support in my education, as well as for their encouragement throughout the research process, despite their busy schedules.

In conclusion, this thesis is dedicated to the cherished memory of my commitment to becoming a better student in the future.

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CHAPTER ONE

INTRODUCTION

1.1 Research Background

Takaful, an Islamic alternative to conventional insurance, is founded on Shariah-compliant ideas of mutual collaboration, shared accountability, and ethical investing (Hussin et al., 2024). Over the years, it has grown in popularity throughout time, particularly in Muslim-majority countries such as Asia Pacific and the Gulf Cooperation Council. Projections from various global studies suggest promising growth in the Takaful market, with revenue expected to rise from 2021 onwards (Takaful, 2021).

Takaful has played an important role in Malaysia's financial system since it was officially introduced in the 1980s, with the country's first Takaful operator being established in 1984 (Bank Negara Malaysia, 2023). As a predominantly Muslim country, Malaysia offers an ideal environment for the growth of the Takaful industry, bolstered by supportive government policies, a well-established Islamic financial system, and strong public interest. In 2022, the Family Takaful sector reached a penetration rate of 20.1%, up from 18.6% the previous year, according to the Malaysian Takaful Association (MTA) (2022). This growth highlights the increasing awareness and engagement with Takaful products, especially in areas such as family protection, retirement planning, and wealth management.

However, despite the growth of the industry, only 25% of the working population within the low-income group are covered either by life insurance or family Takaful, whereas 59% of the working population generally are protected through either Takaful or insurance (Mail, 2023). For the lower-income group, the high cost of life insurance makes it difficult for them to afford adequate coverage, leading to lower subscription rates to premium plans (Chung, 2020). Prioritizing immediate financial needs over long-term planning, many young adults tend to delay or skip Takaful coverage, seeing it more as a luxury than a necessity. This leaves them exposed to unforeseen risks (Muat, 2024).

This study focuses on young adults in smaller regions like Pekan, Pahang, as it remains an area ripe for exploration. Gaining insight into factors such as financial