Muslims' Perception of Islamic Insurance (*Takaful*) in Malaysia

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Abstract

Conventional insurance does not comply with the teachings of Islam. Experts of Islamic finance recommend *takaful* as an alternative to conventional insurance. Malaysia is on track to becoming a global center for Islamic finance; the Malaysian market harbors fifteen *takaful* companies. The *takaful* industry, compared to other Islamic financial areas, is relatively new, and the infiltration rate remains low. This study aims to compare products offered by Islamic insurance, conventional insurance, and products in general to analyze the strengths and weaknesses of Islamic insurance. A questionnaire was distributed to insurance policyholders following any religion residing in Malaysia. The snowball sampling method was used, and 500 responses were obtained, from which respondents (Muslim) (N=322) was analyzed. This study revealed that 1) there is room for improving the clearness of *takaful* when explaining its features to Muslim, and 2) *takaful* is lag the progress in many advertising methods such as websites, cinemas, and televisions.

Keywords: Islamic insurance, takaful, Malaysia, muslim, penetration rate

1. Introduction

The term *takaful* has become much of an attraction in the insurance market all across the globe today (Maysami and Kwon, 1999; Ahmad et al., 2010; Abdou et al., 2014; Salman, 2014a). Purveyed in Islamic and non-Islamic, *takaful*, with its many names like Islamic insurance, *Halal* insurance, ethical insurance, Islamic mutual insurance, co-operative insurance, and community insurance, has been accepted as the alternative to conventional insurance (Noordin et al., 2014). As with insurance businesses, *takaful* firms must be profit-oriented to compete with established insurance companies while adhering to *Shariah* compliance in all activities and products supplied by *takaful* companies (Hassan et al., 2018; Noordin et al., 2014).

The notion that insurance provides financial assistance when faced with any mishap or calamity makes it beneficial and entices people to pay a premium to secure their financial position against any misfortune (Ericson et al., 2003; Liu et al., 2017). For this reason, in many developed countries, insurance has become an integral part of one's daily activities and, in most cases, unavoidable (Chen and Chen, 2013; Venkateshwarlu, 2016). However, when inspected closely, products offered by insurance are based on elements like interest, uncertainty, and gambling (Iqbal, 2005; Kasim et al., 2016; Salman et al., 2019; Nazarov and Dhiraj, 2019). Since the outcome of these elements does not ensure fairness to all parties involved, therefore, Islam not only condones but strongly prohibits offering products based on these elements. The validity of insurance is a subject divided into three separate views (Rashid, 1993). The first viewpoint is that insurance is prohibited (Sohail, 2007). The second viewpoint leans toward insurance being permissible only in the case of necessity. The third suggests that conventional insurance be modified to become *Shariah*-compliant (Usmani, 2005; Dikko, 2014).

As a result, Muslim scholars established *takaful* as a substitute for conventional insurance. As stated by Salman (2014a), Htay et al. (2015), Dikko (2014), Salman (2014b), Salman and Htay (2013), Noordin et al. (2014), Billah (2007), Salman et al. (2018), and Ayub (2003), *takaful* is founded on the principles of *tabarru'* and *ta'awun*, which are respectively voluntary donation and cooperation (Htay and Salman, 2013; Noordin, 2014; Faruk and Rahaman, 2015; Htay and Salman, 2015; Salman et al., 2017; Hassan et al., 2018; Naim, 2020;

Shaifuddin, 2020; Khairi, 2020; Istiqomah and Gati, 2020).

Based on these two primary principles, contractual relationships are built between clients and *takaful* operators. At present, there are various types of *takaful* models. The most adopted by *takaful* operators are the Cooperative (*taa'wuni*) Model, Pure *Wakalah* (Agency) Model, and Modified *Wakalah* Model (*Wakalah* with Incentive Compensation), Pure *Mudarabah* (Investment Profit-Sharing) Model, Modified *Mudarabah* Model, Hybrid *Wakalah-Mudarabah* Model, and *Waqf* Model. *Takaful* products are categorized into two types. One is 'General *Takaful*,' which entails providing general *takaful* products for insuring one's motor vehicle, safety against fire, and any damage to marine transport/ cargo. The other is 'Family *Takaful*,' which offers family *takaful* products like health insurance, investment plans, and education (Htay & Zaharin, 2012; Ernst and Young, 2013; Htay and Salman, 2013; Salman, 2014a; Hassan, 2019; Malik and Ullah, 2019).

With its continuous developments in Islamic financial services, Malaysia aims to become the leading global Islamic financial hub (El Qorchi, 2005; Dewa and Zakaria, 2012; Hassan and Salman, 2017). The Malaysian *takaful* industry has also been increasing in the last few decades (Abu-Hussin et al., 2014), with fifteen *takaful* companies, both general and family *takaful*, currently open to the Malaysian market (Arshad and Irijanto, 2020; Mohamed et al., 2020). As per the Malaysian Takaful Association (2017), the Malaysian *takaful* business grew exponentially between 2010 and 2017, with total assets valued at RM 6.8 million in 2010 and RM 29.3 billion in 2017. This figure is anticipated to increase by 18% in 2019 (Husin, 2019).

As a substitute for conventional insurance, the *takaful* sector confronts stiff competition. Additionally, the lack of a secondary market, the inadequacy of Islamic law's infrastructure, and the scarcity of research on *takaful* concerns obstruct the growth of *takaful* products. Islamic insurance must ensure that all products offered are in line with *Shariah*. Due to this reason, the products offered are few. For the *takaful* market to heighten infiltration, the increase in *takaful* companies needs to be accompanied by the rise in *takaful* products. Extensive research on ways to develop *takaful* products is of much essence, as pointed out by many researchers (Johnes et al., 2009) and other researchers in their studies also suggested an increase in the evaluation of *takaful* companies using financial ratios to compare results with conventional insurance companies (Abdou et al., 2014).

Malaysia is primarily a Muslim country that adheres to *Shariah* rules. However, compared to the conventional insurance business, the *takaful* sector has significantly been unable to affect the insurance industry (Nordin, 2018). To increase the penetration rate of *takaful* in Malaysia, which is currently remains remarkably low, it is pertinent to understand Muslims' predicament in opting for *takaful* products. There have been studies examining the reasons, but to the best of the authors' knowledge, there remains a lacuna in comparing factors that characterize Islamic insurance (*takaful*) with other products. Therefore, this study aims to compare products offered by Islamic insurance, conventional insurance, and products in general to analyze the strengths and weaknesses of Islamic Insurance.

2. Literature Review

Kader et al. (2010) use non-parametric Data Envelopment Analysis (DEA) in their article to investigate the cost efficiency of *takaful* firms. Using a second-stage logit transformation regression model, the influence of corporate governance factors on cost efficiency is also investigated. Data were retrieved from the World Islamic Insurance Directory to conduct these analyses, a balanced panel data set of 78 firm-years from 2004 to 2006, including 26 *takaful* non-life insurance firms. Their investigations revealed that cost efficiency is not dependent on non-executive directors or separating the Chief Executive Officer and Chairman, nor does the regulatory environment substantially influence cost efficiency enhancement. Rather than that, the beneficial impacts on cost efficiency are determined by board size, firm size, and product specialization.

Rahman and Daud (2010) investigate the medical and health *takaful* participants in Malaysia and study their behavior. On examining 300 respondents, they discovered that medical and health *takaful* face the issue of adverse selection. Most of the claims get rejected when the managed care organization, on further inspection, finds irregularities in the information provided by the applicants.

Noordin et al. (2014) and Dikko (2014) raise concerns about the *Shariah* compliance of *takaful* products and if they continue to be based on the *tabarru'* and *ta'awun* concepts. According to Dikko (2014), various *takaful* models raise multiple concerns, including whether the products are on *takaful's* core ideas and are *Shariah*-compliant.

Eldaia et al. (2020) state that although the *takaful* industry has been rapidly growing, Malaysia faces

regulatory and technical challenges regarding competitive components business models, altering customers' requirements and demands for better product selections.

According to Husin (2019), much attention should be given to the industry for the *takaful* industry to strengthen its position and increase its market share over its traditional counterpart. Lack of awareness amongst the population of the essential spirit of *takaful*, inadequate regulations and corporate governance, scarcity of human resources, lack of innovation and unsuitability of products, and limited funds to manage *takaful* finances are all challenges the *takaful* industry continues to tackle. Nonetheless, the *takaful* industry treats its consumers and companies equitably and increases the infiltration rate. And for that, the *takaful* industry should aim to observe new trends in global economics and become the only best option for not just Muslims but consumers of all faith worldwide.

Mohamed and Alhabshi (2015) listed several factors highlighted by the interviewees that discourage customers from opting for *takaful*. Some of the factors mentioned were consumers' lack the knowledge of the benefits of *takaful* over conventional insurance, lack of innovation and variety of products, shortage of human resources, specifically the frontline workers to explain the *takaful* products efficiently, and finally, the need to improve market strategies and increase distribution channels.

Htay et al. (2013) examined five *Shariah* scholars' (academician) perspectives on the topic in their study of the variables. The study used the Delphi approach, and the findings indicate that most *Shariah* scholars are unfamiliar with the underwriting and risk assessment processes of family *takaful*. Despite this, the scholars assert that while *Shariah* does not prohibit the underwriting process, some of the factors utilized in the process should be re-examined. Although the *takaful* business is fresh compared to the conventional insurance, the Islamic legislation governing it is self-contained and addresses all concerns within the industry. Malaysia is a Muslim country, yet common law has ruled the country since colonialism.

Lambak and Tahir (2013) examine the possibility of applying common law in the existing Malaysian Takaful Act 1984. Their findings show that common law can be used if *Shariah* is not compromised. Compared to the market's rapid growth, the regulatory framework is relatively slow. The timely and speedy issuance of relevant rules and guidelines will ensure that both the regulatory framework and the market move simultaneously, parallel to one another.

Hassan and Salman (2017) look at *Shariah* advisers' thoughts on introducing new *takaful* products in Malaysia. A combination of convenient and purposive selection techniques is used to choose the eleven *Shariah* advisers for the interview. *Shariah* advisors concluded that various opportunities awaited exploration for the industry. Experimentation is a technique for identifying potential. Products, marketing, pricing, customer service, and distribution techniques are just a few of the sectors within the *takaful* industry that might be improved. Additionally, a client's lack of understanding of *takaful* creates many complexities and issues. *Shariah* experts have made numerous reasonable clarifications, including suggestions that some *takaful* industry in certain regions be upgraded to become more inventive.

Ansari (2022) synthesizes the last two decades of *takaful* literature published between 2000 and 2019 and suggests some significant areas for future research. The study methodically reviews the literature. The Scopus database was consulted for this investigation, and 96 papers were included. The articles are classified according to their primary topics, including consumer behavior, financial and non-financial performance, *takaful* models, human resources, and governance. The study contributes to the *takaful* literature by reviewing papers according to particular themes, filling in gaps in existing literature surveys with noteworthy findings.

Salman and Kawata (2021) examine the characteristics that encourage involvement in Islamic insurance using Malaysian insurance policyholders. Both logit and probit models are used to analyze data from Muslims and non-Muslims in two scenarios: adoption of Islamic insurance and conversion from conventional to Islamic insurance. The estimation results indicate that the determinants affecting Muslims' and non-Muslims' adoption and shift to *takaful* are distinct, emphasizing that different tactics are necessary to encourage adoption and transition to *takaful*.

According to Hassan et al. (2022), their study intends to ascertain the reasons for *takaful* rejection and to promote *takaful* among Malaysian adolescents. The sample for this study consists of 53 Malaysian youngsters recruited from various sources. The data for this investigation were acquired using a random sampling technique. For statistical analysis, this study used descriptive statistics and correlation coefficients. Religion, social status, product features, marketing, agent qualities, and the quality, availability, and transparency of

takaful services all contribute to its adoption success. Most respondents, on the other hand, are unfamiliar with the *takaful* concept, as well as its level of awareness and coverage.

3. Materials and Methods

3.1 Survey

A questionnaire survey was conducted in Malaysia between 20 December 2019 and 10 January 2020. The population was set to be Malaysian who were insurance policyholders. A snowball sampling was used, and about 500 policyholders of both Muslims and non-Muslims replied to the same style questionnaire. Snowball sampling is a technique in which research participants recruit additional subjects for a test or study. It is utilized in situations where participants are scarce. Snowball sampling is so-named because, in theory, once the ball is rolling, it gathers up more "snow" along the way and grows in size. Snowball sampling is a non-probability method of sampling. Because this study involves examining insurance policyholders, we used snowball sampling to find specific respondents. People of all religions were allowed to participate in the questionnaire.

The questionnaire was divided into two main parts. The first part contained the questions about subjects' sociodemographic factors such as age, and the second part included the questions about products and associated features. In the latter role, the respondents were asked on three different products: 1) products in general, 2) conventional insurance, and 3) Islamic insurance. They were further asked to reply to questions concerning four topics: 1) products, 2) agents, 3) marketing, and 4) social for these three products. These four topics were selected because products, agents, marketing, and social are the main aspects of *takaful*; that is, "product" features *takaful* itself, "agents" and "social" imply supply and demand players, and marketing all these three components. In other words, the relevant aspects of *takaful* for this study were categorized into these four topics. These four topics consisted of 5 different questions (Table 1). Therefore, respondents answered 60 (= 3 × 4 × 5) questions. All 60 questions were asked using a five-point Likert scale.

Table 1 Twenty questions on products, agents, marketing, and social

PRODUCT1	High-observability items increase your curiosity about adopting new products.
PRODUCT2	Simple-to-understand product, for example, a worded insurance describing premium payment, coverage, the claim process, surrender procedures, and maturity advantages.
PRODUCT3	A simple explanation of the advantages of buying the product.
PRODUCT4	Product characteristics are sufficiently flexible to meet the demands of policyholders.
PRODUCT5	If you choose between products, you will be interested in trying the new ones if all the old and new products' features and functions are similar.
AGENTS1	A person who is moral, reliable, and accountable.
AGENTS2	Recognize the customer's needs and be able to recommend an appropriate product.
AGENTS3	Justify and reveal the product's truthfulness.
AGENTS4	At all times, maintain positive contact with the consumer.
AGENTS5	Always willing to assist when necessary.
MARKETING1	Advertising on social media sites. An influencer's effects.
MARKETING2	On-line advertisements.
MARKETING3	Roadshow
MARKETING4	Opening booths at conferences, education fairs, gatherings, and grocery stores.
MARKETING5	Cinemas, television networks, and radio stations all have advertisements.
SOCIAL1	Your parents, friends, and coworkers, for example, may all encourage you to buy a new product.
SOCIAL2	Participation in new products is facilitated through group discussions among peers and opinion leaders.
SOCIAL3	You must adopt the new products due to demand from your company.
SOCIAL4	If the product contains forbidden elements, you are willing to locate an alternate solution that is allowed in your faith.
SOCIAL5	When choosing among the available products, I value honesty and fairness.

3.2 Methods

To understand the status of Islamic insurance (*takaful*), respondents replied to 20 questions (= 4 topics × 5 different questions) for products in general (hereafter referred to as P), twenty questions for conventional insurance (C), and twenty questions for Islamic insurance (I) were compared based on the statistical test. For conducting multiple comparisons, Wilcoxon signed-rank test was selected. R's statistical test was performed (R Core Team, 2021). Because there were three groups, the Holm method was applied when calculating p-values. The exact test was chosen in all applications of tests. The null hypotheses were as follows.

H_0 for P-C: The median difference between "products in general" and "conventional insurance" is zero.
H_0 for P-I: The median difference between "products in general" and "Islamic insurance" is zero.
H_0 for C-I: The median difference between "conventional insurance" and "Islamic insurance" is zero.

There were three hypothetical tests above: H_0 for P-C, H_0 for P-I, and H_0 for C-I. They were 13 combinations of hypothetical test results (six, six, and one for the following cases). There were 6 cases if all three hypotheses were rejected, and median values of P (products in general), C (conventional insurance), and I (Islamic insurance) were statistically significantly different. As shown in Table 2, these cases are 3A, 3B, 3C, 3D, 3E, and 3F. There were 6 cases if two of three hypotheses were accepted. There was one case in which all three hypotheses were accepted. Based on the results of H_0 for P-C, P-I, and C-I, and the order of median values of P, C, and I, twenty questions were categorized these 13 types as shown in Table 2.

Table 2 Categorization of 20 questions based on H_0s

Type	H_0 for P-C	H_0 for P-I	H_0 for C-I	median
3A	rejected	rejected	rejected	P ≥ C ≥ I
3B	rejected	rejected	rejected	P ≥ I ≥ C
3C	rejected	rejected	rejected	C ≥ P ≥ I
3D	rejected	rejected	rejected	C ≥ I ≥ P
3E	rejected	rejected	rejected	I ≥ P ≥ C
3F	rejected	rejected	rejected	I ≥ C ≥ P
2A	accepted	rejected	rejected	P, C ≥ I
2B	accepted	rejected	rejected	I ≥ P, C
2C	rejected	accepted	rejected	P, I ≥ C
2D	rejected	accepted	rejected	C ≥ P, I
2E	rejected	rejected	accepted	C, I ≥ P
2F	rejected	rejected	accepted	P ≥ C, I
1A	accepted	accepted	accepted	Note 1

Note 1: There is no statistically significant difference among P, C, and I.

4. Results

4.1 Score distributions, hypotheses testing, and median values

Although we allowed both Muslims and non-Muslims to participate in the questionnaires, the sample size of non-Muslim (N=178) was too small to obtain precise results. Thus, this study uses only replies from Muslims (N=322). The demographic background of Muslim respondents is tabulated in Table 3.

Table 3 The demographic background of Muslim respondents

		N	
Gender	Male	138	42.9%
	Female	184	57.1%
Age (years old)	20-25	11	3.4%

	26-30	33	10.2%
	31-35	70	21.7%
	36-40	87	27.0%
	41-45	48	14.9%
	46-50	39	12.1%
	51-55	20	6.2%
	56-60	9	2.8%
	61-	5	1.6%
Educational background	Certificate	27	8.4%
	Diploma	59	18.3%
	Bachelors	82	25.5%
	Masters	83	25.8%
	PhD	44	13.7%
	Professional	27	8.4%
Marital status	Single	40	12.4%
	Married	251	78.0%
	Others	31	9.6%
Annual salary (RM.)	-1,999	34	10.6%
	2,000-2,999	48	14.9%
	3,000-3,999	58	18.0%
	4,000-4,999	63	19.6%
	5,000-5,999	49	15.2%
	6,000-6,999	40	12.4%
	7,000-7,999	23	7.1%
	8,000-	7	2.2%
Occupation	Private sector	110	34.2%
	Government sector	101	31.4%
	Self-employed	95	29.5%
	Retired	6	1.9%
	Unemployment	10	3.1%

The distributions of scores of 20 questions for all three products (P, C, and I) are shown in Figures (1 to 4), together with the results of hypotheses testing and median values for P, C, and I. Here, ***, **, and * indicate statistical significance at the 1%, 5%, and 10%, respectively. Based on the hypotheses testing and the median values, a type such as "3B" is also detected and shown in each right-hand cell of the Figures.

The average score of all respondents for 20 questions is calculated. The values are 4.1, 3.2, and 3.3 for products in general, conventional insurance, and Islamic insurance, respectively. These results imply that people evaluate a product in general (4.1 points) nearly 1 point higher than conventional insurance (3.2 points) and Islamic insurance (3.3 points), while the score of conventional and Islamic insurance was almost the same. The number of median values was also counted and tabulated in Table 4. Generally, the median values of products concentrate on points 5 and 4 while those of conventional and Islamic insurances are mainly pointed around 3.

The results of the types of 20 product features reflect the above. Seven product features are categorized as type 2F, 5 for types 3A, and another 5 for 3B (Table 5). These types share a common feature: Both "H_0 for P-C" and "H_0 for P-I" are statistically significantly different, and the median value of P is more significant than C and I. One product feature is type 2A, where H_0 for P-I" holds while "H0 for P-C" is not, and the median

values of P and I are higher than C. P's character is the most evaluated (with I). There are only two cases where I's character is the most evaluated, followed by C and P. These are type 3E for Marketing 3 and type 3F for Social 4.

Figure 1 Results of "Product Features"

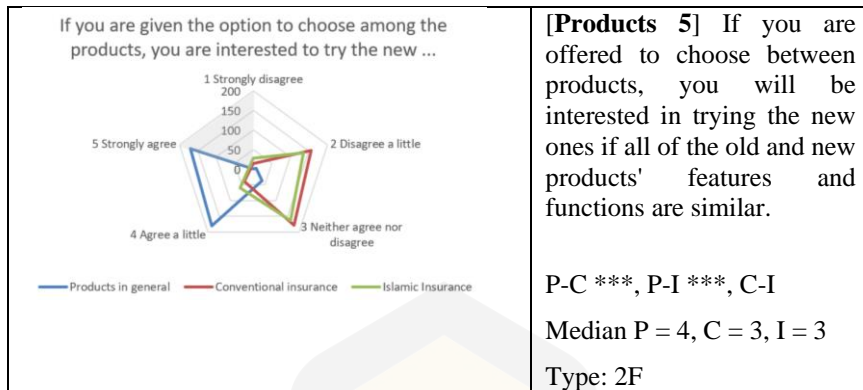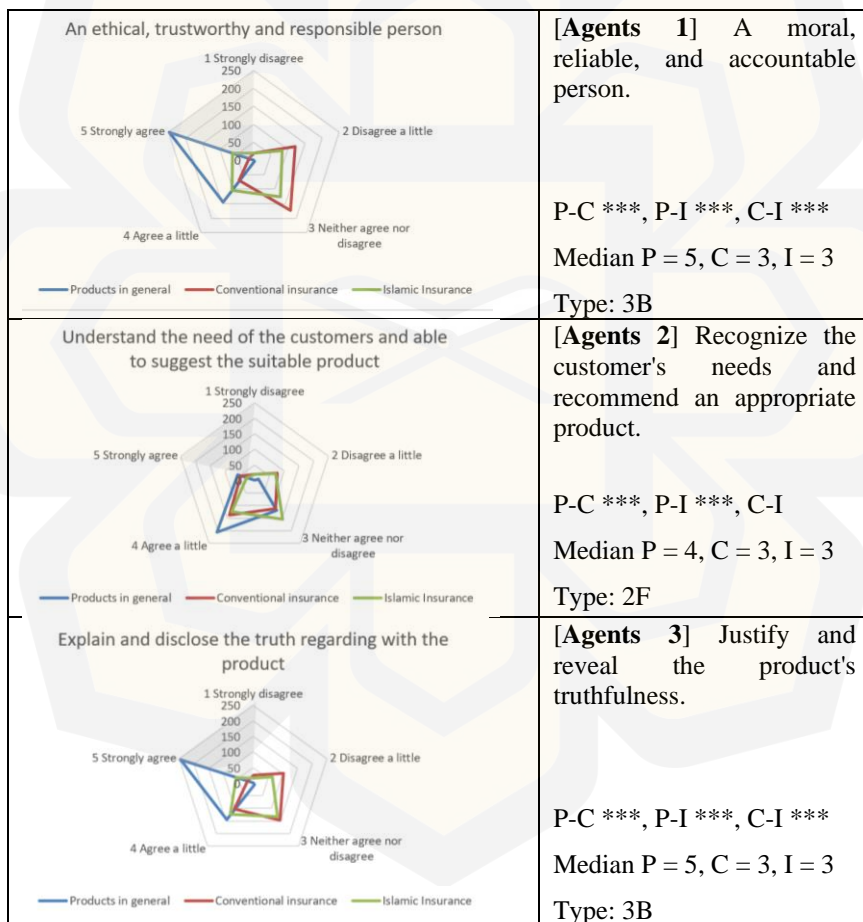|	
The products with higher observability make you interested to adopt the new products 1 Strongly disagree 200 150 100 5 Strongly agree 50 0 2 Disagree a little 4 Agree a little 3 Neither agree nor disagree Products in general — Conventional insurance — Islamic Insurance	[**Products 1**] High-observability items increase your curiosity about adopting new products. P-C ***, P-I ***, C-I *** Median P= 4, C = 3, I = 3 Type: 3B
Easy to understand the product, for example, clearly written policy on the payment of... 1 Strongly disagree 250 200 150 5 Strongly agree 100 50 0 2 Disagree a little 4 Agree a little 3 Neither agree nor disagree Products in general — Conventional insurance — Islamic Insurance	[**Products 2**] Simple-to-understand product, for example, a worded insurance describing premium payment, coverage, the claim process, surrender procedures, and maturity advantages. P-C ***, P-I ***, C-I *** Median P = 4, C = 3, I = 2 Type: 3A
Clear illustration on the benefits of buying the products 1 Strongly disagree 300 200 5 Strongly agree 100 0 2 Disagree a little 4 Agree a little 3 Neither agree nor disagree Products in general — Conventional insurance — Islamic Insurance	[**Products 3**] A simple explanation of the advantages of buying the product. P-C ***, P-I ***, C-I ** Median P = 5, C = 3, I = 2 Type: 3A
Product features are flexible enough to modify based on the needs of the policy holders 1 Strongly disagree 250 200 150 5 Strongly agree 100 50 0 2 Disagree a little 4 Agree a little 3 Neither agree nor disagree Products in general — Conventional insurance — Islamic Insurance	[**Products 4**] Product characteristics are sufficiently flexible to meet policyholders' demands. P-C ***, P-I ***, C-I *** Median P = 4, C = 3, I = 3 Type: 3A

| | [**Products 5**] If you are offered to choose between products, you will be interested in trying the new ones if all of the old and new products' features and functions are similar.

P-C ***, P-I ***, C-I

Median P = 4, C = 3, I = 3

Type: 2F |

Figure 2 Results of "Attributes of agents"

	[**Agents 1**] A moral, reliable, and accountable person. P-C ***, P-I ***, C-I *** Median P = 5, C = 3, I = 3 Type: 3B
	[**Agents 2**] Recognize the customer's needs and recommend an appropriate product. P-C ***, P-I ***, C-I Median P = 4, C = 3, I = 3 Type: 2F
	[**Agents 3**] Justify and reveal the product's truthfulness. P-C ***, P-I ***, C-I *** Median P = 5, C = 3, I = 3 Type: 3B

Maintain the good relationship with the customer all the times	[**Agents 4**] Maintaining positive contact with the consumer at all times. P-C ***, P-I **, C-I Median P = 4, C = 3, I = 3 Type: 2F
Ready to help whenever necessary	[**Agents 5**] Always willing to assist when necessary. P-C ***, P-I **, C-I *** Median P = 4, C = 3, I = 4 Type: 3B

Figure 3 Results of "Marketing and promotion"

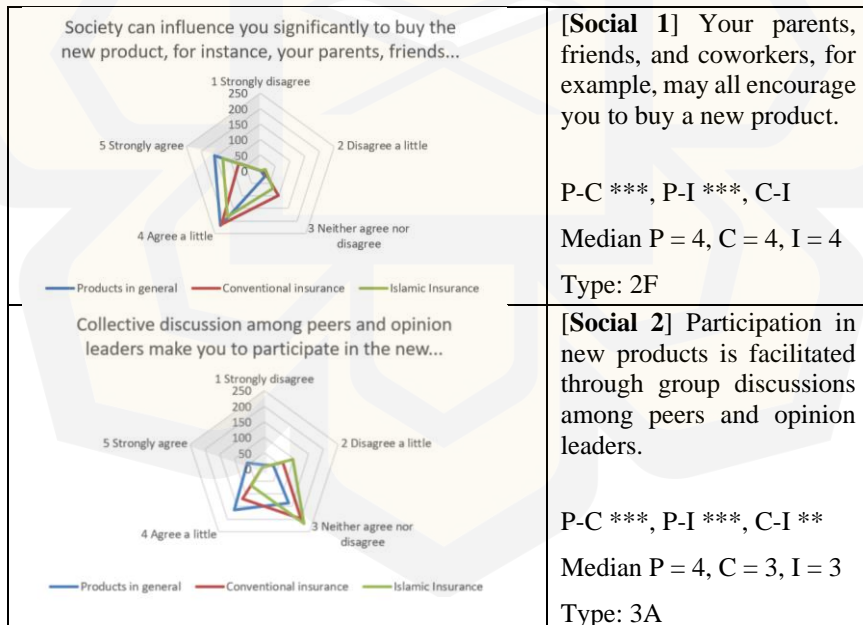|	
Advertising when using SNS. Impacts by influencer	[**Marketing 1**] Advertising on social media sites. An influencer's effects. P-C ***, P-I ***, C-I ** Median P = 4, C = 3, I = 3 Type: 3B
Advertising on the website	[**Marketing 2**] Online advertisements. P-C ***, P-I ***, C-I *** Median P = 4, C = 4, I = 3 Type: 3A
Roadshow on the website	[**Marketing 3**] Roadshow P-C ***, P-I ***, C-I *** Median P = 3, C = 2, I = 3 Type: 3E

Opening the booths in the events such as conferences, education fairs, convocation and...	[**Marketing 4**] Opening booths at conferences, education fairs, gatherings, and grocery stores. P-C ***, P-I ***, C-I Median P = 4, C = 3, I = 3 Type: 2F
Advertising in cinemas, television channels and radio	[**Marketing 5**] Cinemas, television networks, and radio stations have advertisements. P-C, P-I ***, C-I *** Median P = 4, C = 3, I = 3 Type: 2A

Figure 4 Results of "Social and religious factors"

Society can influence you significantly to buy the new product, for instance, your parents, friends...	[**Social 1**] Your parents, friends, and coworkers, for example, may all encourage you to buy a new product. P-C ***, P-I ***, C-I Median P = 4, C = 4, I = 4 Type: 2F
Collective discussion among peers and opinion leaders make you to participate in the new...	[**Social 2**] Participation in new products is facilitated through group discussions among peers and opinion leaders. P-C ***, P-I ***, C-I ** Median P = 4, C = 3, I = 3 Type: 3A

Requirement by the employer makes you adopt the new products 	[**Social 3**] You must adopt the new products due to demand from your company. P-C ***, P-I ***, C-I Median P = 4, C = 4, I = 4 Type: 2F
Religious teaching, for instance, if the product includes the prohibited items, you are willing to... 	[**Social 4**] If the product contains forbidden elements, you are willing to locate an alternate solution that is allowed in your faith. P-C, P-I ***, C-I *** Median P = 4, C = 4, I = 5 Type: 3F
Ethicality and fairness are important for you to choose among the available products 	[**Social 5**] When choosing among the available products, I value honesty and fairness. P-C ***, P-I ***, C-I Median P = 5, C = 4, I = 4 Type: 2F

Table 4 Average score and the number of median values of 20 product features

		Products in general	Conventional insurance	Islamic insurance
Average		4.1	3.2	3.3
Median	5	4	0	1
	4	15	6	4
	3	1	13	13
	2	0	1	2
	1	0	0	0

Table 5 Results of the type categorization

Type	Products	Agents	Marketing	Social
3A	2, 3, 4		2	2
3B	1	1, 3, 5	1	
3E			3	
3F				4
3C, 3D	None			
2A			5	

2F	5	2, 4	4	1, 3, 5
2B, 2C, 2D, 2E	None			
1A	None			

5. Discussions

5.1 Current status of Islamic insurance

The comparisons between P, C, and I using a five-point Likert scale reveal that Muslims' evaluation of *takaful* is lower than products in general but is almost the same as conventional insurance. The average P, C, and I scores are 4.1, 3.2, and 3.3 respectively. The distribution of scores for a product in general (mainly 4 and 5) is different from those of conventional and Islamic insurance (especially 3).

Type 3E for Marketing 3 and type 3F for Social 4 are exceptions, where I's character is the most evaluated, followed by C's and P's characteristics. Marketing 3 is "roadshow," and Social 4 is "If the product contains forbidden elements, you are willing to locate an alternate solution allowed in your faith." It may be possible to infer that the score for Marketing 3 and Social 4 is the highest for Islamic insurance. A roadshow in Marketing 3 is the most traditional style of marketing when compared to others such as SNS in Marketing 1, websites in Marketing 2, booths in events in Marketing 4, and advertising in cinema. The image of a roadshow may be the most suitable for Islamic insurance because the roadshow makes it possible for Muslims to communicate with the staff of insurance companies. Social 4 describes "prohibited items" and an "alternative product that is acceptable in your religion," while others treat "new products" in Social 1, 2, and 3. Social 4 may be the most suitable for Islamic insurance, and thus the score is the highest.

5.2 Weakness

In what follows, products, in general, are removed from the discussion. It is because it may be natural that people's insurance evaluation is lower than a product in general. Following that, conventional and Islamic insurance are compared. Because we remove P, we may summarize more simply in Table 6. The results show that Muslims' evaluation of product features of Product 5, Agents 2 and 4, Marketing 4, Social 1, 3, and 5 are almost the same for both conventional and Islamic insurance because H_0 for C-I is accepted. Muslims' evaluation of the following features is higher for conventional insurance than for Islamic insurance: Products 2, 3, and 4, Marketing 2 and 5, and Social 2. On the other hand, Muslims' evaluation of the following features is higher for Islamic insurance than for conventional insurance: Products 1, Agents 1, 3, and 5, Marketing 1 and 3, and Social 4.

Table 6 Comparison of product features of conventional and Islamic insurances

	H_0 for C-I		
	Accepted	Rejected	
		$C \geq I$	$I \geq C$
Products	Products 5	Products 2, 3, 4	Products 1
Agents	Agents 2, 4		Agents 1, 3, 5
Marketing	Marketing 4	Marketing 2, 5	Marketing 1, 3
Social	Social 1, 3, 5	Social 2	Social 4

Muslims evaluate Products 2, 3, and 4 higher for conventional insurance than Islamic insurance. It may suggest that Islamic insurance has room for improving the clearness of explanation on products (Products 2 and 3) and for flexibility in modification based on the needs of the policyholders (Product 4). Muslims also evaluate Marketing 2 and 5 higher for conventional insurance than Islamic insurance. It may suggest that Islamic insurance is behind the progress in advertising such as websites, cinemas, televisions, etc. Muslims' evaluation of Social 2 was also low for Islamic insurance. Social 2 describes that "participation in new products is facilitated through group discussions among peers and opinion leaders." Because Social 2 includes the new products, this feature is less suitable for Islamic insurance, resulting in the worst score. These features may be a weakness of Islamic insurance. To enhance the penetration rate of *takaful* in Malaysia, it is recommended to improve these features of *takaful*.

5.3 Strength when compared to conventional insurance

On the other hand, Muslims evaluate the following features of Islamic insurance more than conventional insurances: Product 1, Agents 1, 3, and 5, and Social 5. Product 1 states that high-observability items increase your curiosity about adopting new products. While insurance may be ambiguous in general, Islamic insurance may have more observability in that this insurance is based on Islamic teaching. Agents 1, 3, and 5 describe the features, such as trustworthy and responsible agents who explain the truth of the product and assist you whenever necessary. These features are very much associated with Islamic insurance. Social 4 describes the religious aspects of the product, and thus Islamic insurance has a high score. Based on the above, Islamic insurance has an advantage in observability, trust, and religious considerations of the product itself and associated agents and society. These features should be maintained and may be enhanced to improve the penetration rate of *takaful* in Malaysia.

6. Conclusion

It may be concluded that the primary issue in Islamic insurance is that Muslims underrate *takaful* products compared to products in general. To enhance the penetration rate of *takaful* in Malaysia, a detailed study of the strength and weaknesses of Islamic insurance is essential. There are about 20 product features in Islamic insurance, out of which only two products have secured the highest evaluation by Malaysian Muslims. It shows that there is enormous scope for improvement. Customers' lack of essential information and technicalities of the products and services offered by *takaful* companies will directly affect their motivation to participate and avail of the services provided (Alnemer, 2015). The British Government was the first to realize the importance of imparting financial knowledge to customers and, therefore, launched the Financial Capability Steering Group to examine consumer education. Subsequently, it called out to all other countries to follow the Financial Service Authority (FSA) consumer education program (Alnemer, 2015). Education is the first step to enhance the infiltration rate of *takaful* products in the market. The *takaful* operators need to make an effort to increase awareness amongst the Malaysian consumers and help them understand the basics along with the benefits of participating in *takaful*. The Government of Malaysia can play a significant role in imparting the required knowledge to its citizens with a keen focus on educating the youth. When two products are offered, a customer chooses one that is ethically provided. All other features such as benefits and costs are the same. However, education encourages one to think out of the box. Education allows one to understand the importance of ethicality, justice, corporate and social responsibility for other benefits. *Takaful* embodies these traits, and with education, demand for *takaful* will undoubtedly continue to grow, at least on ethics.

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