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PERCEPTION & AWARENESS AMONG MUSLIM CONSUMERS: COMPARATIVE STUDY OF TAKAFUL & CONVENTIONAL INSURANCE

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KEYWORDS	ABSTRACT	
Awareness, Conventional Insurance, Muslim Consumers, Pakistan, Perception, Takaful	<p>This study examines that how knowledge and perception affect Muslim policyholders of Takaful & conventional insurance businesses in developing economy. Questionnaire containing 26 items was used to gather data. The regression analysis was used and results of study reveal that awareness of Takaful holders is higher on Islamic insurance products and Islamic finance products in comparison to convention insurance policyholders. Perception of the conventional holders towards their companies is better than Takaful holders. The conventional insurance policyholders had better see products offered by their companies and companies themselves. Takaful operators will understand public awareness about Takaful and public perception of their insurance and Takaful providers it helps in policy selection for existing and future customers of Takaful and conventional insurance companies. In Pakistan, no study of such kind was conducted in the previous few years using the variables utilized in present study. Results of current investigation have practical implications for Takaful operators & conventional insurance companies operating in developing countries like Pakistan in order to revist the policies in vogue.</p>	
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INTRODUCTION

Pakistan, as rising economy has problems and possibilities in several areas, including insurance business (Rahman & Khan, 2023). The government of Pakistan is taking revolutionary moves and efforts to improve the situation. Takaful industry in Pakistan is facing challenges because to the psychological and economic complications (Hassan & Abbas, 2020; Salami, Tanrivermis and Tanrivermis, 2024). Currently, several domestic and international insurance operators are functioning in Pakistan. Interest (Riba) plays a significant role in the current insurance system

in Pakistan, including both direct and indirect participation in premium collecting & investing of returns (Riaz, Akram & Saad, 2023). Companies invest the funds received from customers in fixed interest activities like term financing certificates, T-bills, and fixed deposits with banks. In this connection, insurance firms are promoting interest via actions that are declared haram by Muslims and Islam (Ali, Raza, Puaah & Amin, 2019). The prior research has examined Takaful practices, focusing on regulatory and managerial viewpoints. Thus, the research examines the policyholder's viewpoint from both Takaful and conventional insurance providers. Therefore, an extensive examination of perception and awareness is conducted with specific emphasis on policyholders.

Perception and awareness are assessed individually for goods and firms in the Islamic banking and insurance sectors, with a much larger sample size (Abdullah, Shams & Ashurov, 2023). The insurance industry has seen tremendous growth in emerging markets, and there has been the significant increase in Muslim consumers seeking financial protection over Takaful, an Islamic alternative to traditional insurance. Despite this growth, important research gaps are logical in terms of Muslim consumer attitude & awareness toward (Ansari, 2022). Takaful as compared to traditional insurance. Relatively little scholarly attention is devoted to examining the factors influencing choice between these two options, especially in emerging economies where cultural and economic development play an important role. A notable research gap is lack of a inclusive comparative study focusing on level of awareness and attitude of Muslim consumers towards Takaful & traditional insurance (Mastour, Asraoui & Kharbouch, 2023). The existing literature primarily examines takful or traditional insurance separately, providing insufficient insights into reasons for preference by Muslim consumers in emerging markets (Saba, Khan & Jawed, 2021).

This gap in research hinders the development of targeted strategies for takful and traditional insurers to better meet the needs and preferences of Muslim consumers. Moreover, the existing literature lacks an in-depth understanding of socioeconomic factors, cultural influences, and religious perspectives that inspire Muslim consumer perception of insurance options (Yazbek, 2023; Salman & Hassan, 2020), the comparative research can provide insights a valuable to education and the insurance industry by examining these nuances they must be able to better align their products and marketing strategies with preferences & values of Muslim consumers (Haija & Houcine, 2023). The current analysis is important for many stakeholders, including academics, insurance providers, policy makers and Muslim users. First, contribution to the academic discourse by addressing a gap in the literature on insurance choice among Muslim consumers in emerging countries This study aims to a comprehensive analysis will be provided considering both Takaful and traditional insurance, providing insights into influencing factors. Second, the findings of this study have practical implication for insurers operating in emerging economies.

Understanding preferences and perspectives of Muslim consumers can help develop targeted marketing strategies, customize products to meet specific needs, and increase overall customer satisfaction (Riaz, Akram & Saad, 2023). By bridging knowledge gap, the study facilitates the development of multi-knowledge business models in insurance industry. Also, policymakers can benefit from findings of the study to develop laws and regulations that support the growth and change of takaful and conventional insurance markets. Developing nuanced understanding of the factors influencing insurance choice among Muslim consumers is essential to creating an

enabling environment that fosters fair competition and protects consumer interests (Mastour, Asraoui & Kharbouch, 2023). Research examines the policyholder viewpoint from both Takaful and conventional insurance providers. Furthermore, Muslim consumers stand to benefit from this research as it empowers them with knowledge to make informed decisions about insurance options.

LITERATURE REVIEW

A study gauged the perception of Indonesian customers about the insurance, reported that the undesirable perception of insurance among Indonesians exists, aggressive & influential selling strategy, and the lack of awareness of the consumers were the primary causes (Htay, Sadzali & Amin, 2015). For developing the productive service association, faith, private interaction, and customer alignment with sales personnel are important. Malaysians remained satisfied with their saving strategies and are unwilling to purchase family Takaful or life insurance because of a lack of information and lower levels of income. 51.1% of Malaysians are aware of the existence of Islamic insurance in Malaysia (Htay et al., 2015). The respondents' educational level has a significant effect on level of awareness. Another study on Kuwait Muslims reported that merely 17% of the respondents could differentiate between conventional insurance and Takaful. The study further stated that the level of education significantly manipulates the level of awareness. 88.6% of Malaysian Muslims know that they have Takaful in their country, whereas more than 50% were not aware of any Takaful operators. Thus, 90.8% of the respondents are unaware of Takaful.

The level of education of respondents highly manipulates the level of awareness of Takaful in Pakistan. The Bahrainis are aware of Takaful concepts and the differences between Takaful and conventional insurance, and there is less awareness of the logical term used in the Takaful. The postgraduate degree holders are more aware of Takaful concepts. Level of awareness of Takaful among Indian Muslims and non-Muslims is low. A study on Muslim consumers living in Australia reported that positive perception of Takaful is dependent on increasing the level of awareness of consumers (Badr & Tayachi, 2021). Study conducted in Pakistan on conventional auto finance and Ijarah reported that it is recommended to relevant stakeholders to develop more awareness about the concept among these people (Chhapra, Ahmed, Rehan & Hussain, 2018). This study seeks to identify variations in the knowledge and perception of policyholders between Takaful and conventional insurance businesses, which are crucial for customers and decision-makers in both industries. This research will assist Takaful & conventional insurance operators in comprehending public impressions of their firms and the public's knowledge of Takaful.

The Takaful operators would benefit from adopting methods to enhance Takaful business in a Muslim-majority nation such as Pakistan (Ehsan, Hasan & Bhatti, 2018). From point of view of customer, quality of a product is directly proportional to its capacity to satisfy the requirements of the consumer (Adeinat, Rahahleh & Bhatti, 2019). According to findings of survey conducted in Malaysia on the subject of Takaful perception, nobody has a favorable impression of Takaful since it is associated with insurance. There are five product characteristics that have a major influence on the acceptability of Takaful in Malaysia. Based on the findings of these research, it can be inferred that perception of goods among consumers impacts both Takaful policyholders and conventional insurance policyholders. Consequently, following connection is anticipated to exist between variables that are independent and those that are dependent (Lee, Ling, Ng, Tan

& Wong, 2018; Makki, 2015). Degree of technical performance that takaful businesses possess is lower when compared to that of regular insurance companies. According to results of research explored attitudes of insurance businesses, there is a view of insurance in Indonesia that is not positive.

On the basis of the results of these studies, it is possible to draw the conclusion that perception of companies that consumers have has impact on both conventional businesses and businesses that are built on trust. As a consequence of this, it is predicted that the following link will exist between the variables that are independent and those that are dependent (Akhtar, 2018). There is a low degree of understanding and awareness about Takaful in India. This is a problem that has to be addressed. The survey found that understanding of conventional finance ideas and words was more developed than the knowledge of Islamic finance terms and concepts among students of United Arab Emirates (Bley & Kuehn, 2004). According to results of this research, degree of familiarity that consumers have with Islamic financial products has an effect on the number of people who have policies with Takaful & convention insurance programs. According to findings of a study doing research on Muslims in Australia, degree of knowledge of Islamic insurance products ranges from low to moderate. According to results of research, degree to which consumers are aware of Islamic insurance products has effect on number of people who have policies held by Takaful & conventional insurance corporation (Sain, Rahman & Khanam, 2016).

Hypothesis of Study

- H1: There is an impact of perception of products on the Takaful and conventional insurance policyholders.
- H2: There is an impact of the perception of companies on Takaful and conventional insurance policyholders.
- H3: There is an impact of awareness of Islamic finance products on Takaful and conventional insurance policyholders.
- H4: There is impact of awareness of Islamic insurance products on Takaful and conventional insurance policyholders.

RESEARCH METHODOLOGY

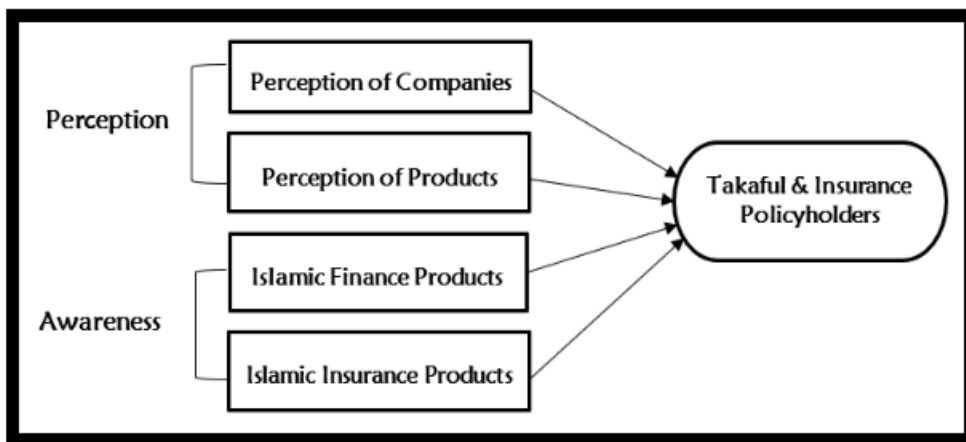
The questionnaires were distributed among people of diverse ages. The respondents were the policyholders of Takaful & conventional insurance companies. Adapted questionnaire was used to collect data. For improved understanding of participant's questionnaire was translated into Urdu (local language). Purposive sampling technique was used, policyholders of Pak Kuwait Takaful, Pak Qatar Takaful, State Life Insurance Corporation of Pakistan, Adamjee Insurance were targeted population of study. The safe method is to have 5 participants for each variable if there are 100 participants in the sample, and if below 100, there will be 10 participants for each variable. The responses of Takaful and conventional insurance policyholders were taken on 520 questionnaires. The return rate of questionnaire was 83%, which means 430 questionnaires were collected. Four hundred questionnaires were in usable form, out of which 200 responses from Takaful holders & 200 responses from conventional insurance holders were utilized for the study.

Variables & Measurements

Takaful and Insurance policyholders are dependent variables of study, which is in binary form. With help of "YES" and "NO" questions, participants were asked if they acquired/used Takaful

policy and acquired or used Conventional Insurance policy, where base responded with a "Yes" answer. Participants were asked whether they understood a variety of Islamic finance products and Islamic insurance products. Six items on the dichotomous scale were used to measure the awareness of Islamic finance products. Nine items on dichotomous scale were used to gauge the Islamic insurance product awareness. The perception of companies is measured by asking respondents about the recognition, success, reputations, and quality of service on a Likert-type scale with help of 4-items. In this drive, perception of products is gauged by asking respondents about the companies whether these are beneficial or not, profitable or not, whether they are charging reasonable or unreasonable premiums, whether they have the wide or low variety of products, if they are Shariah compliant or not if respondents are satisfied or dissatisfied and if they will recommend their companies to other or not, on a Likert type scale with the help of 7 items.

Figure 1
Conceptual Framework



RESULTS OF STUDY

Table 1
Demographic Analysis

		Takaful Holders (%)	Conventional Holders (%)
Academic Qualifications	Less than Primary		
	Primary to Middle		
	Matriculation	5.5	13
	Intermediate	21.5	33.5
		73	53.5
Graduation or More			

The table 1 shows that the Takaful holders are more qualified than the conventional insurance policyholders and have the higher level of education in comparison to conventional insurance policyholders. Also, Takaful policyholders have a higher level of awareness (as given in Table 2).

Table 2*Descriptive Analysis of Awareness*

	Takaful Holders (%)	Conventional Holders (%)
Islamic Insurance Products		
Family Takaful	92.0	44.0
General Takaful (Motor, Fire)	84.5	50.0
Investment Type Products	80.0	58.0
Retirement Plan	78.0	54.5
Risk Type Products	76.0	47.0
Marriage Plan	75.0	49.5
Education Plan	72.5	51.5

Table 2A*Descriptive Analysis of Awareness*

	Takaful Holders (%)	Conventional Holders (%)
Waqf Plan	66.5	43.5
Capital Plan	54.5	61.5
Islamic Finance Products		
Musharakah	90.5	63.0
Mudarabah	83.5	67.5
Qard-Al Hasan	82.5	46.0
Ijarah	76.0	38.0
Murabaha	68.0	51.0
Tawarruq	64.0	36.0

Table 2 displays results of descriptive statistics of awareness. Both Takaful and conventional policyholders are scoring low on awareness. In comparison, Takaful holders are more aware of these concepts than the conventional insurance policyholders in the diverse circumstances. One reason for Takaful policyholders scoring high on these concepts is as they are more linked to Islamic finance and Islamic insurance concepts. The other reason supported by the previous studies is Takaful holders have higher level of education in comparison to convention insurance policyholders.

Table 3*Binary Logistic Regression Results*

	Takaful Holders	
	Beta	Sig
Awareness		
Islamic Finance Products	2.546	.000
Islamic Insurance Products	2.426	.000
Perception		
Perception of Companies	-.327	.024
Perception of Products	-.391	.024

Nagelkerke R square	.362
Cox & Snell R Square	.271
Classification Table (Correct Prediction)	71.5%

The results of binary logistic regression are shown in Table 3, which demonstrates that there is a substantial positive association between Takaful policyholders, Islamic insurance products, and Islamic financing products. This relationship is shown to exist. Thus, there exists a large negative link between the perception of goods, the perception of firms, and the perception of Takaful holders. This relationship is quite important. There is a difference between the value of the Nagelkerke R square, which is .362, and the value of the Cox & Snell R square, which is .271. In light of this, it seems that the model matches reasonably well. It is shown by the fact that the model has an explanatory power of .271 according to the Cox and Snell R Square. Thus, in our particular instance, the value of Classification, which can be found to be 71.5%, demonstrates that the model has made an accurate forecast or specification. Awareness of Islamic finance products has a coefficient of 0.546 which is significant and positively correlates with Takaful holders, so; they have a higher level of awareness of Islamic finance products in comparison to a person holding a conventional insurance policy. The previous studies support these results as Takaful holders have higher level of education, so they have higher level of alertness of Takaful concepts.

The awareness of Islamic Insurance products has coefficient of 0.426, which is significant and positively correlates with Takaful holders, so; they have a higher level of awareness of Islamic insurance products in comparison to person holding a conventional insurance policy. Previous studies support these results. In this linking, perception of companies has a coefficient of 0.327 that, is significant & negatively correlates with Takaful holders, so conventional policyholders have a better perception of their companies as compared towards Takaful policyholders. These results are supported by studies conducted previously. Perception of products has a coefficient of 0.391, which is significant and negatively correlates with Takaful holders, so conventional policyholders have a better perception of their products as compared to Takaful policyholders. The perception of companies and perception of products correlates negatively with the Takaful holders as the overall level of awareness is low (as shown in Table 2). Previous studies support these results as the positive perception of the Takaful is dependent on increasing the level of awareness of consumers. Therefore, findings of current research are in line with the previous researches (Adriana et al., 2023; Gazali et al., 2023; Muhammad et al., 2021; Muhammedi et al., 2022).

DISCUSSION

The results of the study reveal that awareness of Takaful holders is higher on Islamic insurance products and Islamic finance products in comparison to conventional insurance policyholders. The findings of current research are in line with the findings of previous research (Matsawali et al., 2012). Perception of conventional holders towards their companies is better than Takaful holders. Conventional insurance policyholders had better perceive the products offered by their companies and the companies themselves. The findings of current research are in line with the findings of previous research (Hassan et al., 2018). In this linking, the Takaful operators will understand public awareness about the Takaful and public perception of their insurance and Takaful providers it helps in policy selection for existing and future customers of Takaful and

conventional insurance companies. The findings of current research are in line with findings of previous research (Htay et al., 2015; Lee et al., 2018; Matsawali et al., 2012; Salman et al., 2018).

CONCLUSION

This study is conducted to examine if perception and awareness have an impact on Muslim consumers in Pakistan that are using Takaful or conventional insurance policies. Data of 200 respondents of conventional policyholders and 200 respondents of Takaful policyholders was added. The dependent variable was in binary form, so binary logistic regression was used to analyze the data. The findings of the study establish that, in general, the level of awareness of conventional insurance policyholders and Takaful holders is low. It further reports that there is an existence of a positive and significant relationship between awareness of Islamic insurance products and awareness of Islamic finance products with Takaful policyholders. This means Takaful holders have a higher level of awareness. The perception of products and perception of companies have significant negative connection with Takaful holders. This means conventional insurance policyholders have a better perception of their companies and the products offered by them. These findings have substantial policy implications for policymakers of Takaful and conventional insurance companies to improve products and educate customers. It will help Takaful operators know public awareness about Takaful companies and public perception of their insurance and Takaful providers; it will also help in policy selection for existing and future consumers.

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