

## AWARENESS OF THE DIFFERENCES BETWEEN ISLAMIC INSURANCE AND CONVENTIONAL INSURANCE AMONGST STUDENTS OF ISLAMIC STUDIES IN SRI LANKA

*Mohamed Naushad Mohamed Minaz<sup>1</sup>, Sayed Mohamed Mohamed Mazahir<sup>2</sup>, Ahamed Mukthar Faiser Fathima Nihla<sup>3</sup>, Kalanthar Lebbe Fathima Masliha<sup>4</sup>*

Department of Islamic Studies, Faculty of Islamic Studies and Arabic Language, South Eastern University, Sri Lanka

Email: [minazsrilanka@gmail.com](mailto:minazsrilanka@gmail.com)<sup>1</sup>

Email: [mazahirmsmm@seu.ac.lk](mailto:mazahirmsmm@seu.ac.lk)<sup>2</sup>

Email: [nihlafathima2000@gmail.com](mailto:nihlafathima2000@gmail.com)<sup>3</sup>

Email: [maslihakalam@seu.ac.lk](mailto:maslihakalam@seu.ac.lk)<sup>4</sup>

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**Abstract:** The purpose of this study is to assess the level of awareness and understanding of Takaful, an Islamic insurance scheme, as compared to traditional insurance among students of Islamic Studies in Sri Lanka. Despite the growing popularity of Takaful in the country, there is a notable lack of awareness and understanding of this concept among Sri Lankans. By conducting a survey among Sri Lankan students, this research seeks to determine the level of awareness and acceptance of Takaful, while identifying the factors that influence this perception. The research methodology employed was to collect data through questionnaires distributed to customers in Sri Lanka. The findings indicate that although there is a growing demand for Takaful in the country, a significant portion of the population is either unaware of its existence or hesitant to adopt it due to prevailing misconceptions. The study highlights the importance of increasing awareness and understanding of Takaful to encourage greater participation in this form of insurance. In addition, future research could examine the reasons for limited engagement with Takaful and explore strategies to promote insurance literacy and active participation in the industry.

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

**Abstrak:** Tujuan dari penelitian ini adalah untuk menilai tingkat kesadaran dan pemahaman tentang Takaful, sebuah skema asuransi Islam, dibandingkan dengan asuransi tradisional di kalangan mahasiswa Studi Islam di Sri Lanka. Terlepas dari semakin populernya Takaful di negara ini, terdapat kurangnya kesadaran dan pemahaman akan konsep ini di kalangan masyarakat Sri Lanka. Dengan melakukan survei di kalangan mahasiswa Sri Lanka, penelitian ini berusaha untuk menentukan tingkat kesadaran dan penerimaan Takaful, sambil mengidentifikasi faktor-faktor yang mempengaruhi persepsi ini. Metodologi penelitian yang digunakan adalah dengan mengumpulkan data melalui kuesioner yang didistribusikan kepada nasabah di Sri Lanka. Temuan menunjukkan bahwa meskipun ada permintaan yang terus meningkat untuk Takaful di negara ini, sebagian besar populasi tidak menyadari keberadaannya atau ragu-ragu untuk mengadopsinya karena kesalahpahaman yang ada. Penelitian ini menyoroti pentingnya meningkatkan kesadaran dan pemahaman tentang Takaful untuk mendorong partisipasi yang lebih besar dalam bentuk asuransi ini. Selain itu, penelitian di masa

depan dapat memeriksa alasan terbatasnya keterlibatan dengan Takaful dan mengeksplorasi strategi untuk mempromosikan literasi asuransi dan partisipasi aktif dalam industri ini.

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

## INTRODUCTION

At some point in their lives, everyone loses something, whether it's a business, a vehicle, a life, or a piece of property. Insurance companies are one of the options for covering losses in such an emergency. 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 the insurer pays a small premium to the insurer to cover that uncertain future event. This traditional insurance scheme dates back approximately 1400 years. The traditional insurance scheme, on the other hand, is unjust and highly uncertain because it is profit-driven and based on interest rates. As a result, some traditional insurance policies are incompatible with a moral and religious society, forcing 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 co-operative 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<sup>1</sup>. 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<sup>2</sup>. It encourages Muslims to develop, govern, and participate in the global market in an acceptable manner<sup>3</sup>. 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<sup>4</sup>. Conventional insurers in the United Kingdom, the United States, and Germany have established Takaful or

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<sup>1</sup> Syed Ahmed Salman, 'Contemporary Issues in Takaful (Islamic Insurance)', *Asian Social Science* 10, no. 22 (29 October 2014): 201-16, <https://doi.org/10.5539/ass.v10n22p210>.

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

<sup>3</sup> Mohd Fauzi Abu-Hussin, Nasrul Hisyam Nor Muhamad, and 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 (30 September 2014): 26-34, <https://doi.org/10.5539/ass.v10n21p26>.

<sup>4</sup> Dila Puspita, Adam Kolkiewicz, and 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 (15 September 2020): 211, <https://doi.org/10.3390/jrfm13090211>.

ReTakāful companies as separate entities within their agencies. This is a significant advancement<sup>5</sup>.

Furthermore, Takāful is popular in Muslim countries such as Malaysia, Indonesia, and Turkey<sup>6</sup>. Malaysia is the world's third largest Takāful consumer<sup>7</sup>. Takaful was introduced in 1979 to replace the traditional insurance scheme in Malaysia<sup>8</sup>. Malaysia is now one of the leading Islamic countries in terms of Takāful consumption<sup>9</sup>. Takaful is used in non-Islamic countries as well as Islamic countries. Takaful has become one of the most widely used forms of insurance in Sri Lanka, where non-Muslims make up the majority of the population<sup>10</sup>. Takaful was first offered in Sri Lanka in 1999. Takaful 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<sup>11</sup>. However, most Sri Lankans are either unaware of Takāful or are afraid to use it because it is misunderstood<sup>12</sup>.

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 on the principles of solidarity, brotherhood, and mutual aid<sup>13</sup>. Unless the participant's awareness plays a substantial role, perceptual and religion factors have a significant impact on choices for Takāful products<sup>14</sup>.

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<sup>5</sup> Nur Azlina Abd Aziz et al., '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 (4 November 2021), <https://doi.org/10.6007/ijarbss/v11-i11/11250>.

<sup>6</sup> Mohammad Abdeen et al., 'Employing Takaful Islamic Banking through State of the Art Blockchain: A Case Study', *International Journal of Advanced Computer Science and Applications* 10, no. 12 (January 2019): 648-54, <https://doi.org/10.14569/ijacsa.2019.0101283>.

<sup>7</sup> M. S. Che Rusuli et al., 'Influence of Marketing Mix Strategy in Insurance Business: The Case of Kota Bharu', *Research in World Economy* 10, no. 2 Special Issue (July 2019): 88-95, <https://doi.org/10.5430/rwe.v10n2p88>.

<sup>8</sup> Rossazana Ab Rahim, Asif Ahmed, and Nur Nadhira Baharuddin, 'Efficiency Performance of GCC Insurance Sector', *International Journal of Academic Research in Business and Social Sciences* 11, no. 5 (May 2021), <https://doi.org/10.6007/ijarbss/v11-i5/10008>.

<sup>9</sup> Puspita, Kolkiewicz, and Tan, 'Discrete Time Ruin Probability for Takaful (Islamic Insurance) with Investment and Qard-Hasan (Benevolent Loan) Activities'.

<sup>10</sup> Abu-Hussin, Muhamad, and Hussin, 'Takaful (Islamic Insurance) Industry in Malaysia and the Arab Gulf States: Challenges and Future Direction'.

<sup>11</sup> M I Umar Ali, M Y Minnathul Suheera, and 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, 7th International Symposium 2020, FIA, SEUSL, 2020*.

<sup>12</sup> Ali, Suheera, and Munawwara.

<sup>13</sup> Syed Ahmed Salman, Rusni Hassan, and Adnan Yusoff, 'Feasibility of Introducing Takaful (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>.

<sup>14</sup> Waheed Akhter and 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 (24 August 2012): 229-40, <https://doi.org/10.1108/17538391211255214>.

The research was conducted by Nairoos & Jahan was designed to examine the Awareness of Islamic Insurance and Conventional Insurance among Sri Lankans<sup>15</sup>. As a result, customers from Sri Lanka were chosen to fill out the questionnaires. According to the data, respondents are known mostly about Islamic insurance, and minimum participants know only about conventional insurance. According to the findings of this study, the majority of customers stated that they use insurance because they are freely involved in it. It gives a positive impression of Takāful since people have a strong want to learn more about it without being forced to. However, if they were forced to get an insurance policy. And 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<sup>16</sup>. The finding of this study indicated that out of 160 respondents, only 49 of them are aware of Takāful while 45 respondents do not know about Takāful and others majority of respondents are not conformed about it.

The Research was conducted by Nur Fazlin was designed to examine the awareness among degree student at UiTM Puncak Alam toward Takāful V Conventional Insurance<sup>17</sup>. In this study, 50 sets of questionnaires will be distributed to undergraduate students at Uitm Puncak Alam at random. In this study, 50 people were given questionnaires to fill up, and 5 people were interviewed. The participants range in age from 19 to 25, and they are all Malays and Muslims. The majority of the respondents are unsure about Takāful and its operation, according to the questionnaires and interviews. Only a few participants explain Takāful, its concept, and 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 knowledge. Then they recommended to Takāful companies from this study, they should take an action to spread the information to students in University level.

A Research was conducted by Mazahir et al., examining the role of Shari‘ah Advisory Council in Takāful industry in Sri Lanka as this council formulates policies and

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<sup>15</sup> Seinulabdeen Nathira Jahan, Mohamed Haniffa Mohamed Nairoos, and 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 (1 July 2020): 490-95.

<sup>16</sup> Jahan, Nairoos, and Sulaiha.

<sup>17</sup> Nur Fazlin Ghazali, ‘The Awareness among Degree Student at UiTM Puncak Alam toward Takāful V Conventional Insurance’, in *Academy of Contemporary Islamic Studies (ACIS) 2017* (Academy of Contemporary Islamic Studies (ACIS), 2017).

guidelines, and ensures the investment and operation in line with Shari‘ah principles<sup>18</sup>. This study argues that there is a need for the Muslim Leaders as well as the Shari‘ah scholars, Takāful operators and academics to be effectively involved in designing a framework for Takāful regulations in Sri Lanka.

The research was conducted by Rizniya & Rooly, was identified the challenges faced by Islamic insurance (Takāful) in Sri Lanka while they providing their service. This study also significant to identified the Takāful concept, its services, its level of process in Sri Lanka, growth, problems and challenges etc<sup>19</sup>.

A Research was conducted by Geeta H. Patel on the topic of Islam and capital, mortared by trust: the case study of Sri Lanka<sup>20</sup>. The purpose is of this research is trace the history and legacy of Islamic finance (IF) in Sri Lanka in the context of the emergence of life finance. Through a history of trust and capital, it follows the social life of finance. The findings of this study highlight the need of trust, transparency, and ethics being 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 above-mentioned studies are about Takāful which has been done based on regional and various focused groups. The research gap of this study is based on to find the awareness of differences between Islamic Insurance and Conventional Insurance among undergraduates of Islamic studies field in Sri Lanka. The one and only state university of Sri Lanka who offered bachelor degrees in Islamic studies field is South Eastern University of Sri Lanka. Therefor this study conducted based on undergraduate who currently study in Department of Islamic Studies at South Eastern University of Sri Lanka.

Takāful, a globally recognized insurance system, is prevalent in virtually every developed country. In Sri Lanka, Takāful operates either as a standalone institution or as a window. The focus of this research is to ascertain the level of awareness among Sri Lankan undergraduates about the differences between Islamic Insurance and Conventional Insurance, which are crucial components of the financial system, and to

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<sup>18</sup> Seyed Mohamed Mohamed Mazahir, Asmak Ab Rahman, and 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>.

<sup>19</sup> J F Rizniya and M S A Rooly, ‘Challenges Faced by Islamic Insurance Industry in Sri Lanka: Special Reference to Amana Takaful PLC’, 2014.

<sup>20</sup> 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>.

understand if they incorporate it into their daily lives. The primary objective of this study is to gauge the understanding of Sri Lankan undergraduates about the differences between Islamic Insurance and Conventional Insurance, given their significant role in the global financial market. Furthermore, this research aims to foster awareness about the importance of a Takāful insurance system.

The researcher applied both qualitative and quantitative methodologies, with the latter being utilized to assess Islamic Insurance (Takāful) awareness among Muslim undergraduates in Sri Lanka. A set of questionnaires was used to check undergraduates' understanding of Islamic insurance. The questions that were asked of the participants were divided into two parts in this questionnaire. The purpose of this study is to learn more about the participants' social and economic backgrounds as well as to determine their ability to participate in the study. Then, following the study, they tried to figure out what they knew and had 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 in order to focus 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 at the Department of Islamic Studies at the South Eastern University of Sri Lanka. Following the collection of 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 social backgrounds. The aim of this study was to find out how undergraduates perceive the differences between Islamic Insurance and Conventional Insurance and what they knew about it (Takāful). It is also intended to determine the extent of Takāful awareness among Sri Lankan undergraduates, as well as 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 global financial markets. After that, this research will go deeper into their understanding of Takāful.

## **DISCUSSION**

The following section presents a comprehensive analysis of a study conducted to understand the awareness and perception of insurance, particularly Islamic insurance or Takāful, among a sample of Sri Lankan students. The 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, differences from conventional insurance, and its compliance with Sharia law. The study also investigates the sources of knowledge about Takāful, the perception of its importance, and the understanding of its purposes. The data is presented in a series of tables, each followed by a brief interpretation of the findings.

### 1.1 Background of Participants

When doing any analysis, researchers should be looking into the backgrounds of their participants. It will affect the analysis both directly and indirectly. According to the above table, the majority of the participants in this study are female. As a result, the majority of the students who participated in this study were also 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 demographic characteristics of the participants in the study. The table is divided into two main variables: gender 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 represented 19.7%. The age variable is 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 participants who were middle-aged, and notably, some students were above the age of 23..

### 1.2 Awareness about the concept of Insurance

The following table, Table 2, provides a detailed breakdown of the participants' understanding of the concept of insurance. The data is presented in terms of frequency

and percentage, providing a clear picture of the level of awareness among the participants.

**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 Tabel 2, it is evident that a majority of the participants, 61.5%, have a basic understanding of the concept of insurance. This suggests that most of the undergraduates participating in this study are aware of the fundamental principles of insurance.

### 1.3 Engagement of Insurance Industry

The following table, Table 3, provides an overview of the engagement of the participants in the insurance industry. The data is 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 reveals that a significant majority of the participants, 90.2%, are 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 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 the participants.

### 1.4 Awareness of the categorization of Insurance

The following table, Table 4, provides an overview of the participants' understanding of the different categories of insurance. The categories considered in this study are 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



	Frequency	Percent	Valid Percent	Cumulative Percent
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 categories. A smaller proportion of the participants were aware of only general insurance (13.9%) or only life insurance (7.4%). This suggests a broad understanding of the different categories of insurance among the participants. This awareness is a crucial aspect as it indicates the participants' familiarity with the fundamental divisions within the insurance industry..

### 1.5 Awareness about the modes of insurance

The following table, presents the distribution of awareness among the participants regarding 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 a majority of the participants (60.7%) were aware of both Islamic and conventional insurance. A smaller proportion of the participants (33.6%) were aware of Islamic insurance alone. Interestingly, only a small fraction of the 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 alone. This finding underscores the importance of enhancing education and awareness initiatives to ensure a comprehensive understanding of all modes of insurance..

### 1.6 Awareness about the process of Insurance

The following table, presents the findings of the study regarding the participants' understanding of the process of insurance. The data is categorized into two responses: those who have a general understanding of the insurance process and those who do 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 from 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 portion of the participants were familiar with how insurance services offered by insurance companies work. However, it's important to note that a substantial percentage of participants (45.1%) reported that they did not have an understanding of the insurance process. This highlights a potential area for improvement in 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. The percent 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 column.

The results from 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. Fewer

participants identified financial planning and profitability as benefits of insurance. These findings provide insight into the participants' understanding of the benefits of insurance.

### 1.8 Awareness about Takāful

The following table, Table 8, presents the findings of the study regarding the participants' understanding of the concept of Takāful. Takāful is a form of Islamic insurance where members contribute money into a pooling system to guarantee each other against loss or damage. The understanding of this concept is crucial in the field of 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 a majority of the participants, 64.8%, are aware of the concept of Takāful. However, it also highlights that there is a significant portion, 35.2%, that lacks awareness about Takāful. This finding underscores the importance of enhancing knowledge about Islamic financial concepts like Takāful, especially among students in the field of Islamic studies.

### 1.9 Sources of knowledge gained about Takaful

The following table, Table 9, provides a detailed breakdown of the sources from which the participants gained their knowledge about Takāful. The sources are categorized into four main groups: family or friends, Masjid, society, and university. The frequency 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 the majority of the participants, 41.8%, gained their knowledge about Takāful from society. This is 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 responses indicating awareness of Takāful from Masjids..

### 1.10 Awareness about the principles under the concept of Takaful

The following table, provides an insightful breakdown of the participants' understanding of the principles underlying the concept of Takāful, an Islamic insurance system. The principles are categorized into three main areas: co-operation, mutual responsibility, and protection. The frequency and percentage of participants who identified with each principle are presented.

**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	

The results of the study in Table 10, reveal 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 co-operation was recognized by 13.9%. This distribution of responses provides a clear indication of the participants' awareness and understanding of the principles that underpin the concept of Takāful.

### 1.11 Awareness about the differences between Conventional insurance and Takāful

The following tables present the findings of the study 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 the general understanding of the differences between conventional insurance and Takāful among the participants. 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	

Following this, Table 12 delves deeper into the specific types of differences that the participants identified between conventional insurance and Takāful. The differences are 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 indicates that the majority of participants (52.5%) recognize Sharia compliance as a key difference. Other notable differences include 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 the participants' understanding and perception of Takāful in comparison to conventional insurance. It is evident that while a majority of participants are aware of the differences, there is still a need for further education to enhance understanding, particularly in the areas where less awareness was reported.

### 1.12 Awareness about the Sharia Compliance of Takaful Process

The following tables present 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

	Frequency	Percent	Valid Percent	Cumulative Percent
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 the participants' understanding of the compliance of Takāful with Islamic law. The responses indicate a degree of uncertainty among the participants, with a majority of them expressing that there may be Sharia compliance in the Takāful process. A significant portion of the participants, however, affirmed the presence of Sharia 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	

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

These findings highlight the complexities of understanding and interpreting Islamic insurance, particularly Takāful, and the need for comprehensive education on the subject. The results underscore the importance of providing clear and accurate information about Takāful 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' perception 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 indicates that a significant majority of the participants (70.5%) believe that Takāful

is important to society. A smaller portion (26.2%) are unsure of its importance, while a minimal percentage (3.3%) do 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	

Following this, Table 16 explores the reasons why participants believe Takāful is important. The data reveals 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% of participants believe that Takāful rejects prohibited elements more than conventional insurance.

The data from these tables provides valuable insights into the perceived importance of Takāful among the participants and the reasons that contribute 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

The following table, 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 frequency and percentage of participants who identified with 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

	Frequency	Percent	Valid Percent	Cumulative Percent
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 purposes of Takāful varied. Table 17 revealed 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 to establish 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 contribute.

The purpose of this research study was to explore the level of understanding and awareness of insurance, with a particular focus on Islamic insurance, also known as Takāful, among Sri Lankans. The 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 the participants.

The results of the study indicated that a majority of the participants, 61.5%, had a basic understanding of the concept of insurance. However, a significant majority of the participants, 90.2%, are 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 use of insurance services. The study also found that a slight majority of participants (54.9%) have a general understanding of the insurance process as explained by insurance companies.

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



Previous studies focused on awareness and understanding of Takāful and conventional insurance among various groups, including Sri Lankan customers<sup>21</sup>, Muslim communities in Sammanthurai district<sup>22</sup>, UTM Puncak Alam undergraduates<sup>23</sup>, and Sri Lankan Islamic Studies undergraduates<sup>24</sup>. In general, these studies found that awareness and understanding of Takāful varied, with some groups having high levels of awareness and others having low levels of awareness.

The results are consistent with related research 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%<sup>25</sup>. 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 there is still a gap between awareness and active participation.

Comparing the research findings with the initial hypothesis, it can be concluded that the findings of the study largely support the hypothesis. The majority of the participants showed a basic understanding of the concept of insurance and there was a general familiarity with Takāful. However, the hypothesis that a significant portion of the participants would not engage with any form of insurance was also confirmed. This suggests that while awareness and understanding are important, they are not sufficient 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 research provided valuable insights into the awareness and understanding of insurance, particularly Islamic insurance or Takāful, among students in Sri Lanka. It confirmed that while the majority of the participants had a basic understanding of the concept of insurance, a significant proportion were unfamiliar with any form of insurance. The study also highlighted the perceived benefits of insurance, with savings

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<sup>21</sup> Jahan, Nairoos, and Sulaiha, 'Participants' Knowledge and Awareness about Islamic Insurance: A Study on Sammanthurai in Sri Lanka'.

<sup>22</sup> Jahan, Nairoos, and Sulaiha.

<sup>23</sup> Ghazali, 'The Awareness among Degree Student at UiTM Puncak Alam toward Takaful V Conventional Insurance'.

<sup>24</sup> Mohamed Mazahir, Ab Rahman, and Ramzy, 'An Analysis On Takaful Operation Under Conventional Regulator: A Sri Lankan Experience'; A M F Roshan et al., 'Comparative Study between Islamic Insurance and Conventional Insurance in Sri Lanka' (Faculty of Islamic Studies and Arabic Language, 2022).

<sup>25</sup> Puteri Nur Farah Naadia Mohd Fauzi and Khairuddin Abdul Rashid, 'Transparency in the Assessment of Takaful Claims for Construction Works Loss and Damage', *Global Journal Al-Thaqafah* (Kolej Islam Darul Ridzuan, 2016), <https://doi.org/10.7187/gjat10020160601>.

behavior, policyholder protection and risk coverage identified as the most important benefits. The findings suggest that further efforts are needed to bridge the gap between awareness and active engagement with insurance services.

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

Future research could aim to address these limitations. For example, studies could be conducted with a more diverse sample to ensure broader representation. This could include participants from different 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 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.

## **DISCLOSURE**

### **Conflicts of Interest**

The author declares that there is no conflict of interest regarding the publication of this paper.

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### **Authorship and Level of Contribution**

All authors are conceived this study. Mohamed Naushad Mohamed Minaz was designed this research and Ahamed Mukthar Faiser 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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## Author Bionote

Mohamed Naushad Mohamed Minaz is a student of the South Eastern University of Sri Lanka. He is currently pursuing a Bachelor of Arts Honours degree in Islamic Banking and Finance in the Faculty of Islamic Studies and Arabic Language. Islamic finance, takaful, green finance, sukuk, climate finance and multidisciplinary areas are his research interests.

Professor Seyed Mohamed Mohamed Mazahir is a former Dean of the Faculty of Islamic Studies and Arabic Language, South Eastern University of Sri Lanka. He is a Professor of Islamic Culture in the Department of Islamic Studies. He successfully completed his Ph.D. from the University of Malaysia. He is an outstanding researcher in the field of Islamic Studies in Sri Lanka.

Ahamed Mukthar Faiser Fathumma Nihla is a student of the South Eastern University of Sri Lanka. She is pursuing a Bachelor of Arts honors degree in Islamic Banking and Finance in the Department of Islamic Studies in the Faculty of Islamic Studies and Arabic Language. Islamic Economics, Gender Studies in Islam, Islamic Banking are the areas of her research interest.

Kalandher Lebbe Fathima Masliha is a graduate of Bachelor of Arts Honours in Islamic Banking and Finance and currently pursuing MPhil in Faculty of Islamic Studies and Arabic Language. She is a former Assistant Lecturer in the Department of Islamic Studies in the South Eastern University of Sri Lanka. Salam Finance, Shariah Governance, Islamic Finance are her research interests.

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