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**FACTORS INFLUENCING THE PENETRATION RATE OF MALAYSIAN TAKĀFUL
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The Malaysian Takāful industry has experienced encouraging growth since its inception in 1985. Annual growth rate of the industry has been estimated to be around 20%. Despite such impressive rate of growth, it is believed that the market penetration of Takāful is still low. This paper seeks to find the factors influencing Takāful market penetration based on the experience of managers of Takāful operators. Twenty (20) Takāful managers were randomly selected and interviewed. The interviewees pointed out the factors that deter the public from participating in Takāful could be listed as follows: the lack of public awareness in the advantages of Takāful over insurance products, the limited range of product varieties, the shortage of relevant expertise to explain Takāful products, the need to improve the distribution channels and marketing strategies. The paper also suggested several ways of improving Takāful market penetration, namely: the need to develop tailor-made products to suit customer needs according to the different segments of the society, expanding the range of product varieties, extensive training of staff and agents to enhance their products and services, technical and Shariāh knowledge as well as to intensify promotion for higher level of awareness.

Key words: Takāful, Managers, Awareness, Penetration, Malaysia

Field of Research: *Islamic Finance*

1. Introduction

Insurance is considered to be one of the most effective tools to protect especially the poor from the impacts of disease, violence, disability, fire and other hazards. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few. The primary function of insurance is to act as a risk transfer mechanism, also as means of protection against losses.

Takāful is the Islamic version of insurance, which is based on the concept of social solidarity, cooperation and mutual indemnification of less fortunate members. It is an agreement among a group of people to jointly underwrite the loss or damage that may be inflicted upon any of them as a result of certain identified risks, out of the fund they donate collectively. *Takāful* is to act as a risk sharing among *Takāful* participants not as risk transfer as in conventional insurance.

In the developed countries insurance plays major role in society, as some forms of cover are mandatory by law. In developing countries the need for such cover is much greater, particularly at the poorest levels where exposure to risks is greater.

A major determinant of the performance of insurance sector in the developed economies is usually, the level of insurance penetration in the population; in such economies 70 to 90 % of the citizens usually possess at least, one insurance policy (Irukwu, 2010). On the contrary, the insurance/ *Takāful* penetration in developing countries is very minimal and their service is restricted to few well-off individuals and companies.

For the *Takāful* industry to penetrate a large percentage of the society to a large extent is attributed to the availability of well-tailored *Takāful* products that can meet the needs of the average and low income earners in the society.

Although *Takāful* has been around for 23 years in Malaysia since 1985, it is observed that the penetration rate of *Takāful* is still quite low which is around 7.9% in 2008¹. This research purports to identify the factors influencing *Takāful* market penetration from the knowledge and expertise of *Takāful* managers. The objective of this paper is to find the factors affecting *Takāful* market penetration in Malaysia in order to improve its penetration rate. The paper is divided into four sections including this introduction, Section two contains the review of related literature, Section three presents the methodology used in this study, Section four discusses the research findings and conclusion of the research.

2. Literature Review

The theories on the factors affecting the demand for life insurance discussed in this paper will shape the basis for the theoretical framework of this research. The demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population's risk aversion (Douglas and Wildavski, 1982). Henderson and Milhouse (1987) assert that an individual's religion can present an insight into the individual's behaviour. Hence understanding religion is an important component of understanding a nation's culture. Moreover, Zelizer (1979) notes that religion historically

¹ <http://www.bnm.gov.my/index.php?ch=9&pg=15&ac=257&print=1>

has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from distrust of God's protecting care. Warsaw and Raymond (1986) tested the effects of Islam on life insurance consumption and found that consumers in Islamic nations purchase less life insurance than those in non-Islamic nations.

To assess consumers' attitudes towards life insurance customers in Nigeria, Omar (2005) found that there is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance products. He suggested renewing marketing communication strategy in order to create awareness and enlighten the consumers of the benefits of participating in life insurance so as to reinforce the purchasing decision. His study raises essential marketing questions for insurance practitioners so as to increase market penetration.

Another study in Malaysia by Wan Aris et al. (2009) stated Malays are aware of *Takāful*, but they are not convinced that it is what they require for financial planning compared to other wealth planning instruments such as unit trusts. They added that in the future, *Takāful* operators may need to look at creative products for protection, education and investment purposes. They listed in their paper the factors influencing the Malays' purchasing decision of *Takāful* which include scope of policy, claims paying ability, customer service, convenience and product pricing. They emphasised that sales of insurance/ *Takāful* policies are highly dependent on the services provided by the insurance/ *Takāful* agents, as they are the vanguards who represent their companies.

Abdi (2007) stated that there are many factors limiting *Takāful* growth such as education and awareness of *Takāful* and how it differs from its conventional counterpart. He added that educational level, product understanding and the role of social and family welfare systems are some of the factors that influence the demand for *Takāful* as well as life insurance.

The above studies highlighted a multitude of factors which have influenced the demand for life insurance. This include income, age, education, awareness of insurance/ *Takāful*, successful economic development, creative products for protection, etc. They need to be closely examined in order to identify the factors influencing *Takāful* market penetration.

3. Data and Methodology

The Interview method is a common approach used to collect data by researcher through the conversations that take place during the interview sessions. In the context of this research, managers and staff from different *Takāful* operators were interviewed to get information on their knowledge and expertise and how they look at the issue of low market penetration of *Takāful* in Malaysia.

Twenty managers working at different *Takāful* operating levels were interviewed. Three of them were CEOs and the seventeen (17) were general and department managers, all from the headquarters of the respective *Takāful* operators that were willing to participate in the interview.

The goal of the interview was to explore the practices of the *Takāful* operators. We sought to interview professionals serving different functional areas including CEOs, branch managers, product managers and marketing advisors in order to get a wide representation of the *Takāful* operations.

Interviewees were requested to give a briefing on how and when the business of their *Takāful* operator started, to describe the marketing activities of their companies and the respective roles they played in their companies to attract more participants. However, it should be noted that some questions were posed during the interview to align with the flow of the conversation.

Table 1 shows the companies which participated in this study.

Table 1: Managerial Interviews

<i>Takāful</i> Operators	No. Of Interviews
Hong Leong Tokio Marine <i>Takāful</i> Berhad	9
Syarikat Takaful Malaysia Berhad	4
<i>Takāful</i> Ikhlas Sendirian Berhad	2
Prudential BSN Berhad	1
Etiqa <i>Takāful</i> Berhad	4
Total	20

The method of analysis employed in this research is *The Thematic Analysis*. Boyatzis (1998) defined a thematic analysis as the process for encoding qualitative information. Thematic analysis is a form of data analysis used in qualitative research which has been adapted from Glaser and Strauss and from various other works on content analysis (Babbie 2004 and Berg 1989).

Thematic analysis focuses on identifiable themes and patterns of living and/or behaviour. In addition, it enables the researcher to use a variety of information in a systemic manner that increases their accuracy in understanding and interpreting the phenomenon under study.

The researcher followed the steps of analysing the data using the thematic approach as enshrined in Spradley (1979). The first step involved collecting the interview data, followed by transcribing the conversations and identifying patterns of experiences contained in the direct quotes, paraphrasing common ideas and reporting the process. Then themes were identified based on the objective of the research. A theme is a pattern found in the information collected from interviewees through the interview sessions (Leininger, 1994). The themes in the current research have been generated inductively from the interview data.

The technique used to identify themes in the current research is *Compare and Contrast Approach* that is based on the idea that themes represent the ways in which texts are either similar or different from each other. Glaser and Strauss (1967) refer to this as the "constant comparison method". Using this method, data from different interviewees are compared and contrasted and the process continues until the researcher are satisfied that no new issues are raised. Comparative and thematic analyses are often used in the same project, with the researcher moving backwards and forwards between transcripts, memos, notes and the research literature (Boyatzis, 1998).

4. Findings and Discussion

Interview guide Section One

The first part of the interview consists of five different statements capturing insights from *Takāful* managers' knowledge and expertise which would reveal the factors that influence the *Takāful* market penetration in Malaysia and the ways to overcome the problem from their perspective.

Duration of *Takāful*: The first statement highlighted the short duration of 23 years that the *Takāful* industry has been in existence in Malaysia compared with over 100 years the insurance industry has been around: Fifteen (15) or 75% of the interviewees felt strongly that 23 years in the market is sufficient time for any industry to show that it is successful. An interviewee stated that:

"23 years in the market with majority of Muslims (60%) in Malaysia is considered as a high potential for Takāful to grow faster. There are other factors that may hinder the Takāful growth such as insufficient income, lack of awareness regarding advantages of Takāful and perceptions as many Malaysians still could not differentiate between Takāful and insurance concepts. In my opinion if these issues are solved, Takāful will penetrate more among Malaysians".

However, five (5) or 25% of the interviewees opined that 23 years is not sufficient for an industry to grow. Another quote is stated below:

"I believe in 23 years since the beginning of the first Takāful operator and only one operator for the period of eight years, we cannot expect a high penetration rate. In reality, we should start to count from 2006, where there are eight Takāful operators in the market. The first eight years were monopolised by only one Takāful operator without any other competitors in the Takāful market".

Another interviewee from the 25% stated "there are several issues affected by time factor such as for the public to be aware of *Takāful* and to zoom deeper into the advantages of *Takāful* will definitely take time". Another interviewee supporting this statement stated 23 years is not too long adding "the untapped areas in the earlier years where the general perception was *Takāful* is meant solely for Muslims seeking for permissible products but now *Takāful* is for all. Currently non-Muslims have started to join the industry and appointing non-Muslim agents will help in approaching the non-Muslim community. From here, we should see the improvement of *Takāful* penetration".

From this theme we can conclude that the majority (75%) believe 23 years is sufficient time for *Takāful* to have a better penetration rate. While the others (25%) felt, 23 years is not such a long period in terms of evaluating the *Takāful* industry's achievements considering many other factors that deter Malaysians to participate in the industry. Moreover, today with more players in the *Takāful* market, it is felt there is

better potential for increased penetration among Malaysians as well as for Malaysia to lead *Takāful* globally.

Muslim Community and Risk: Another issue highlighted with the interviewees was on the Muslim community not placing much emphasis on the need to cover against risk and would prefer to rely on Allah's (SWT) will. 80% of the interviewees agreed with the statement that Muslims generally give less concern to risk on the basis of their reliance on Allah's will (*tawakkal*). Another comment "it is good to rely on Allah (SWT) but a Muslim has to do his/her efforts first, and then only rely on Allah's will". Another interviewee felt that to attract more Muslims to participate in *Takāful* we always refer to the *hadith* of the Prophet "*The Holy Prophet (SAW) told a Beduin Arab who left his camel untied, trusting to the will of Allah (SWT) , tie the camel first then leave it to the will of Allah (SWT)*"². Muslims should realise that they need to make necessary efforts to mitigate risks besides relying on Allah (SWT) alone. However, (20%) of the interviewees did not see any relationship between the statement and the demand for *Takāful*.

Those who responded positively to the statement felt there was nothing wrong with risk mitigation and seeking for cover against risk, that it was not against Allah's will. Moreover, the Prophet (SAW) encouraged his companions to mitigate their risk in various different manners. In short, managers are aware of the feelings and fears of some Muslims who rate risk mitigation against teachings of Islam and they are rigorously working towards clarifying that misconception.

***Takāful* has limited product varieties:** The third statement relates to the varieties of *Takāful* products. The majority of interviewees sixteen (16) or 80%, agreed with the statement. They think extending the product range will encourage more Malaysians to participate in *Takāful* plans. From this theme, an interviewee commented "I believe more specific tailor-made products will enable more Malaysians to participate in *Takāful* as most Malaysians are aware of the advantages of investment planning but they are faced with the issue of low income, mainly for their spending".

Those who disagreed with the statement (20%) believed *Takāful* has sufficient products only if people were willing to participate, they would find the products that can suit their needs. Another interviewee stated that "*Takāful* has sufficient varieties just like conventional insurance products, but the only difference is that *Takāful* product is permissible as after all we invest in permissible shares and stocks".

From the findings of this theme, majority of the interviewees believe more varieties on *Takāful* product will encourage more Malaysians to participate in *Takāful* plans if one finds the plan that may suit his/her financial consideration. Moreover, providing budget products in *Takāful* market for low income earners may encourage them to join the *Takāful* industry.

Awareness of *Takāful*: Statement four highlighted an important issue constantly raised by *Takāful* practitioners, that one of the factors influencing *Takāful* penetration is lack of awareness. Fifteen (15) or 75% of the interviewees totally agreed with the statement authenticating that lack of awareness is one

² Sunan al -Tirmizi, vol.4, No. 2517, p. 668

of the influencing factors. A quote from one of the interviewees "I can assure you at this moment many Malaysians have heard or seen the word "TAKĀFUL" from advertisements or elsewhere, but they have not dug deeper on advantages of *Takāful* and they are not capable of differentiating between *Takāful* and insurance products as most of them think they can use the two words interchangeably!"

Five (5) interviewees or (25%) felt that apart from Muslims even non-Muslims are aware of the existence of *Takāful*. An excerpt from one of the interviewees stated "earlier, small numbers were aware of *Takāful* especially among Muslims who are seeking for *Shariāh* compliant tools for risk mitigation and investment instruments, but now with overwhelming advertisements and many branches of *Takāful* operators everywhere, I believe small portions of Malaysians are not aware of *Takāful*".

The findings of this theme indicated that, majority of the interviewees agreed with the statement (*Lack of Takāful Awareness*), whereas the minority disagree with the statement as they believe there is a general awareness among Malaysians. Therefore, from the statement, a conclusion can be drawn that there is public awareness of *Takāful* but to a limited level. This finding is also in concurrence with studies by Wan Aris et al. (2009) and Abdul Rahman (2010), who found that the general public is aware of *Takāful* but with limited level of understanding. The public have yet to be familiar on *Takāful* operations, product attributes and many other factors of which the relevant information have not been adequately distributed to the public.

Poor Consumer Education: One of the major hurdles for *Takāful* market penetration is poor culture of consumer education, as highlighted by Parker (2006)³.

The interviewees were equally divided in their opinion on the statement; those who agreed believed poor consumer education is one of the factors influencing market penetration. One of the interviewees believed consumer education is a rather significant matter. He said that "some of the *Takāful* operators still face shortage of trained and qualified personnel to explain terms and conditions to participants and the range of coverage for *Takāful* products. This leads to misunderstanding when participants' claim is out of the range covered; they think the *Takāful* operator is being dishonest".

While those who disagreed with the statement confirmed that their staff and *Takāful* agents are able them to explain and answer all customer queries since they have been provided with intensive training for that purpose. One of the interviewees commented that "our staff and *Takāful* agents are provided with sufficient training and we select them carefully to ensure they are able to do their job. Those who are not capable and unwilling to learn, we warn them that we will terminate them". They believe there are many other factors influencing Malaysians not to participate in the industry.

In this theme the opinions are equally divided. Those who agree with the statement believe in improving the knowledge of staff and *Takāful* agents in order to attract more Malaysians to participate in the industry. While the other half who disagree with the statement, proposed to improve consumer education by enrolling wealth planning into education system to improve consumer knowledge.

³ Arab News: <http://archive.arabnews.com/?page=6§ion=0&article=78228&d=21&m=8&y=2006>

This section highlighted several issues which allowed the researcher to unearth the factors influencing market penetration of *Takāful*. From the five thematic statements highlighted, Muslims' attitude towards risk, product varieties, poor consumer education and *Takāful* awareness were found to be important factors from the perspective of the *Takāful* managers in order to improve market penetration of *Takāful*.

Interview Guide Section Two:

This section has three major themes, the first concerns the role of marketing strategies and distribution channels, the second is about the role of *Banca-Takāful* in marketing *Takāful* products, the third is the role of non-Muslim Agents in increasing *Takāful* market penetration.

Marketing Strategies and Distribution Channels

Another aspect explored with the interviewees was marketing strategies and distribution channels. Currently, there are four distribution channels used by the *Takāful* operators namely; direct selling, agency system, brokers and *banca-Takāful*. There were nine questions in the interview guide to elicit background information on each company practices.

To the question whether the interviewee's operator provides both insurance and *Takāful* products, majority of them sixteen (16) or 80 % declared their companies provide both *Takāful* and insurance products, which means their companies are mixed or have a dual system. While 20 % asserted that their *Takāful* operators provide *Takāful* products only which means it is a full-fledged *Takāful* operator. All the interviewees claimed that *Takāful* products are easier to market and they are more attractive than insurance products.

From the eight *Takāful* operators in practice, there are only two *Takāful* operators which provide only *Takāful* products, namely Syarikat Takaful Malaysia Berhad (STMB) and *Takāful* Ikhlas Sendirian Berhad. The other six companies provide both insurance and *Takāful* products. The researcher sought to investigate the market segment targeted by the *Takāful* operators. Half of the interviewees claimed that their respective company targets both Muslims and non-Muslim communities.

Six (6) or 30% of the interviewees mentioned that they target the Muslim community mainly. An interviewee added that "all our agents are Muslims and we are targeting the Muslim community only". Another interviewee explained further "Muslims still have doubts on the *Takāful* investment tools whether it is *Shariāh* compliant, so we need to work among them to improve consumer education which is believed to be an important factor influencing the penetration of *Takāful*".

20% claimed that they target Non-Muslims only. One of the interviewees mentioned "*Takāful* operators face very stiff competition both from *Takāful* operators and insurance companies. Since, most *Takāful* agents approach more Muslims, our marketing strategy is to concentrate more on the untapped areas, which is the non-Muslim community as they need to be exposed to benefits of investment in addition to the surplus distribution which makes *Takāful* products more attractive".

Each *Takāful* operator has its own strategy to market its products based on the company's mission and vision. It is clear, religion is given special consideration in this theme, especially by *Takāful* operators who mainly target either the Muslim or the non-Muslim community.

Role of *Banca-Takāful* in Marketing *Takāful* products

Promoting *Takāful* products through *Banca-Takāful* accounts for a significant portion of sales, as it is considered an attractive tool and cost-effective distribution channel. Eighteen (18) or 90% of the interviewees are extremely satisfied with the role of *Banca-Takāful* as a fast and cost effective channel of distribution. To quote one of the interviewees "*Banca-Takāful* occupies second rank in our company after the agency system, and we believe it can outweigh *Takāful* market penetration, as it is convenient to our customers and cost effective to the company".

Only two (2) or 10% of the interviewees felt that their operators are doing better through the agency system rather than *Banca-Takāful*. One of them was not contented with the current practice of *Banca-Takāful* saying "for *Banca-Takāful* to be a successful tool there is a need to design customised long term investment-linked savings and pension products for *Banca-Takāful*. Further, simplicity and transparency are the keys for *Banca-Takāful* to succeed, so formulation of products to be marketed through *Banca-Takāful* need to be well designed".

This theme shows the importance of *Banca-Takāful* as an effective, cost-saving, simple and easy distribution channel. By tailoring simple products it may lead to better marketing of *Takāful* products.

The Role of non-Muslim Agents

This theme is focused on agency system and *Takāful* agents as vital constituents to *Takāful* operators' performance and its long-term survival in the face of increased competition. *Takāful* agents are not employees of *Takāful* companies; rather they work on a commission basis, thus are motivated by the volume of sales made. Consequently, the harder they work, the more they gain. Moreover, sales agents can achieve greater market penetration due to their wider coverage and mobility. The agency system has become more significant with the vision of "*Takāful* for All", which has been adopted by *Takāful* operators in Malaysia. This means that *Takāful* products could be promoted by anyone regardless of faith and religious belief.

All the interviewees agreed with the important role of agency system. The theme extracted from the interviewees on this issue, comprise statements such as "majority of the agents are closer to the market place and can influence the business better than companies doing direct selling". Another interviewee indicated that "agents helped in promoting *Takāful* better through proper promotion of the doctrine (*aqidah*) and the prohibition of interest (*Ribā*) to the Muslims and providing better services and more benefits to the non-Muslims". Another interviewee mentioned "our Company thought of appointing non-Muslim agents to target non-Muslims who find the notion of ethical or co-operative *Takāful* products pleasing. It is an alternative source of incentive for non-Muslims to participate in the *Takāful* industry, where the surplus distribution is concerned". A transparent process and the prospect to get something back are attractive to customers, whether Muslims or non-Muslims, meanwhile the most important is to make customers understand that there is no guarantee on surplus distribution.

In this section majority of the interviewees mentioned that the most important distribution channels among their operators are the agency system, followed by *banca-Takāful*. Brokers were given the third rank while the least important was the direct selling channel. Majority of interviewees appeared thoroughly satisfied by the marketing strategies and distribution channels employed by their operators while a few of them thought to create more attractive channels in order to increase market penetration.

Interview Guide Section Three:

In the previous two sections, many issues related to the *Takāful* market penetration were highlighted and discussed with the interviewees to gain more insights into the root of the problem. In this section, the researcher gathered all the comments and suggestions provided by the interviewees from their expertise and their expectations on how to attempt the emergence of *Takāful*, based on their positions as well as the strategies applied by the *Takāful* operator he/she belongs to. This is done with the aim of improving the penetration rate of *Takāful* among Malaysians as each operator has its own approach and strategic plans.

There are a number of factors to be considered for the emergence of *Takāful* in Malaysia. Majority of the interviewees identified *Takāful* awareness, product varieties, services, marketing strategies and knowledge of staff and *Takāful* agents as the major concerns. The highlighted issues were categorised into five groups together with some suggestions on how to increase the penetration rate summarised and presented below:

Extending Product Varieties

Majority of the interviewees highlighted the importance of extending the range of *Takāful* products. Transparency on purity of products and investment tools are given high concern for many *Takāful* consumers. Therefore, more disclosure should be made available to *Takāful* participants enabling them to understand product features and *Takāful* operations. There is a need to develop tailor-made products to suit customer needs according to the different segments of the society. Additionally, innovative products can play a vital role to attract more people to participate in *Takāful*. An example for an interesting and innovative product feature provided by one of the *Takāful* operators which promotes extra services like *Badal*, *haji*, and *waqf* as attached services to the basic products to attract more participants.

Majority of interviewees draw attention to the range of *Takāful* products as the main factor influencing *Takāful* market penetration.

Services Improvement

A variety of opinions were provided to improve the quality of services to increase customer satisfaction and to ensure customer retention. The proposal for services improvement is presented below:

Takāful operators need to demonstrate their ability to offer a comparable, if not better quality of service than conventional insurance when dealing with *Takāful* participants. Hence, there is a need to invest in technology to deliver high quality service to help customer retention which will directly benefit the consumer as well as *Takāful* operators in the long-term and improve competitive standing and prospects

in *Takāful* market. Interviewees provided these suggestions to ensure customer retention and to get more *Takāful* participants involved in order to expand the industry, which will improve the rate of *Takāful* market penetration.

The Role of Marketing Strategies

Marketing strategies were also given high consideration during the interview sessions, as 85% (17 out of 20) of the interviewees highlighted the various marketing strategies engaged to approach Muslim and non-Muslims in an interesting way. Some basic marketing strategies were identified as well as the use of electronic network to enhance the marketing strategies of the *Takāful* industry in terms of using Internet facilities as it is faster, easier and cheaper, taking into consideration the advantages of the wide usage of Internet among Malaysians.

A proposal of promoting *Takāful* products by branding good products and better promotions among Muslim community by offering Islamic values and fundamentals bundled with a good range of products. The example given earlier by one of the *Takāful* operators relates to provision of extra services such as “*Badal haji and waqf*” beside the basic products. The need for *Takāful* to be able to penetrate the non-Muslim community is a significant concern for the emergence and wide spread of *Takāful*. Moreover, highlighting surplus and profit sharing will make *Takāful* products more attractive to participants with importance of transparency in relation to conditions of profit distributions. In addition, extensive advertisement, promotion and education of the public of the advantages of *Takāful* as an investment instrument would be advantageous, especially for middle and low income families who wish to invest in educational plans and to be stress-free over the foreboding issue of educating their children.

Knowledge of Staff and *Takāful* Agents

To gain customer satisfaction, *Takāful* operators need to have knowledgeable staff and *Takāful* agents who are able to elaborate, articulate and respond to customers’ queries in order to persuade more people to participate in *Takāful*.

The interviewees mentioned that staff and *Takāful* agents must be able to explain the terms and conditions related to each *Takāful* product in order to reduce the misconception related to *Takāful* products especially if customers have claims to be made. Moreover, competent staff and *Takāful* agents should have sufficient actuarial knowledge as well as good understanding of *Shariāh* rules. Missing one will portray an imbalance in their knowledge. There is a dire need for continuous training programs to enable staff and agents to be more creative when promoting *Takāful* products.

Many of the areas pointed out by interviewees on knowledge of staff and *Takāful* agents will facilitate them to explain and justify the information more effectively to *Takāful* customers and to approach new customers to participate in the *Takāful* industry.

***Takāful* Awareness**

Takāful practitioners always give emphasis to *Takāful* awareness as one of the factors influencing *Takāful* penetration. During the interview sessions, *Takāful* awareness was one of the major factors

influencing the penetration rate. Majority of the interviewees believed that the public is aware of *Takāful* existence but there is not much depth in terms of their knowledge.

Basically, the interviewees felt that a broad-spectrum of Malaysians know about *Takāful* but are not familiar about *Takāful* operations and product features. In addition, relevant details on what *Takāful* is all about have not been sufficiently circulated among the public. For better understanding a suggestion was made to make the public aware, that could be done by including risk mitigation tools and investment planning into the education system. Additionally, advertisements and innovations on marketing strategies are needed in order to attract more *Takāful* participants to the industry.

In summary, a cross-section of Malaysians know about *Takāful* but lack of in-depth knowledge in product features, how *Takāful* operators manage *Takāful* funds as well as the conditions related to surplus distribution. Therefore, more effort is needed to make the public more *Takāful*-oriented to increase *Takāful* penetration. A summary of the significant factors from the interviewees' perspective is presented in Table 2

At the end of each interview, interviewees were provided various options such as adding their personal information if they are comfortable with it. Some of the interviewees provided their contact numbers and their email addresses in order for the researcher to update them with the research findings as they claimed fulfilling the objectives of the research is part and parcel of the *Takāful* industry.

Table 2 Interview Findings

Significant Factors	% of Interviewees
Distribution channels	90%
Marketing strategies	85%
Product varieties	80%
<i>Takāful</i> Awareness	75%
Knowledge of staff and <i>Takāful</i> agents	70%

Conclusion

The objective of this paper is to gain insight into the root of the problem based on the knowledge and experience of the *Takāful* managers (The interviewees). It is strongly felt that the interviewees have extremely good insight into the problems faced by the Malaysian *Takāful* industry to help promote more Malaysians to participate in *Takāful*. Many important issues have been highlighted and discussed. From the interviews, many factors have been identified for *Takāful* market penetration, such as extending the range of *Takāful* products to suit customers' needs such as budget *Takāful* products catering for the lower income group, improve quality of services to be comparable with service level provided by conventional insurance, improve marketing strategies to capture the untapped area and to increase the depth of awareness among the public and make them more oriented with the product features, benefits range, claims conditions et cetera.

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