



**THE READINESS OF  
THE RURAL PEOPLE  
TO SPEND FOR  
TAKAFUL COVERAGE**

**FWD TAKAFUL MALAYSIA**



Alhamdulillah,  
from the bottom of our hearts, we are grateful, and would like to thank  
FWD Takaful Berhad for generously funding this research grant,  
amounting RM208,494.00, on Takaful participation readiness, of people  
living in rural areas, to spend for Takaful coverage.

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Thank you very much FWD Takaful Berhad.

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Industry research grant on

**THE READINESS OF THE RURAL  
PEOPLE TO SPEND FOR TAKAFUL  
COVERAGE.**

In collaboration between Universiti Sultan Zainal Abidin and FWD Takaful Berhad

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# 1.0 INTRODUCTION

Takaful means guaranteeing on each other in Arabic. Takaful's role is to manage the Takaful Fund and to invest Takaful contributions in line with Shari'ah principles. The Takaful industry continued its upward trend despite of challenges during the year. As reported by Malaysian Takaful Association, for the nine months ended 30 September 2020, Family Takaful new protection value of RM 364.2 billion arising from RM 4.84 billion new business contribution were registered. The new protection value and new business contribution increased 14% and 3.2% respectively compared to the figures in the corresponding period in 2019. In other word, the Takaful industry possesses high potential.

Although many, especially urbanites, know about the importance of Takaful coverage in protecting their assets and families, yet there are still people, who have little or absolutely no idea about the importance of Takaful coverage, let alone their readiness in participating in Takaful scheme. This can be seen by looking at the penetration rate of Takaful, which is only around 15%, as compared to the conventional insurance. Although the objectives of establishing Takaful based on ethical faith, among which is to provide a risk management product for consumers, whose belief has discouraged them to patronize the conventional insurance services, there are also factors that contributed to this low penetration.

In view of the above, this research was conducted to give some light on whether rural people are ready to spend their income in protecting themselves and their families.



## 2.0 OBJECTIVE OF THE REASERCH

This research was conducted to give some light on whether rural people are ready to spend their income in protecting themselves and their families. The team had identified three main objectives for this research project. For every objective, we have formed several thematic questions accordingly. The following are the objectives of this research:

1. To explore potential rural people's opinion and requirement towards family Takaful.
2. To analyze reasonable coverage and pricing for rural people.
3. To propose appropriate distribution channel for rural people.

### 2.1 OBJECTIVE ONE

Objective one for this research is to explore potential rural people's opinion and requirement towards family Takaful. For this objective, we intend to seek out the followings:

- 1. which Takaful operators known by rural people;
  2. the reasons for the rural people to participate in Takaful scheme;
  3. what makes rural people feel that having Takaful coverage is important;
  4. the reason why they are interested to know about Takaful;
  5. their readiness to participate.

## 2.2 OBJECTIVE TWO

Objective number two is to analyze reasonable coverage and pricing for rural people. In achieving objective number two, the following questions were asked during the interviews:

1. which Takaful protections known to the respondents;
2. which Takaful plans the respondents participated in;
3. how much the respondents contributed yearly;
4. how much the respondents contributed monthly;
5. what is the amount the respondents preferred as their monthly contribution;
6. what is the reason in choosing that particular contribution;
7. which are their preferred Takaful plans;
8. which methods of contribution does the respondents preferred;
9. and the frequency of contribution.

## 2.3 OBJECTIVE THREE

Objective number three for this research is, to propose appropriate distribution channel for rural people. The growing popularity of business applications of the internet has increased the number of people who use the technology to search for information and make purchases online. However, does the use of technology applicable to rural people or they preferred the traditional way of distribution channel? Hence, the following questions were asked:

1. What kind of distributions channels the respondents are comfortable with?
2. Where did respondents get the information about Takaful?



# 3.0 THE RESEARCH METHOD

This topic gives explanations on the research design, the population of the research and unit of analysis, and the sample of the study that was applied in the research. Details on data collection procedure, research instruments, data and finally, methods of statistical data analysis that was used with the intention of fulfilling the objective of this study are explained herein.

## 3.1 RESEARCH DESIGN

There are two types of research designs which can be used, to come-up with a solution to the research problem, which are quantitative approach and qualitative approach. In this research, the researchers were using qualitative research design. The main reason for using qualitative research design, because the research was conducted at rural area. As such, the researchers believed that qualitative research design was more appropriate as the interviews were conducted personally, with the respondents, rather than just handed out the survey questions to be filled up by the respondents. Meeting upfront and personal with the respondents was more meaningful, as more information could be gathered. The interviews were conducted using a semi-structured interview, of which the researchers had prepared some interview guidelines, to be asked by the enumerators hired in data collecting. Semi-structured interview was open compared to structured interviews as it allowed new ideas to be brought up during the interviews, based on what the respondents says.

## 3.2 POPULATION AND UNIT OF ANALYSIS

A research population is a large number of individuals or things, which is the main concentration of scientific research. Hence, in this research, we conducted interview for a total of 896 respondents at the rural area as presented in the following Table 1.1.

Table 1.1: Distribution of Respondents by Region

Region	States Identified	Estimated Rural Population*	No. of Respondents
Northern	Perlis, Kedah, Pulau Pinang, Perak	1,603,586	111
Southern	Melaka, Negeri Sembilan, Johor	1,381,362	175
East Coast	Kelantan, Terengganu, Pahang	1,970,875	179
Central	Selangor	465,374	132
Sarawak	Sarawak	1,118,044	151
Sabah	Sabah	1,434,006	148
	<b>TOTAL</b>	<b>7,973,247</b>	<b>896</b>

Source: National Census 2010, Department of Statistic Malaysia

To achieve the objective of this research, our team went to numerous rural areas as presented in the above table. We divided our data collection into two types. The first type is focus group and the second type is the ordinary interview. As for the ordinary interview, we have appointed 24 enumerators nationwide to conduct the interviews at every designated rural areas as shown in Table 1.1 above.

For the focus group, we assigned few researchers to cover few selected states. We managed to conduct a focus group interview in Johor, Melaka, Kelantan, Terengganu Pahang, Kedah, Perak and Pulau Pinang. Our team planned to conduct a focus group in Sabah and Sarawak, however, we have cancelled the trip due to the movement control order.

Focus group for Kedah was conducted in Langkawi and to be specific at Padang Mat Sirat, Langkawi. All respondents here were from different working backgrounds, with take home pay of RM4,000.00 monthly. One of the respondents claimed to have contributed to Takaful scheme but have to withdraw because of financial burden.

All respondents are aware of Takaful companies and their products. Among the most known companies are Etiqa and Prudential and among products that are familiar among the respondents are Family Takaful, Medical Takaful and investment. To them, Takaful coverage is important for them and their families. Information was gathered through friends and colleagues as well as family members, who represented Takaful companies.

They also planned to contribute RM150.00 monthly, and remit payment through salary deduction or on-line.

### **3.2.1 FOCUS GROUP SUMMARY IN KEDAH**

### **3.2.2 FOCUS GROUP SUMMARY IN PULAU PINANG**

In Pulau Pinang, the focus group was conducted in Seberang Prai. Respondents in Seberang Prai consist of those, who have no working experience, contractual workers and permanent staff of several industries. Their age ranges from 18 to 50 years old, where most of them were bachelors. They were aware of Takaful from watching television, listening to radio, through friends, the internet, magazines, relatives and Takaful representatives in shopping complexes. However, there are still uncertainty among the respondents on Takaful companies in Malaysia.

Among companies that are familiar to the respondents were Prudential BSN, Etiqa, AIA Public Takaful Berhad, Takaful Malaysia, Great Eastern and Takaful Nasional. As for coverage, the respondents were familiar with hibah coverage, vehicle, housing and house owners, medical and family Takaful coverages. From the findings, most respondents were willing to take Takaful coverage when they are financially stable as most of them do not have steady jobs yet.

In the event of accidents or other risks, respondents are well informed about the importance of Takaful to their family members. The interview also shows that some of the respondents had taken Takaful medical coverage, education, family, as well as savings and investment.

With take home monthly income is below RM7,000.00, many feel that the contributions between RM30.00 to RM300.00 is affordable, although, some of them are not working. As mode of payment, Takaful contributions could be done via auto-debit at every Takaful branch or payment counter, on-line or through Takaful representatives. The respondents prefer to make payment quarterly, half yearly or annually.

In conclusion, majority of respondents are interested in joining Takaful, but their financial commitments, weighting down their ability to take Takaful coverage.

### 3.2.3 FOCUS GROUP SUMMARY IN PERAK

All respondents in Kuala Kangsar consisted of academicians. Most of them are teachers, aged between 30 years old and 50 years old and have families of their own. They are also aware of Takaful as they acquire the information, either by browsing the internet or word of mouth.

Among Takaful companies, that they familiar with are Prudential BSN, Etiqa, AIA Public Takaful Berhad, Takaful Malaysia, Great Eastern and Takaful Nasional. From the interviews, one of the respondents had taken Takaful coverage from Takaful Nasional but terminated it after 11 years as the respondent has shifted to another state. While another respondent, changed from MAA Takaful to Prudential BSN for better plan.

We also found that they are also well versed about Takaful coverage and took Takaful coverage such as medical, education, family, Takaful for savings and investment. From as low as RM200.00 to RM500.00 a month, it is affordable to them as their minimum monthly income is RM5,000.00. They also prefer to pay online and auto-debit.

Our findings show that the respondents are aware about the importance of Takaful coverage, which also includes an investment plan that covers accidents and illness. The findings also show that the respondents received their information through word of mouths from friends and make comparison before taking any Takaful coverage.

The respondents are also optimistic that, in the long run, Takaful could ease their burden as some of their relatives, are also Takaful agents. They are also keen in upgrading the coverage if the scheme could give extra coverage at a lower fee.

In conclusion, from our interview in Kuala Kangsar, the respondents are aware about Takaful coverage. However, they urge Takaful companies to be more vigilant and mindful on claims processes. On the other hand, respondents also hope that agents, to be more mindful and not to disturb their working hours such as by giving briefings at the teachers' room.

In Terengganu, the interview was done among religious teachers and have families of their own. With take home income between RM2,000.00 and RM7,000.00 monthly, all the respondents preferred to be covered by Takaful. Some of the respondents joined Takaful plan only after their family members were hospitalized and they had to bear the high hospitalization cost themselves.

Respondents did their own homework by browsing the internet for information. However, they preferred to have Takaful representatives or go direct to Takaful branches, to furnish them with figures and facts.

On mode of payment, respondents declared that they prefer to do it via salary deduction, internet banking or through Takaful representatives. As the conclusion, respondents in Terengganu are less aware about Takaful and much influenced by their family and friends' information about the coverage.

### 3.2.4 FOCUS GROUP SUMMARY IN TERENGGANU

In Kelantan, numerous interviews were held in several districts, where most of the respondents were teachers, with monthly income between RM2,000.00 and RM7,000.00. Most of the respondents had taken Takaful coverage, however, quite a few terminated the coverage as they were not satisfied with services given by the Takaful's representatives. Among Takaful coverage taken by the respondents in Kelantan are medical, education, family and investment.

Respondents also did their homework by surfing through the internet for the best deal to them. However, most of them preferred to meet Takaful agents personally or go to Takaful branches near their vicinities. On the means of payment, the respondents preferred to do it through salary deduction, internet banking or through Takaful agents themselves.

In a nutshell, most respondents are interested in Takaful as its coverage protected the interest of the respondents and their families.

### **3.2.5 FOCUS GROUP SUMMARY IN KELANTAN**

### **3.2.6 FOCUS GROUP SUMMARY IN PAHANG**

In Pahang, two interview sessions were held in Felda Kemasul and Kuala Lipis. Respondents in Felda Kemasul consist of block representatives, village heads and Felda Manager. According to the respondents, they are aware of Takaful companies from the television. Among Takaful companies that they know are Etiqa General Takaful Berhad, Takaful Ikhlas General Berhad and Prudential BSN Takaful Berhad.

In Felda Kemasul, most of the respondents are not aware of what Takaful is, Takaful services and products. Some joined group Takaful scheme as it is a mandatory for Felda settlers. On the average, the affordable contributions are between RM20.00 and RM50.00, monthly. Half of the respondents agreed that Takaful coverage is very important to cover their families from uncertainty in the future. However, there are some senior citizens thought that it is already too late for them for Takaful coverage. Furthermore, they said they are not ready as Takaful contribution are too exorbitant for them. They also voiced out, if Takaful companies are willing to come up with more affordable

product, that matched their monthly income, they are willing to contribute for the scheme. Furthermore, most of them are already too senior and have no information about Takaful. To them, the best information is always from Takaful representatives as most of the respondents are not IT savvy.

This finding shows that knowledge about Takaful among respondents in Felda Kemasul are very minimal. Takaful representatives are advised to aggressively promote Takaful products here.

In Kuala Lipis, the respondents are teachers at Maktab Rendah Sains MARA, Kuala Lipis. They are made aware of Takaful products by their colleagues and Takaful representatives. Among companies, which have their mind, are Zurich Takaful Malaysia Berhad, AIA Public Takaful Berhad, Prudential BSN Takaful Berhad and Syarikat Takaful Malaysia Berhad.

However, some of the respondents have very little information about Takaful. Most are aware about medical Takaful as it is the only subject or product, promoted by Takaful representatives. However, this coverage does little good as there is no private hospital in Kuala Lipis. With monthly contribution between RM100.00 and RM200.00, these respondents find that the mode of payment is not a burden. As mode of payment, Takaful payment could be done via auto-debit at every Takaful branch or payment counter, on-line or through Takaful representative. The respondents also have given a choice either to make payment monthly, quarter-yearly, half yearly or annually.

Respondents also suggested that Takaful representatives to hold briefings on the importance of Takaful as very minimal information was shared in Islamic Studies during their time in MRSM. As mode of payment, all respondents chosen online payment as it is more effective.

On Takaful products, in the market, some respondents say that they are only aware of medical Takaful. Although, they could extract information from the internet, they prefer to have Takaful representatives explain the products to them.

To conclude, there are very little exposure on Takaful products among the respondents, even though, some respondents are ready to join the schemes. Takaful representatives must be more aggressive in promoting Takaful products. And having unique corporate logo and colour, do play a part too.

### 3.2.7 FOCUS GROUP SUMMARY IN JOHOR

In Johor, we conducted focus group interview at Gelang Patah. Majority of the respondents here are business owners. Most of them in Gelang Patah have some knowledge on Takaful. Although some do not have information about Takaful, but they do acknowledge the existence of Takaful from television and billboards. Among Takaful operators that they know are Syarikat Takaful Malaysia Am Berhad and Prudential BSN Takaful Berhad.

Most of the respondents in Gelang Patah, have little knowledge on the importance of Takaful and how Takaful companies operated. The respondents also voiced out that they have little understanding about the Islamic terms used in Takaful, such as “mudharabah” which means, sharing of fortune.

With regards to the awareness on Takaful, respondents also highlighted their concerns on the contribution as it is higher than the conventional. They expressed that bumiputera employees are paid much lesser than their non-bumiputera colleagues. While Muslim bumiputera have to contribute more for a scheme, as they do not have much choice to take coverage that are shariah compliance. The respondents also expressed that Takaful representatives need to continuously share more information about Takaful products, which in the market, and not only present during contributions are made.

Respondents with unstable monthly income also voiced out whether their coverage can be subsidised by government, to make more bumiputera to participate in Takaful. They also suggest giving early exposure to bumiputera on the importance of Takaful, similar to the exposure to banking institution.

In conclusion, the respondents are more interested in investment plan instead of protection and saving.

### 3.2.8 FOCUS GROUP SUMMARY IN MELAKA

In Sungai Udang Camp, Melaka, the respondents were Second Lieutenants (Commando) and the camp's Lieutenant Colonel. Most of the Second Lieutenants are still in their early 20s and single. All of them were familiar with Takaful as either they were contacted personally by the agents or attended a talk by Takaful representatives.

According to the Lieutenant Colonel, married army officers were automatically covered by the military which include medical coverage which covered their family and them, both in government and private hospitals. However, for those who are still single, they have to contribute for their medical coverage, themselves. From the interview conducted, the new officers only aware about medical coverage but still have little knowledge on the plan which they were enrolled in.

Their interest on Takaful only sparked when they attended talks by Takaful representatives and their friends, who took the insurance plans. No follow-ups were done by Takaful representatives on the

latest information about medical Takaful and other products like Takaful education scheme, investment and family Takaful.

The young officers also are not interested in browsing the information on the net. As for them, Takaful does not raise their interest to browse. They prefer if Takaful representatives serviced them personally, by providing information and explaining the plan to them. One of the respondents aired his dissatisfactions as Takaful did not reimburse his claims.

What we can conclude from the interviews that, these dissatisfactions, derived from inadequate information from Takaful representative on the plan taken by the clients, especially on what the plan does not cover. RM100.00 investments per month is very reasonable and do not burden the client if they choose pay deduction method.

Respondents also interested in plans which cover sky diving activities. In conclusion, Takaful representatives play important role in promoting and disseminating important information of Takaful product.



### 3.3 RESEARCH SAMPLING

In this study we have conducted interview on 896 respondents which is divided into 60 respondents from the focus group and 836 respondents from the ordinary interview. The respondents were split according to region as shown in Table 1.2 below.

Table 1.2: Number of Respondents Interviewed

Region	No of respondents from ordinary interview	No of respondents from focus group
Northern	91	20
Southern	155	20
East Coast	159	20
Central	132	Nil
Sarawak	151	Nil
Sabah	148	Nil

The demographics of our respondents are presented in the following figures:

1. Figure 1.1 represents the monthly household income of the respondents,
2. Figure 1.2 on age range,
3. Figure 1.3 on the occupation,
4. Figure 1.4 on the marital status, and
5. Figure 1.5 on level of education

#### MONTHLY HOUSEHOLD INCOME

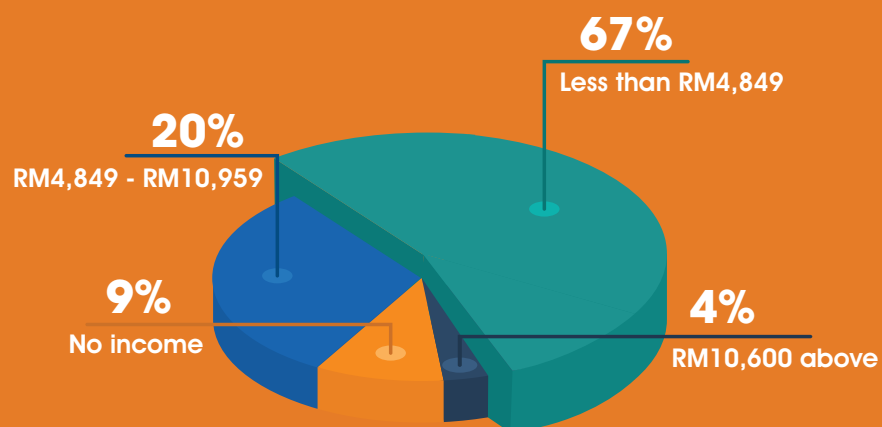
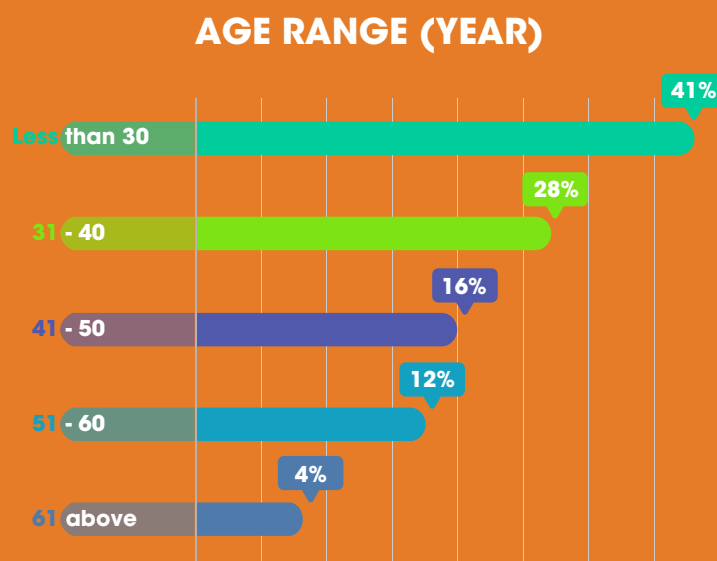


Figure 1.1 shows that 67% comes from B40 segment, with maximum monthly take home income is RM 4,849.00. This is due to the fact that our respondents are from rural areas.

Figure 1.1: Demographic by Monthly Household Income

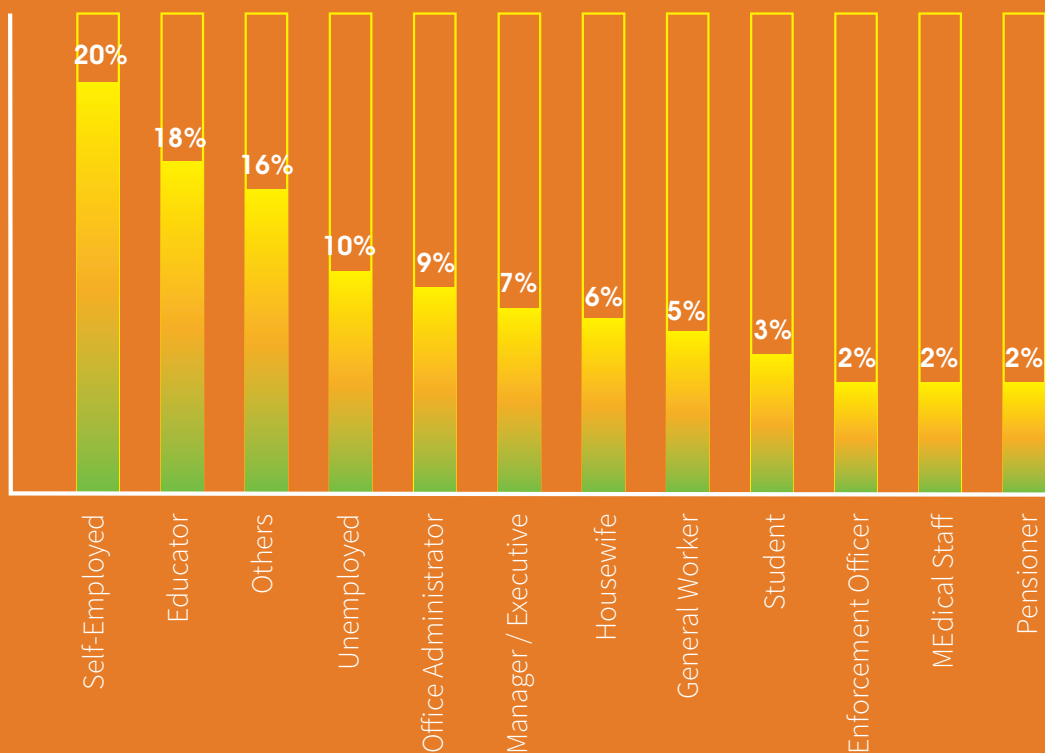


Next, we divided the respondents into various age groups as shown in the Figure 1.2. The biggest group consist of respondents in the range of 30 years old and below, that is 41%. This followed by range 31 to 40 years old, which is 28%. This could be an advantage for Takaful businesses, as most of them are young and they do have ample time in making important decisions, particularly in spending wisely for Takaful coverage.

Figure 1.2: Demographic by Age Range

## OCCUPATION

OCCUPATION STATUS	%
PERMANENT	48%
SELF-EMPLOYED	20%
UNEMPLOYED	20%
CONTRACT	12%



In the Figure 1.3, 48% of respondents are the permanent employees, on which 18% are in education field. There are also a quite notable percentage of unemployed respondents consisting of college students, housewife and pensioners

Figure 1.3: Demographic by Occupation

# MARITAL STATUS

Figure 1.4 represents the marital status of the respondents. Majority of the respondents are married, whilst the rest are still single (34%) and either divorcees or widows/widowers (5%).

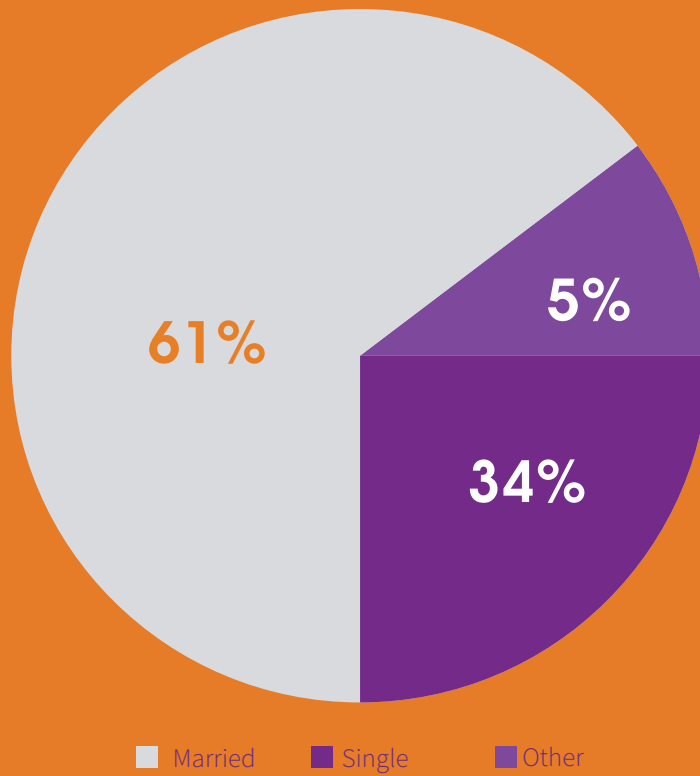


Figure 1.4: Demographic by Marital Status

# HIGHEST EDUCATION LEVEL

Based on Figure 1.5, 53% of the respondents graduated from college or university. Majority of them hold the bachelor degree, whilst the rest have either diploma, master or doctor of philosophy. It should also be noted that 39% of the respondents had only tertiary education either at PMR, SPM or STPM, where the majority of them are SPM certificate holders.

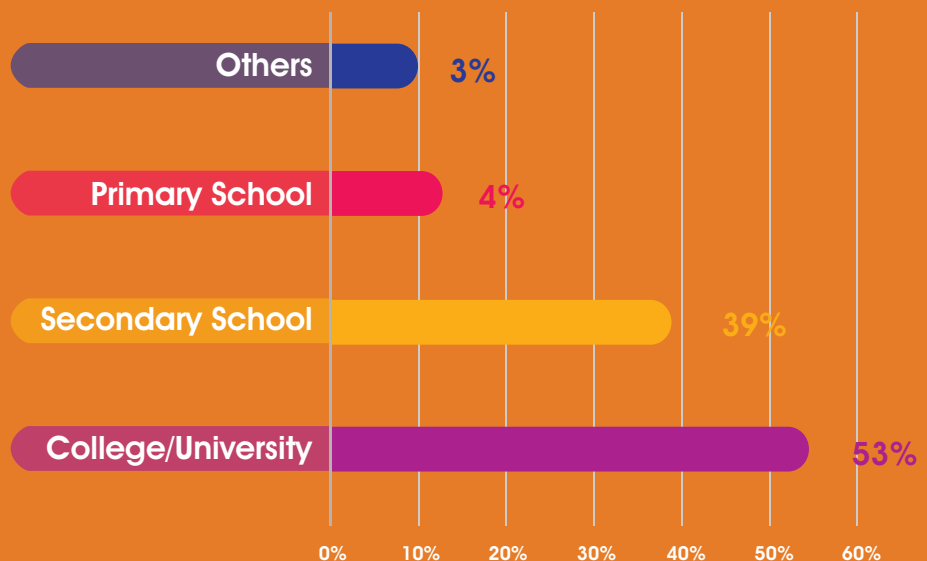


Figure 1.5: Demographic by Highest Education Level

# 4.0 RESEARCH RESULTS BY OBJECTIVES

## 4.1 OBJECTIVE ONE - TO EXPLORE POTENTIAL RURAL PEOPLE'S OPINION AND REQUIREMENT TOWARDS FAMILY TAKAFUL

Objective one is to explore potential rural people's opinion and requirement towards family Takaful. The results of this objective were based on the following items:

1. which Takaful operators known by rural people;
2. the reasons for the rural people to participate in Takaful scheme;
3. what make the rural people feel that having Takaful coverage is important;
4. the reason why they are interested to know about Takaful;
5. their readiness to participate.

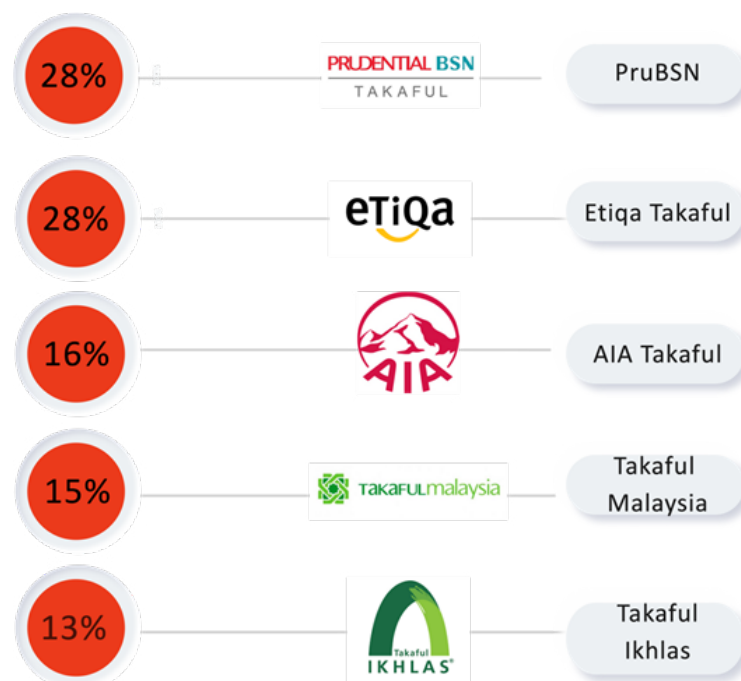


Figure 1.6: Takaful Operators Known by Rural People

Based on the findings, the top five companies, which are well-known among people in rural areas, are PruBSN, Etiqa, AIA Public, Syarikat Takaful Malaysia, and Takaful Ikhlas.

PruBSN hits the highest percentage with 28% or 238 respondents, which means the company is well known among the respondents. The second highest is Etiqa, which is also 28%, but the difference is in the number of respondents, which is 229. While AIA Public ranks the third highest with 136 respondents or 16%. Followed by Syarikat Takaful Malaysia (15% or 125 respondents) and Takaful Ikhlas (13% or 108 respondents).

It is due to the fact that these companies are quite established, and their distribution channels are well diversified, and reachable within respondent's vicinity or area of living.

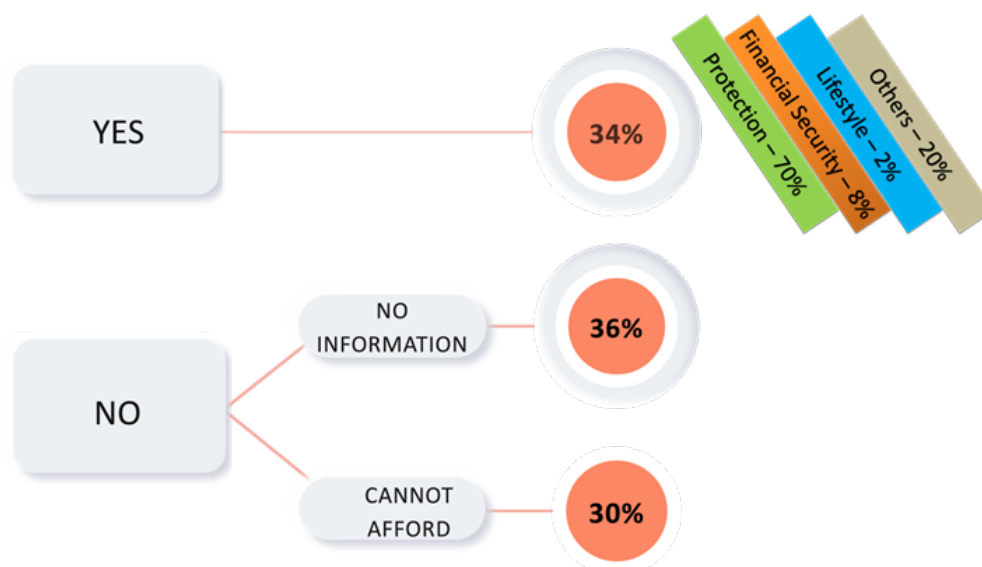


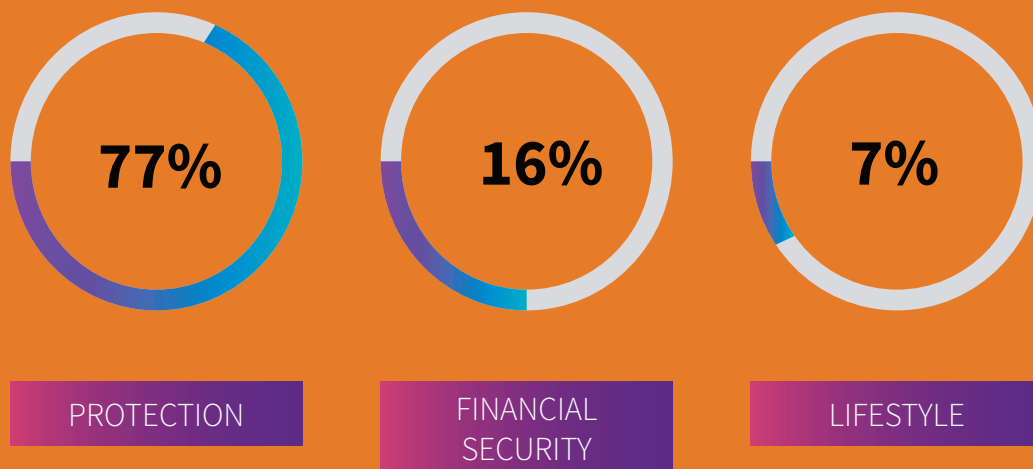
Figure 1.7: Reason to Participate in Takaful

We also studied their reason participating in Takaful coverage they had. We divided the category into two, which is either YES or NO. Out of 100% respondents, only 34% said YES and are currently participating in Takaful plans.

70% of who answered YES choose to join Takaful because of protection. In terms of protection, Takaful, does not only include coverage either for family or self-protection, but also protection from accident and other mishaps. It also covers financial security of the clients, if anything happens in the future, which includes medical treatments such as operations and chronic diseases. This followed by other reasons, such as lifestyle and other reasons that seems insignificant.

Those who answered NO are because they do not participate in any Takaful plan. The reason being is they simply cannot afford to spend on Takaful plan. They have other commitments such as education for their children and also do not have a stable income.

Another reason to the NO answer was that they do not receive sufficient information or possess almost zero knowledge on the plans, for them to decide on spending for Takaful coverage.



**Figure 1.8: The Importance of Takaful to Rural People**

Since we are using semi-structured interview method, we extend a question on how important Takaful to them is. Figure 1.8 presents the percentages on how the respondents perceive the importance of Takaful. To the respondents, protection has always been their top priority in which 77% of them felt that it is necessary for them to get coverage in several Takaful plans that include medical plans for individual or family, motor, property and education. As they grow, the protection and coverage priorities, will also unavoidably, change and grow.

Meanwhile, 16% believed that financial security is another importance aspects in Takaful. Financial security means financial protection against unforeseen events in future. It will help to ease financial constrains especially in health or medical issues such as surgeries, cancer coverage for the treatment and critical illness. On the other hand, 7% of the respondents felt that it is a common practice for everybody to choose hospitalization when choosing medical protection plan.

In other words, the keyword to be noted here is the protection. Although there are three difference perspective on the importance of the Takaful, majority of the respondents have repetitively highlighted the word protection to be the underlying coverage in Takaful.

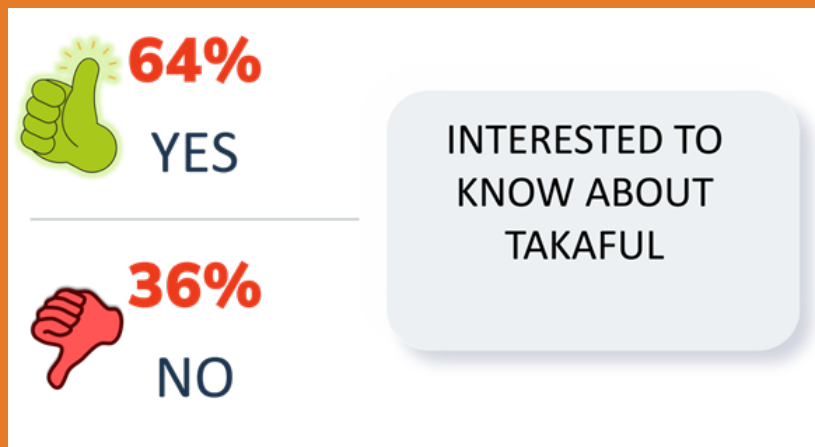


Figure 1.9: Interested to Know about Takaful

The findings in figure 1.9 indicate that 36% of the respondent are not interested to know about Takaful. The reasons why they are not interested are because:

1. they cannot afford;
2. they already participated in other Takaful or insurance cover;
3. they live far from Takaful branch;
4. they feel the Takaful plan is burdensome;
5. they have either no or lack of knowledge about Takaful;
6. they get annoyed with the explanation given by the representatives.

From the study, we gather their lack of knowledge is associated with lack of internet accessibility in rural areas. Most still rely on conventional forms of obtaining information such as from friends or agents themselves. Some of the respondents do mention that they are aware about Takaful but not clearly and comprehensively enough.

Sufficient information on Takaful plays major role to attract the interest of the respondents to get to know and participate in Takaful plans. This support the findings that 64% of the respondents are interested to know more about Takaful. The reason of this interest is as explained by the findings in Figure 1.8 (The Importance of Takaful to Rural People) that is the importance of having Takaful as protection.

On their readiness to participate in their very first Takaful plan, or adding new plan on their existing, 34% are ready to participate for the purpose of protection and financial security. While 66% are still not ready due to either currently not having enough information or cannot afford to do so. This is presented in Figure 1.10.

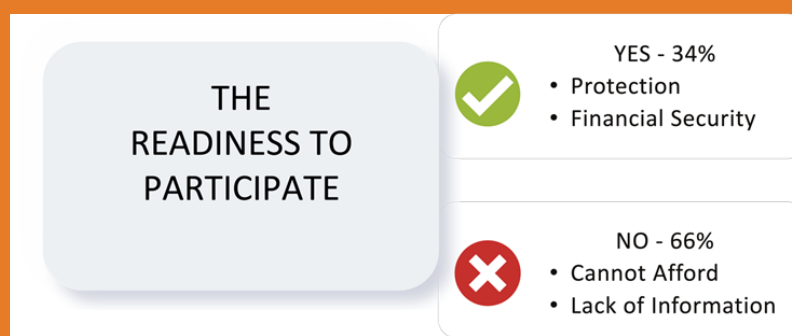


Figure 1.10: The Readiness to Participate in Takaful



## 4.2 OBJECTIVE 2: TO ANALYSE REASONABLE COVERAGE AND PRICING FOR RURAL PEOPLE

Our team have constructed eight items to investigate in order to get the findings as follows: which Takaful protections known to the respondents;

1. which of many Takaful plans the respondents participated;
2. how much the respondent contributed yearly;
3. how much the respondents contributed monthly;
4. what is the amount the respondents preferred as their monthly contribution;
5. what is the reason in choosing that particular contribution;
6. what are their preferred Takaful plans;
7. what method of contribution does the respondents preferred;
8. frequency of contribution.

We started by enquiring on the type of Takaful protection cover known by the rural people. The answers were fairly distributed between family, health, personal accident and education.

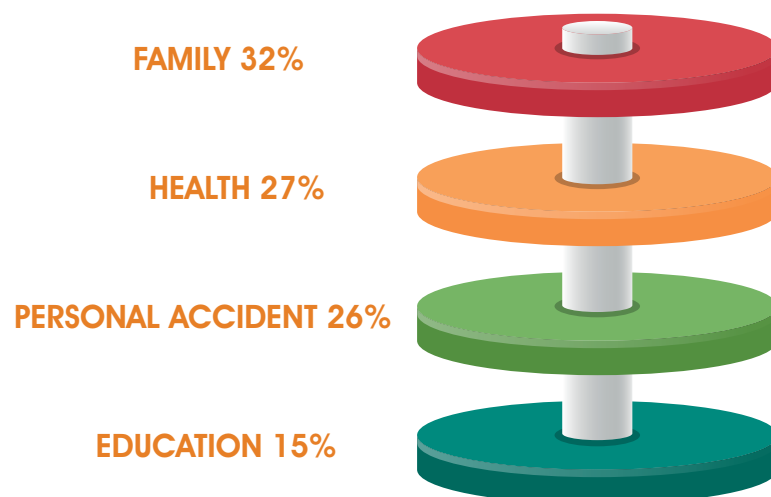
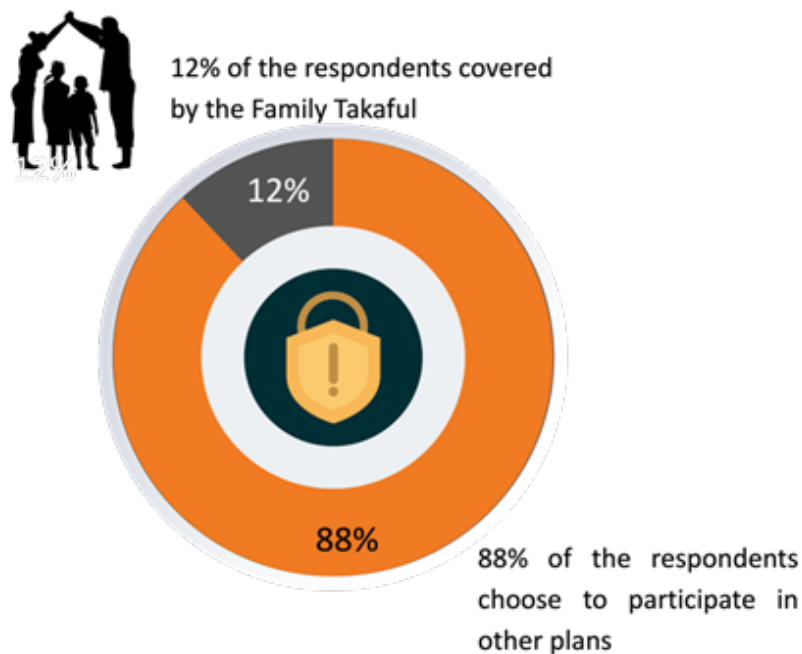


Figure 1.11: Takaful Protection Known by Rural People

Figure 1.11 shows that there are four types of Takaful protections that commonly respondents know. Family Takaful is the highest known protection (32%), followed by health Takaful (27% respondents), personal accident (26% respondents) and the last is education (15% respondents).

The result showed that, despite their low interest of participating in Takaful, they are still interested to know more about Takaful. These findings did not come to our surprise, as rural people could not actually differentiate between life/family Takaful plans and general plans. This also strongly support the findings on their lack of knowledge of Takaful as presented in the Figure 1.10 earlier.

But what is most important to them is, as long as there is protection on their assets and families, it is good enough for them.



**Figure 1.12: Takaful Plan Participated**

Figure 1.12 presents the percentage of respondents, who are aware about Takaful. These findings indicate that 12% of the respondents participated in Family Takaful plans and 88% choose to join other Takaful plans such as Medical and Health Takaful, Accident Takaful and so on. The result shows that the percentage of respondents covered by the Family Takaful contract in a rural area in Malaysia is still at a lower level.

**Figure 1.13: Monthly Paid Contribution**

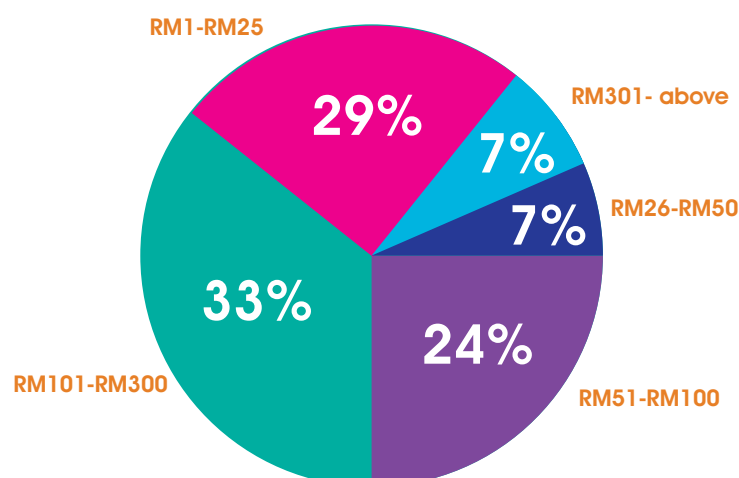


Figure 1.13 shows the monthly amount the rural people are currently monthly for their plans.

Based on the interviews with respondents who already participated in conventional insurance or Takaful plans, there are three major ranges dominated the findings. The ranges are between RM1.00 and RM25.00 (29%), RM51.00 and RM100.00 (24%) and between RM101.00 and RM300.00 (33%).

In conclusion, majority of the respondents are willing to pay at an average of RM100.00 for the monthly contribution.

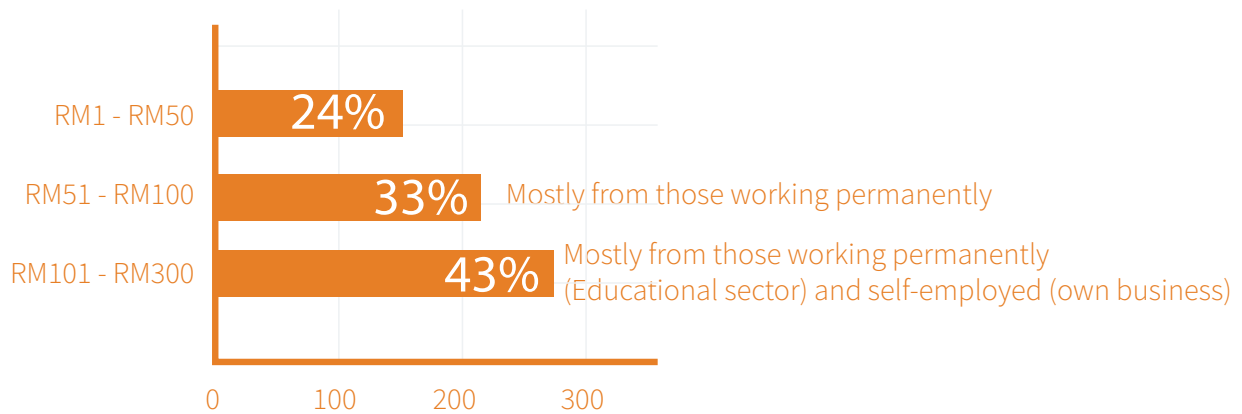


Figure 1.14: Preferred Monthly Contribution

With regard to preferred monthly contribution, we found that most of the respondents who are interested to participate in Takaful are willing to contribute between RM101.00 – RM300.00, monthly. Followed by 33%, respondents prefer to contribute between RM51.00 – RM100.00 monthly, and the remaining 24% respondents willing to contribute up to RM50.00 per month.

From the findings, upon comparing Figure 1.13 and 1.14, is that there is a 9% increase on range RM 51.00 – RM 100.00 (from 24% current contribution to 33% preferred contribution) and 10% increase on range RM 101.00 – RM 300.00 (from 33% current contribution to 43% preferred contribution). It shows that most of the respondents prefer higher range of monthly contribution for their existing or new Takaful plans as they can afford on which their reasons are further analyzed on Figure 1.15.

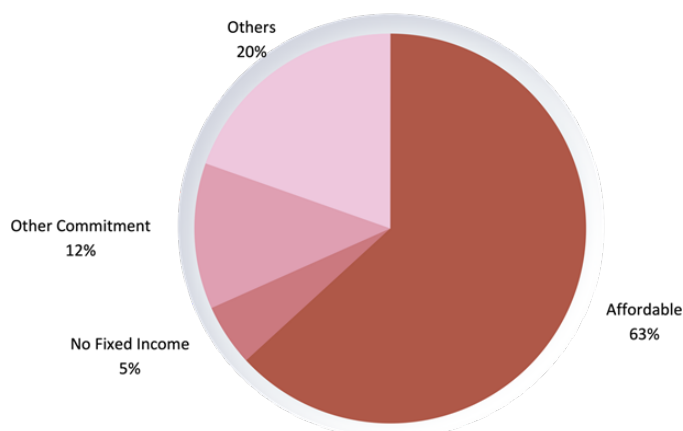


Figure 1.15: Reason towards Contribution Preference

The key reason for the 9% and 10% increase in Figure 1.14, were mainly due to the basis of affordability. Figure 1.15 clarified that 63% respondents felt that the preferred range is affordable to them. Detailed analysis was conducted on these 63% respondents to determine the level of income and their occupation status. The analysis shows that 86% from this group are from B40 segments of which their level of income is below RM 4.849.00, comprises of 56% permanent employee and 28% contract workers and self-employee.

Therefore, it can be concluded that those B40 who have the permanent job are willing to contribute for higher Takaful amount as it offers better protection and financial security to them as compared to saving.

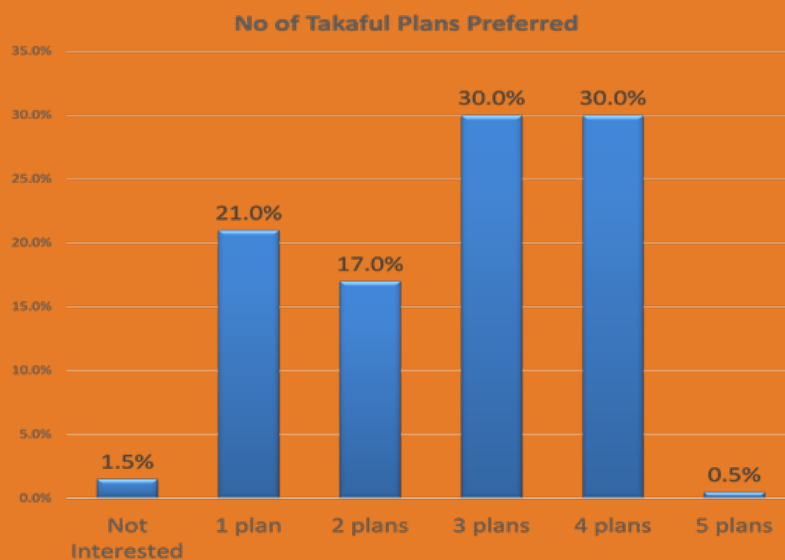


Figure 1.16: Preferred Takaful Plan

On types of preferred plans by rural people, we have obtained a valuable information as 77.5% of the respondents prefer Takaful plan that consist of more than 1 coverage. Figure 1.16 presents the fact that 60% of the respondents prefer a plan with 3 to 4 coverages offered.

This analysis is detailed to the following findings:

1. The list of coverages opted by the respondents are hibah, accident, medical, investment, education and asset cover.
2. Top three coverages preferred by most of the respondents are accident at 28%, medical at 27% and hibah at 24%. Education cover was only opted by 13% respondent and investment at 8%.
3. Majority of the respondents who opted for minimum 3 coverages in one plan graduated from college or university (35%), married persons (35%), permanent employee (33%) and B40 segment (39%)

We therefore conclude that, offering the right product or plan within affordable range, to the right segments even to B40, may produce desirable results.



Figure 1.17: Method of Contribution

Figure 1.17 above shows the method of contribution, opted by the respondents. 45% of the respondents choose auto debit from their bank account, and majority of them are permanent employee and married. They felt that this method is the most secured, simple, and convenient as it requires single registration to ensure the contributions will be paid timely.

However, 14% would rather transfer the contribution through online banking for their convenience. While 13% choose to contribute through Takaful Agent as they have established trust between them and as for 10% of the respondents choose to contribute either by cash or cheque, over the counter at Takaful branches.

Another 10% respondents, who are government servants choose salary deduction. Lastly, 8% respondents choose other means of payments, which help them to pay the contributions on time and regularly.

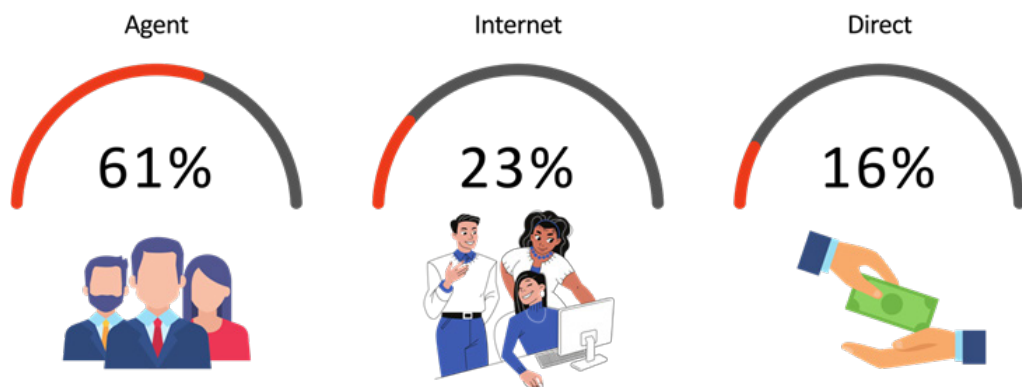


Figure 1.18: Frequency of Contribution

Figure 1.18 shows the frequency of contribution preferred by the respondents. A total of 67% respondents choose to contribute on monthly basis, 5% willing to contribute quarter yearly, another 4% willing to contribute bi-annually, 9% on annual basis and the remainder 15% respondents choose other frequency of payment.

Out of 67% respondents who choose to contribute on monthly basis, 63% are married respondents. With regards to income segment, 66% out of this 67% are earning monthly income of below RM 4,849.

## 4.3 OBJECTIVE 3: TO PROPOSE APPROPRIATE DISTRIBUTION CHANNEL FOR RURAL PEOPLE



Distribution channels play vital role to attract customers to gain more information about Takaful and make decision towards participation in Takaful plan. Based on the findings, 61% of the respondents choose agents, when they want to participate in Takaful plan. Agents are among factors that influence clients in choosing a suitable plan.

One of the reasons why clients trust the agents is, most of Takaful representatives are either friends or family members. In other words, it is convenient for them to get detailed information, if there a need to do so.

Another 23% of respondents find it easier to browse through the internet as it saves time, fast and hassle-free, compared to meeting Takaful representatives, to purchase the policies. The last 6% of the respondents feel comfortable to deal with Takaful direct distribution channel.

Direct distribution channel refers to the distribution of Takaful products through branch premises of Takaful operator and the head office. The customer deals directly with the Takaful Operator without the involvement of a Takaful intermediary, such as agents. This is to avoid problems in the future such as scams and it is easy for them to discuss the details of Takaful products provided by the company.



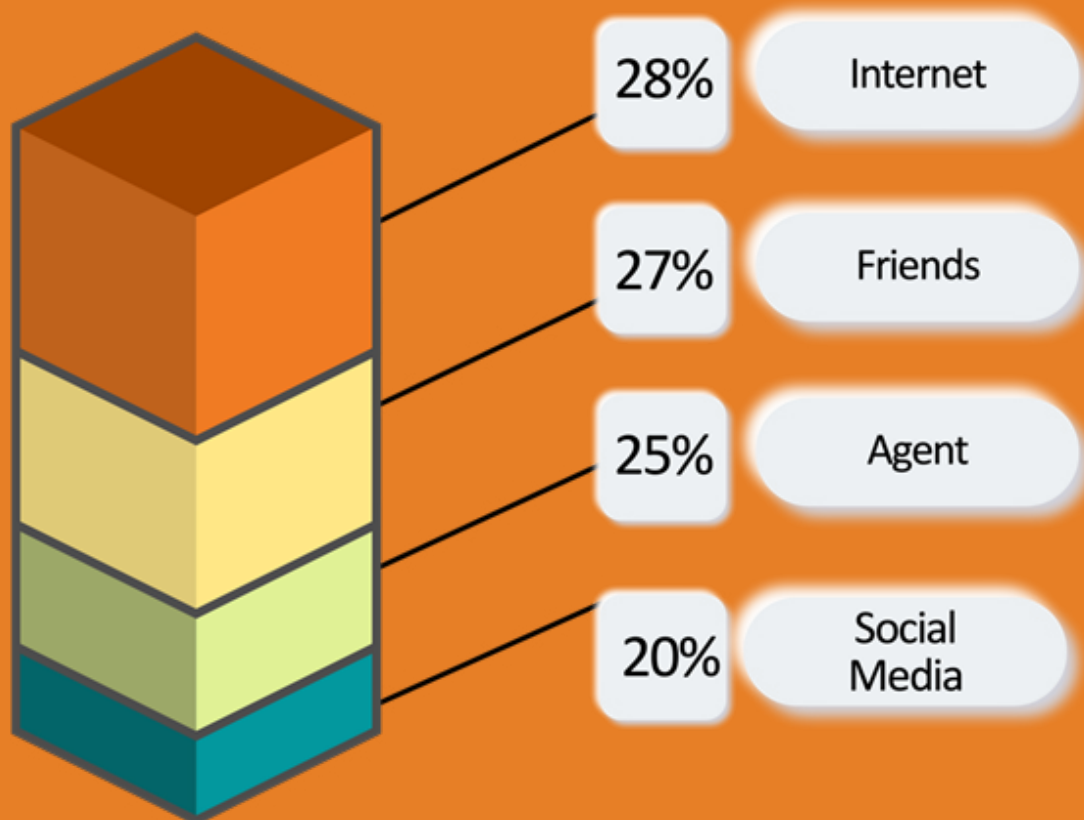


Figure 1.20: Source of Takaful Information

From figure 1.20, it shows that as many as 28% of the respondents, use the internet, as the main source, to search for information about Takaful. While 27% respondents choose their friends and colleagues, as most sought source, in search for data and materials on Takaful.

Agents are still the source of 25% respondents for seeking Takaful information and social media falls fourth with 20% respondents use it as source in seeking for information on Takaful.

Even though 27% respondents choose friends as their source of information, we believed that they are mostly the agent since there is motivation to share the information about Takaful coverage as well as knowledge be shared to the respondents. Therefore, we suggest that agent is still the main source of Takaful information for rural people.

# 5.0 CONCLUSION AND RECOMMENDATIONS

After an extensive study and analysis, from the three objectives we conclude as follow:

**Objective One** for this research is to explore potential rural people's opinion and requirement towards family Takaful. We conclude that:

1. this research indicates that companies which are well established nationwide with diverse distribution channels are better known especially by rural people.
2. protection is the most important Takaful plan in the opinion of rural people.
3. majority of rural people are not keen to participate in any Takaful plan, but given the appropriate information and affordable product, they are interested to do so.

With regards to **Objective Two**, which is to analyze reasonable coverage and pricing for rural people, we found that:

1. protection is the most important element for rural people when considering Takaful plan
2. the respondents are inclined to participate in medium and high contribution-based plan depending on their affordability
3. apart from protection, any stand-alone accidental plan, or medical and health plan, or hibah plan, or combination of these seems to be attractive to rural people
4. they prefer to contribute monthly via auto debit as they feel it is more secured and convenience.

Finally for Objective Three, we aim to propose appropriate distribution channel for rural people. The results showed that:

1. agents are highly preferred by rural people to deal on Takaful plan as it is easier to get or clarify on any related information.
2. the existing agents they dealt with are among their friends or live within their vicinity hence they are more trusted.

Hence, we conclude that agent plays a vital role as a distribution channel in promoting Takaful products.

Surprisingly, the color also plays a role to rural people. They do not seem to remember the company's name but most of the respondents recognized Takaful operators through their logo colors.

In view of the above, we would like to recommend to FWD Takaful Berhad to initiate the following action in order to expand FWD's business to the rural peoples in Malaysia:

1. FWD should continue developing a programme that suits the rural needs especially for the lower-income group such as micro Takaful product that offers flexibility for potential customer to mix and match the coverages required.
2. FWD should also aggressively promote the product through Takaful representative as distribution channels in rural area since they play an important role in promoting and disseminating information about Takaful product, as well as influencing the potential customer on the appropriate cover based on their financial affordability.
3. FWD should also recruit Takaful representative among those are residing in that particular rural area.
4. Lastly, we would also recommend FWD continue innovating in improving claim services in order to attract more new business and to retain the current portfolio as word of mouth is very effective marketing element especially in rural area.

# APPENDIX 1

## PROGRESS REPORT STAGE 1

PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA				Stage	1	Report Date	14 Oct 2020
<b>Research Title</b>	Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage					<b>Team Member</b>	Dr. Hartini Ab Ghani Salman Lambak PM Dr Zunaidah Sulong Dr Faruk Abdullah
<b>Research Objective</b>						<b>Budgeting</b>	<b>Current Overall Status</b>
1. To explore potential rural people's opinion and requirement towards family takaful. 2. To analyze reasonable coverage and pricing for rural people 3. To propose appropriate distribution channel for rural people						Allocation RM 208,494 Actual Spent RM 45,677	<b>ALERT</b>  Previous Overall Status N/A
<b>Research Progress Status</b>			<b>Research Milestones (6 months)</b>		<b>Date</b>		
<b>Item</b>	<b>Risks</b>	<b>Mitigations</b>					
<b>Budget</b>	NIL	NIL	Milestone 1 (M1) : Preliminary study on The Readiness Of The Rural People To Spend For Takaful Coverage		12/10/2020		
<b>Schedule</b>	Plans cancelled / postponed due to current government's movement control order (MCO)	To re-schedule existing plan especially the interview and focus group date	Milestone 2 (M2) : Field study on The Readiness Of The Rural People To Spend For Takaful Coverage		12/01/2021		
<b>Resources</b>	NIL	NIL	Milestone 3 (M3) : Verification of final findings and report submission		12/02/2021		
<b>What has gone well</b>				<b>Issues and concerns</b>			
<input type="checkbox"/> The stage / milestone 1 has been completed before the expected date i.e. 12/10/2020:- <ul style="list-style-type: none"> <li>Questionnaires for enumerator were developed and completed on 30/08/2020</li> <li>Interview data uploading platform was set up through Google Form and simulation was successfully conducted on 06/09/2020</li> </ul> <input type="checkbox"/> Interview activities by enumerators has commenced as early as 08/09/2020. <input type="checkbox"/> Focus group discussions in Pahang, Northern and Southern region are completed.				<input type="checkbox"/> No issue emerged during stage 1. <input type="checkbox"/> As we commence stage 2 earlier than the planned schedule, we began to face issues such as few scheduled interviews and focus group discussions cannot be implemented due to current COVID19 escalating cases so called 3 <sup>rd</sup> wave particularly in Kedah, Selangor and Sabah as well as stricter SOP in Sarawak. <input type="checkbox"/> Taking into consideration that this 3 <sup>rd</sup> wave may worsen similar to 1 <sup>st</sup> wave effect, our team is relooking into ways to avoid the negative effect towards research timelines.			

PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA				Stage	1	Report Date	1 Oct 2020
<b>Research Title</b>	Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage					<b>Team Member</b>	Dr. Hartini Ab Ghani Salman Lambak PM Dr Zunaidah Sulong Dr Faruk Abdullah
<b>Milestone</b>	<b>Activities completed during current reporting period including achievements, outcomes met, KPIs met, budget spent, etc.</b>	<b>Activities planned for next reporting period</b>	<b>Key risks, issues or points to note including anything hindering progress</b>				
<b>[M1] Preliminary study on The Readiness Of The Rural People To Spend For Takaful Coverage</b>	<b>Completed:</b> <ol style="list-style-type: none"> <li>Questionnaires for enumerator were developed from 12/08/2020 and completed on 30/08/2020.</li> <li>Interview's data uploading platform was set up in Google Form on 30/08/2020 and training as well as simulation was successfully conducted from 01 – 06/09/2020.</li> <li>3 research assistants and 24 enumerators have been appointed to facilitate this research works immediately from the research inception date.</li> </ol> <b>On Progress:</b> <ol style="list-style-type: none"> <li>Enumerators have uploaded 148 interview data (18% completed)</li> <li>Focus group discussions are in progress (40% completed) with East Coast, Sabah and Sarawak region are pending. Researchers have completed FGD at Pahang from 24 – 27/09/2020, both Northern and Southern Region from 01 – 04/10/2020.</li> </ol>	<ol style="list-style-type: none"> <li>To complete the interview activities for 810 respondents by 14/11/2020.</li> <li>To complete the focus group discussion for all 5 regions by 15/11/2020.</li> <li>To attend software course and equip researchers and our assistants with skills and knowledge of using the analysis software Atlas.TI by 30/10/2020.</li> <li>To start works on data analysis from 15/11/2020 – 31/12/2020.</li> </ol>	<input type="checkbox"/> The latest COVID-19 trends are resulting to programmes been rescheduled several times and may affect the research timeline. <ul style="list-style-type: none"> <li>Few enumerators are now in the EMCO (administrative enhanced movement control order) areas.</li> <li>There were cases where the targeted participants of FGD were quarantined after being the close contact to positive cases.</li> <li>Sarawak also poses stricter rules on MCO as the visitor will be quarantined 14 days upon arrival and 3 days before departure, whereas Sabah is now prohibiting any entrance from other states. For record, planned FGD in Sabah and Sarawak in October have been postponed twice.</li> <li>UniSZA ourselves are currently affected by COVID19 hence are in 14 days self-quarantine mode.</li> </ul> <input type="checkbox"/> Online interview was once considered as an alternative due to COVID19 situation, however it is merely possible as the targeted respondents are residing in rural areas with weak internet coverage.				

# APPENDIX 2

## PROGRESS REPORT STAGE 2

PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA				Stage	2	Report Date	1 Jan 2021
<b>Research Title</b>	Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage					<b>Team Member</b>	Dr. Hartini Ab Ghani Salman Lambak PM Dr Zunaidah Sulong Dr Faruk Abdullah
<b>Research Objective</b>					<b>Budgeting</b>		<b>Current Overall Status</b>
1. To explore potential rural people's opinion and requirement towards family takaful. 2. To analyze reasonable coverage and pricing for rural people 3. To propose appropriate distribution channel for rural people					Allocation RM 208,494 Actual Spent RM 45,677		<b>ALERT</b>
							<b>Previous Overall Status</b>
							N/A
<b>Research Progress Status</b>			<b>Research Milestones (6 months)</b>			<b>Date</b>	
<b>Item</b>	<b>Risks</b>	<b>Mitigations</b>					
<b>Budget</b>	NIL	NIL	Milestone 1 (M1) : Preliminary study on The Readiness Of The Rural People To Spend For Takaful Coverage			12/10/2020	
<b>Schedule</b>	Plans cancelled / postponed due to current government's movement control order (MCO)	To re-schedule existing plan especially the interview and focus group date	Milestone 2 (M2) : Field study on The Readiness Of The Rural People To Spend For Takaful Coverage			12/01/2021	
<b>Resources</b>	NIL	NIL	Milestone 3 (M3) : Verification of final findings and report submission			12/02/2021	
<b>What has gone well</b>			<b>Issues and concerns</b>				
<input type="checkbox"/> The stage / milestone 1 has been completed before the expected date i.e. 12/10/2020 <input type="checkbox"/> Focus group discussions in East Coast, Central, Northern and Southern region are completed.			<input type="checkbox"/> Due to strict MCO regulations to enter Sarawak and EMCO at Sabah, the researchers could not conduct the focus group discussion and the assigned enumerators could not perform the interview. <input type="checkbox"/> Our Higher Education Ministry and UniSZA also prohibits us to as the staff to do the data collection cross the state Terengganu.				

PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA				Stage	2	Report Date	1 Jan 2021
<b>Research Title</b>	Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage					<b>Team Member</b>	Dr. Hartini Ab Ghani Salman Lambak PM Dr Zunaidah Sulong Dr Faruk Abdullah
<b>Milestone</b>	<b>Activities completed during current reporting period including achievements, outcomes met, KPIs met, budget spent, etc.</b>	<b>Activities planned for next reporting period</b>	<b>Key risks, issues or points to note including anything hindering progress</b>				
<b>[M1] Preliminary study on The Readiness Of The Rural People To Spend For Takaful Coverage</b>	<b>Completed:</b> 1. Questionnaires for enumerator were developed from 12/08/2020 and completed on 30/08/2020. 2. Interview's data uploading platform was set up in Google Form on 30/08/2020 and training as well as simulation was successfully conducted from 01 – 06/09/2020. 3. 3 research assistants and 24 enumerators have been appointed to facilitate this research works immediately from the research inception date.		<input type="checkbox"/> No issue				



# PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA

Stage 2

Report Date

1 Jan 2021

Research Title

Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage

Team Member

Dr. Hartini Ab Ghani  
Salman Lambak  
PM Dr Zunaidah Sulong  
Dr Faruk Abdullah

Milestone	Activities completed during current reporting period including achievements, outcomes met, KPIs met, budget spent, etc.	Activities planned for next reporting period	Key risks, issues or points to note including anything hindering progress
[M2] Field study on The Readiness Of The Rural People To Spend For Takaful Coverage	<b>Completed:</b> <ol style="list-style-type: none"> <li>All enumerators in West Malaysia have completed their interview and uploaded 487 data.</li> <li>Our researchers have conducted focus group discussions in East Coast, Northern, Central and Southern region.</li> </ol>	<ol style="list-style-type: none"> <li>To conduct the focus group in Sarawak and Sabah in March 2021 subject to approval from our university to travel there.</li> </ol>	<p>□ The latest COVID-19 trends are resulting to programmes been rescheduled several times and has affected the research timeline.</p> <ul style="list-style-type: none"> <li>Few enumerators are now in the EMCO (administrative enhanced movement control order) areas.</li> <li>Sarawak still poses stricter rules on MCO as the visitor will be quarantined 14 days upon arrival and 3 days before departure, whereas Sabah is now prohibiting any entrance from other states. For record, planned FGD in Sabah and Sarawak in October have been postponed thrice.</li> <li>UniSZA and the our ministry had issued circular to all staff not to travel across the state for research purposes etc.</li> </ul>
	<b>Delayed:</b> <ol style="list-style-type: none"> <li>Only 613 respondents were interviewed out of 810 targeted respondents due to EMCO in Kuching (Sarawak) and whole Sabah. Only 126 out of 150 targeted respondents in Sarawak were interviewed. Rural areas in Kuching are not covered due to EMCO. No interview yet to be conducted in Sabah due to EMCO.</li> <li>Focus group activity in Sarawak and Sabah yet to be conducted due to EMCO.</li> <li>We have conducted a pre-analysis with 613 data pending data from Sarawak and Sabah.</li> </ol>		

3

# PROGRESS REPORT FOR RESEARCH COLLABORATION FWD TAKAFUL - UniSZA

Stage 2

Report Date

1 Jan 2021

Research Title

Takaful Participation Readiness of People Living in Rural Areas to Spend For Takaful Coverage

Team Member

Dr. Hartini Ab Ghani  
Salman Lambak  
PM Dr Zunaidah Sulong  
Dr Faruk Abdullah

613 Interviewed Respondents & 60 Focus Group By States



4

# APPENDIX 3

## PHOTOGRAPHS DURING RESEARCH ACTIVITIES

### ATLAS.TI DATA ANALYSIS SOFTWARE TRAINING





## BRAINSTORMING AND REPORT WRITING



## FOCUS GROUPS



# APPENDIX 4

## DATA ANALYSIS FROM ATLAS.TI SOFTWARE

FIGURE 1: KNOWN TAKAFUL COMPANIES

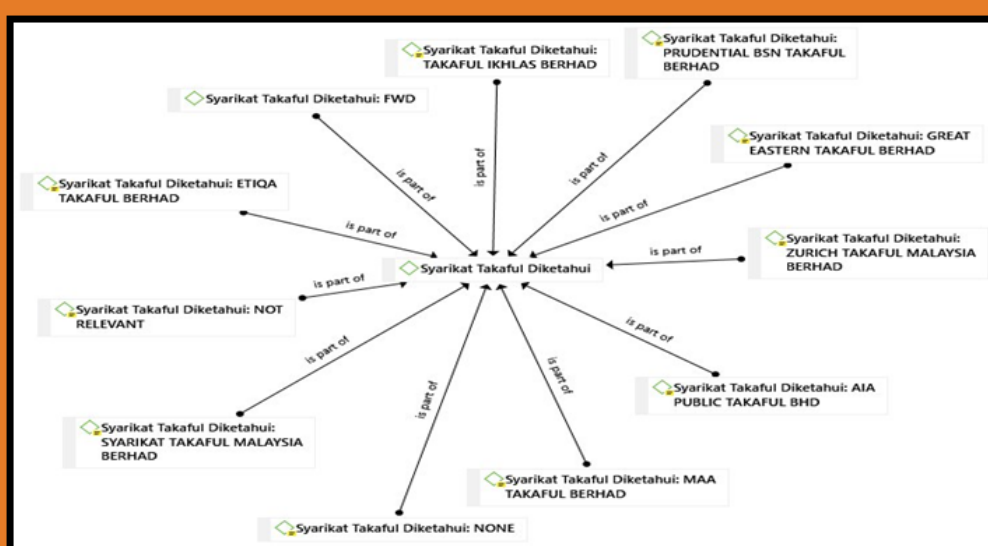


FIGURE 2: NEEDED PROTECTION

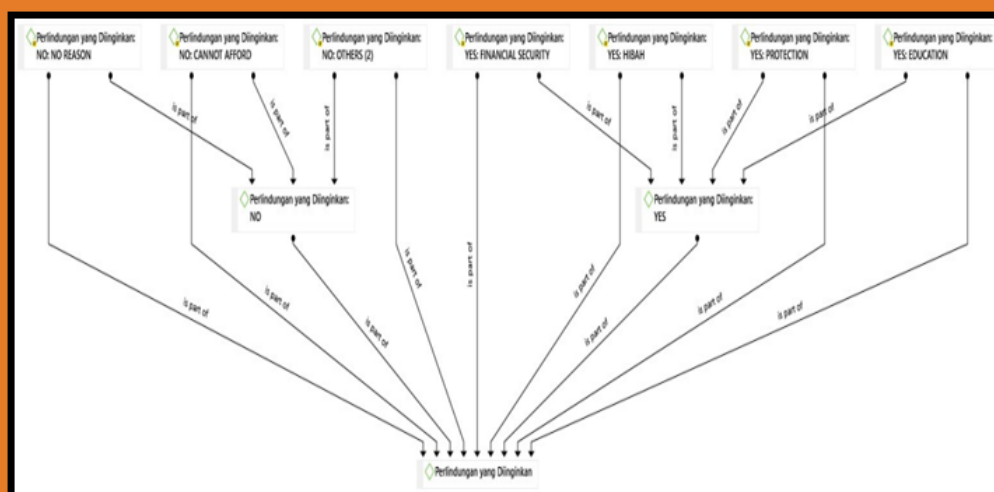
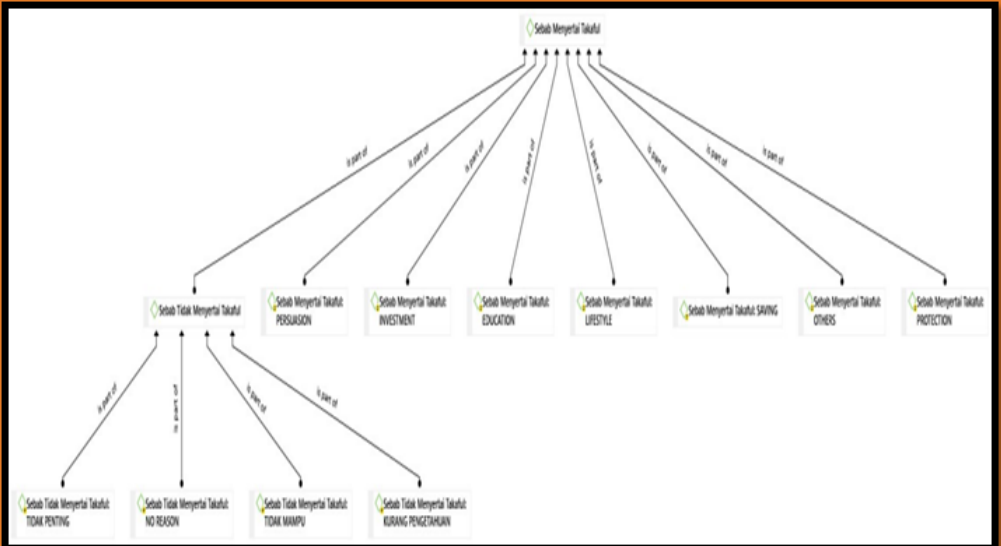


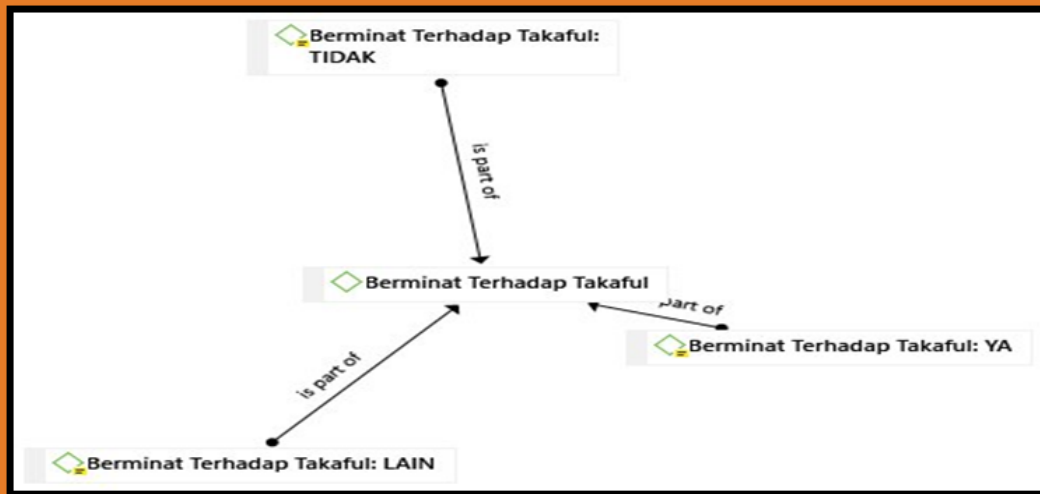
FIGURE 3: THE IMPORTANCE OF TAKAFUL



FIGURE 4: REASON TO PARTICIPATE IN TAKAFUL



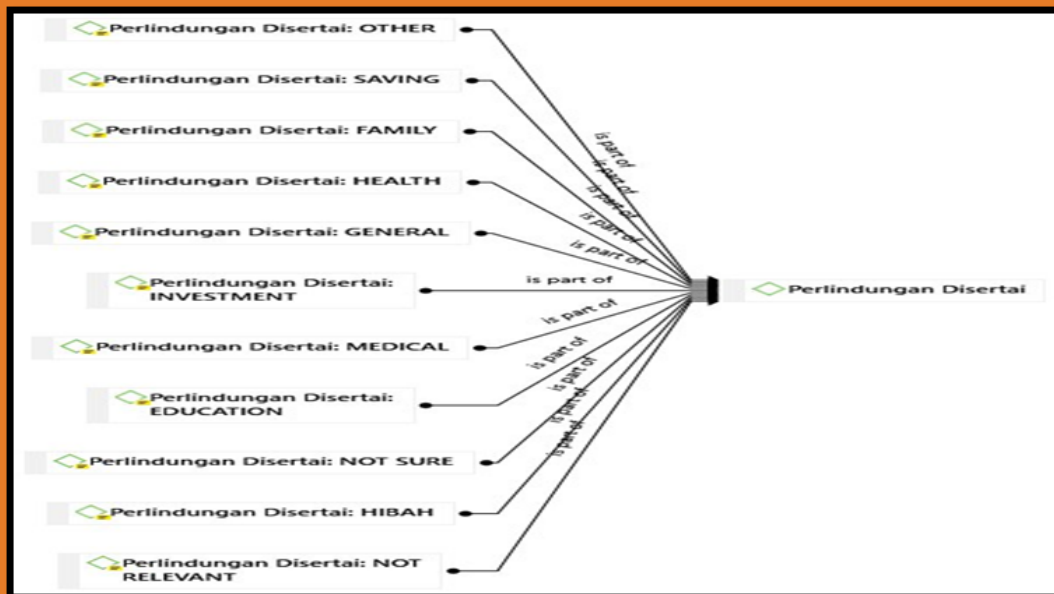
# FIGURE 5: WANTED TO KNOW ABOUT TAKAFUL



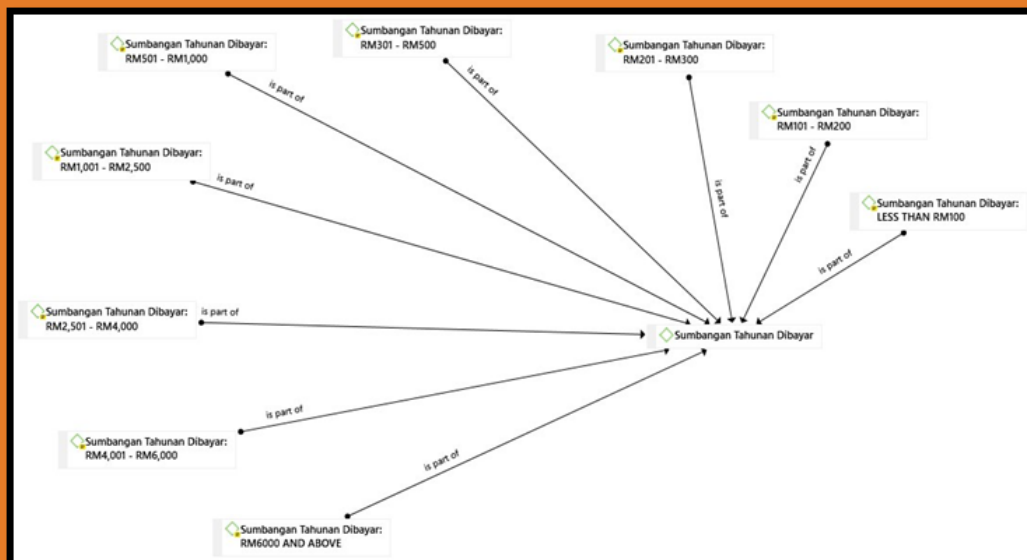
# FIGURE 6: KNOWN PROTECTION



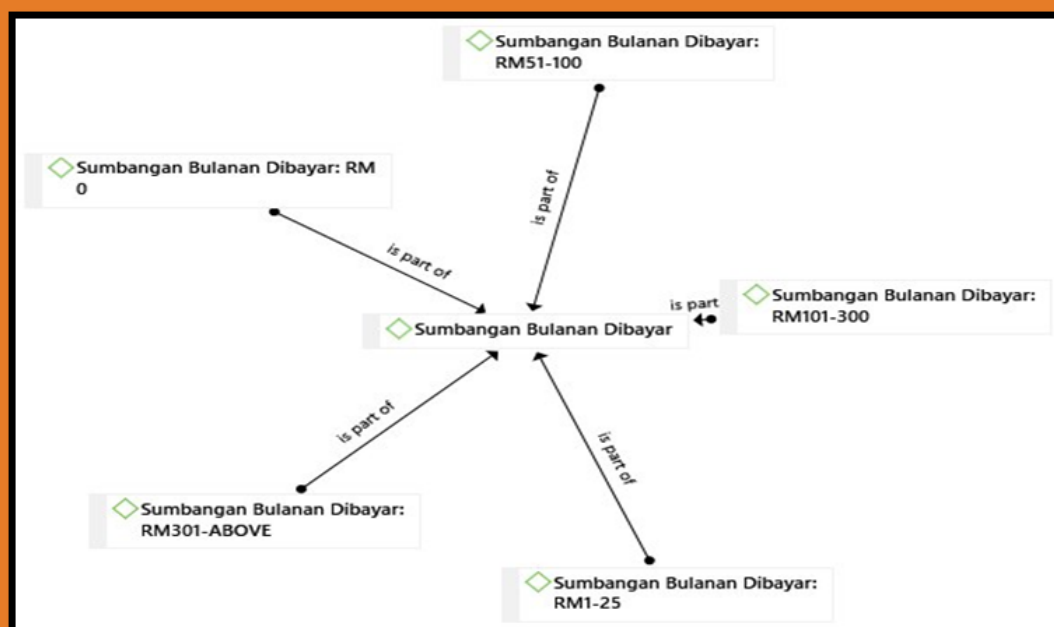
## FIGURE 7: PARTICIPATED TAKAFUL PLAN



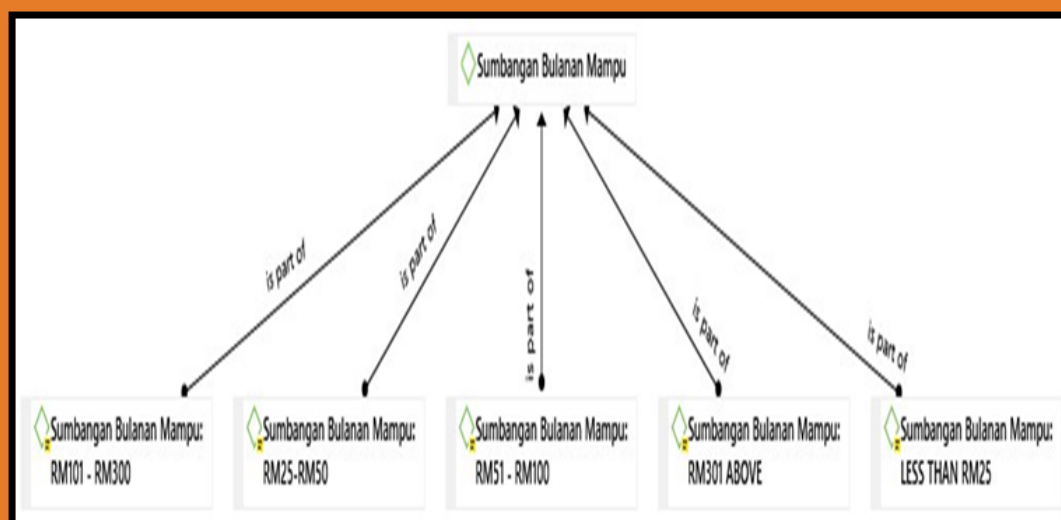
## FIGURE 8: YEARLY CONTRIBUTION



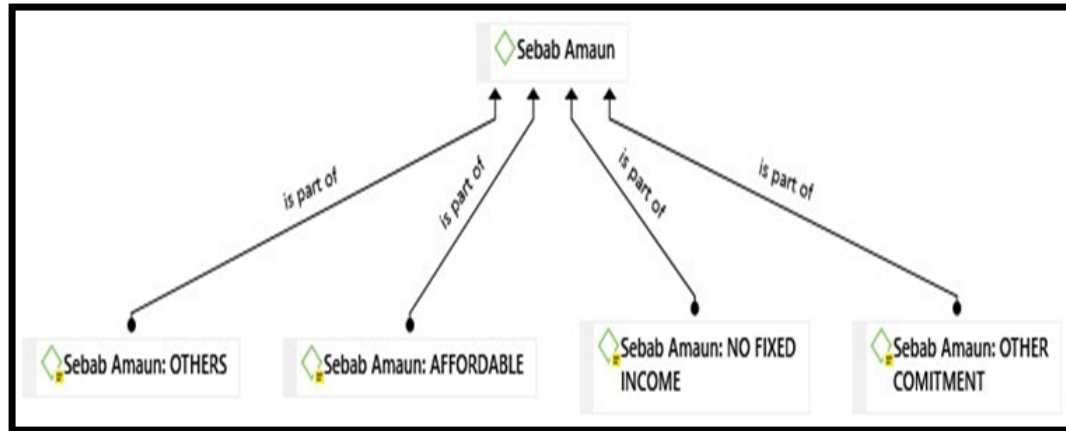
## FIGURE 9: MONTHLY CONTRIBUTION



## FIGURE 10: AFFORDABLE MONTHLY CONTRIBUTION



## FIGURE 11: REASONS TO CONTRIBUTION AMOUNT



## FIGURE 12: BEST TAKAFUL PLAN

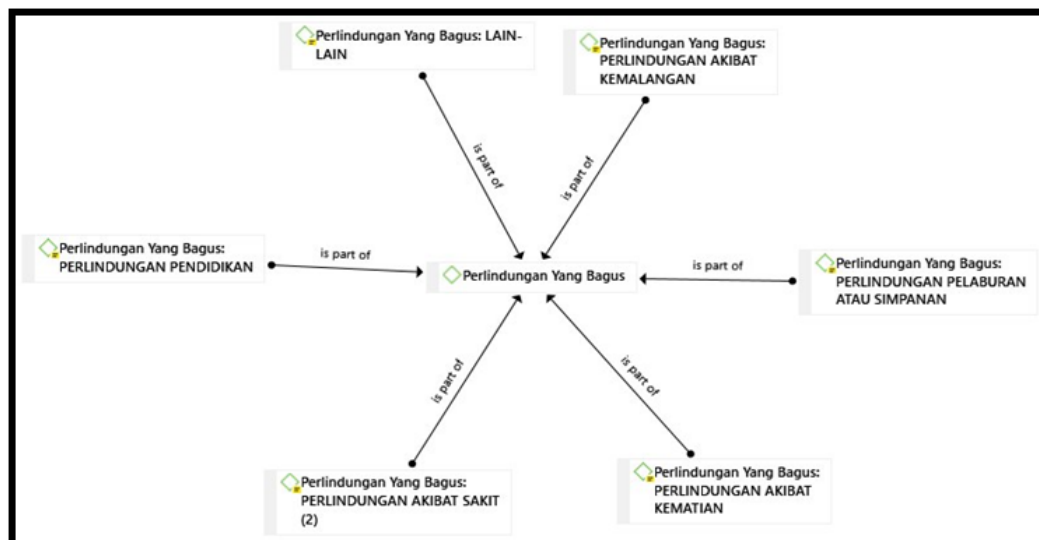




FIGURE 13: METHOD OF CONTRIBUTION

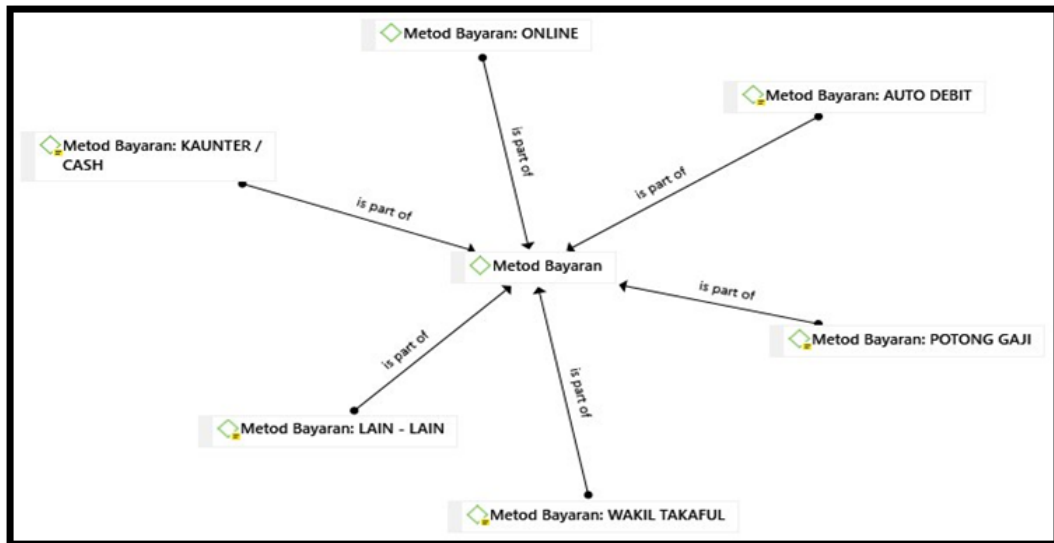


FIGURE 14: FREQUENCY OF CONTRIBUTION

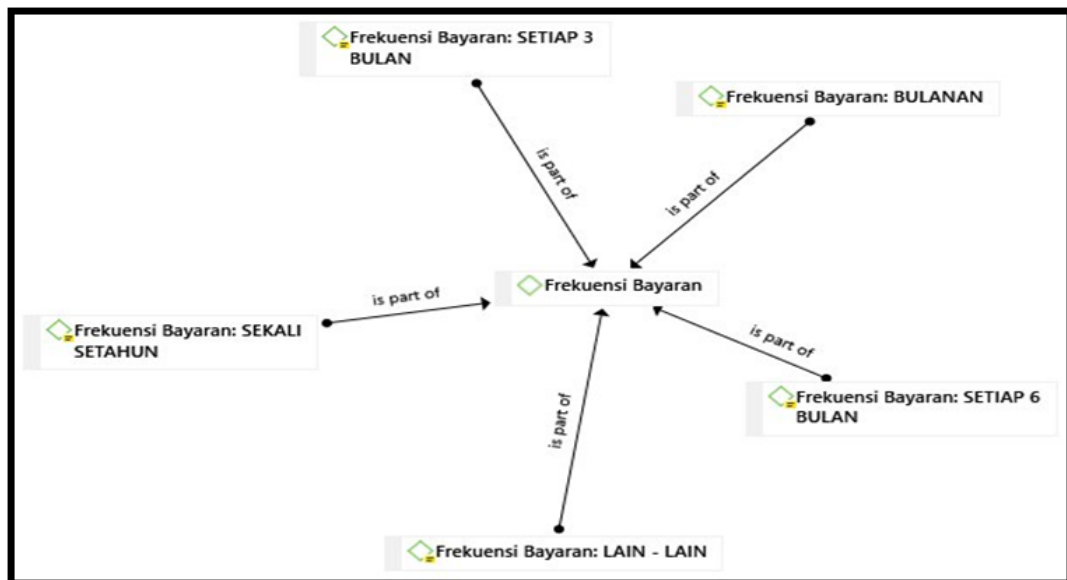


FIGURE 15: DISTRIBUTION CHANNELS OF TAKAFUL

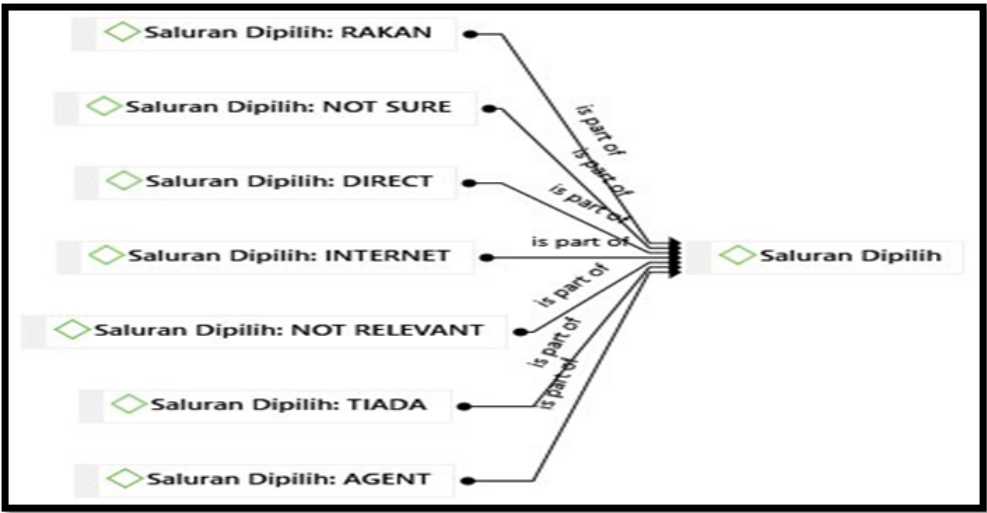


FIGURE 16: REFERENCE/SOURCE OF TAKAFUL

