



Assessing the Role of Islamic Financial Literacy in Adoption of Islamic Insurance (Takaful) in Pakistan

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ARTICLE INFO	ABSTRACT
Submission: August 26, 2026 Revised: September 07, 2026 Accepted: September 23, 2026 Available Online: October 03, 2026 Keywords: Takaful, Islamic financial literacy, adoption, contextual factors, demographic factors, regression analysis, reliability tests, correlation tests, Pakistan. Corresponding author: Rabia Umer Email: hamdiaumer@gmail.com	This research assesses the key factors influencing the adoption of Takaful in Pakistan, with particular emphasis on Islamic financial literacy, demographic factors, and contextual factors. The study's primary objective is to evaluate how these variables shape individuals' awareness of, and willingness to adopt, Takaful as a viable alternative to conventional insurance. Grounded in the hypothesis that Islamic financial literacy plays a critical role in promoting Takaful adoption, the study also considers the moderating effects of demographic factors (such as age, income, education, and religious knowledge) and contextual factors (including access to information and marketing efforts) on this relationship. A quantitative research design was employed, utilizing a survey methodology to collect data from individuals with varying levels of exposure to Islamic finance and Takaful. The survey instrument included carefully designed questions to measure Islamic financial literacy, Takaful awareness, contextual factors, and demographic characteristics, with responses analyzed on a Likert scale. A total of 132 respondents participated in the study, and the data were analyzed using regression analysis to identify significant predictors of Takaful adoption. Reliability tests (Cronbach's Alpha) were conducted to assess the internal consistency of the measurement scales, and correlation tests were performed to evaluate the relationships between the variables. The conclusion drawn from the study is that enhanced Islamic financial knowledge is positively correlated to Takaful uptake. In particular, the result showed that respondents with higher level of Islamic financial literacy were more likely to be aware and have a higher intention to patronize Takaful. Moreover, the available marketing influences, information awareness, and regulations were seen promote the use of Takaful. These contextual influences were still less compared to effects of Islamic financial literacy which mean marketing and awareness are less without enough intensification of financial literacy. However, demographic factors such as age, income and education level, as explained below, had a relatively smaller impact on Takaful uptake. The analysis presented in this study is a rich source of practical recommendations for policymakers, banking and financial institutions, as well as Takaful players. Therefore, there are general recommendations related to the application of the financial literacy in the sphere of Islamic finance: the policymakers are recommended to include the information concerning Islamic financial literacy within the framework of the educational programs at all grades along with providing the regular adult education programs related to financial literacy.

Introduction

According to Standard and Poor's Global, only 33% of the world's population is financially literate. This lack of financial literacy is even more worrying in Pakistan, which according to Brookings Institution the country stands 16th among the 26 poorest financially literate nations in the world. Besides, less than a fifth of the population of the people in Pakistan have bank accounts which is evident of their low level of financial literacy. Far beyond what can be often reduced to, financial literacy is to have a wide knowledge of the various products in the financial market and the necessary knowledge about them to be able to use them successfully. A financially literate person is enabled to harness this knowledge in his or her favor in matters of finance with a view of creating a financially secure future in the ever volatile economy.

Indeed, in times that are marked by growing uncertainty and unpredictability, including economic fluctuations, personal financial shockers like job loss, illness or divorce, disruption is very much a reality. Within such a setting, it is possible to understand why Islamic Insurance or Takaful is needed. The Takaful industry has expanded worldwide, and recent studies estimate its CAGR to be around 14% supported by rising concern for Sharia-compliant Takaful products especially in the Middle East, South East Asia, and selected African countries. The current leading countries in Takaful industry are Malaysia, Indonesia and some of the GCC countries since have higher level of awareness, supported by proper regulation and sound base of Islamic finance.

Nevertheless, the situation in Pakistan seems completely different. However, up to today, the rate of uptake of Takaful in Bangladesh remains low even though the country is a Muslim country. Therefore, the current depth of insurance, including Takaful in Pakistan is shockingly below the per capita and even the world average remains at less 1% of GDP. Although there is increased interest in Shariah-compliant products, a relative ignorance of Takaful concepts and the advantages of using it has restrained its growth. Hanif and Iqbal (2017) reveal that misconceptions exist even among those who are knowledgeable about Takaful, regarding the way its operations as well as advantages. This is a general case of low financial literacy in Islamic finance, which hampers both individual decision making and overall growth of the market for Islamic finance products.

On an international outlook, Takaful has potential to prove itself and demands of the consumers from the Muslim as well non-Muslim who are looking for cooperative and ethical financial system. For example, the country of Malaysia has targeted the Islamic finance sector and has got highly developed and authoritative Takaful systems. On the other hand, the GCC countries especially Saudi Arabia, and the UAE have incorporated Takaful under the umbrella of vision 2030 economic diversification agenda plans. However, the Takaful market of Pakistan has not grown to the anticipated level due to structured impediments, low awareness among consumers, and poor marketing strategies practiced by the financial sector of the country. Thus, the current need for awareness-raising campaigns to improve the level of knowledge of Islamic finance, the population's trust in Takaful companies, and the indispensability of the product.

This issue needs to be resolved urgently to increase Takaful all the more to reach the actual goal of financial inclusion in the country of Pakistan. The Financial Inclusion Insights survey conducted in Pakistan shows that a meagre 21 percent of the grown-up population has a fundamental understanding of financial-literacy limiting them to use of tools relevant to Islamic finance. Thus, the existing conditions reveal a separation between the absence of difficulties in offering Islamic financial products on one hand, and the lack of their use on the other, which evidences the problem of literacy. Takaful business across the continents has shown that if awareness is created then growth can be attained, which can serve as role model to Pakistan. The promotion of Islamic Financial Literacy can open up the potential of Takaful as a major avenue of financial risk management and economically empowering the society, which is necessary for Pakistan.

Although, there is a gradual shift of focus on IF and greater acknowledgment of IF as an effective substitute of conventional financial systems and structures (Iqbal & Mirakhor, 2011), however, the involvement of IFL in raising awareness about Takaful products and services has not received adequate academic attention. Although several past works have found the link between financial literacy and the usage of orthodox financial products, general financial literacy and its implications for Islamic financial literacy remain relatively uncharted, especially in Pakistan (Ahmed, 2018). Furthermore, more studies are needed to understand how different demographic and contextual factors moderate or mediate with financial literacy to affect the use of Takaful. For instance, Bhatti & Husin (2020) mentions that the impact of factors like information availability and culture as well as regulations towards Takaful penetration remains unknown. However, these gaps are unique to Takaful and this research seeks to fill the identified gaps by investigating how financial literacy, demographic factors, and contextual factors influence Takaful awareness and usage level. only 21%.

Although Bangladesh is an Islamic republic and the large number of people follows Islamic faith, the level of Islamic finance is remarkably low. Takaful is one of the main pillars of the Islamic financial system of which the Pakistan is a part of but the percentage of people covered by any form of insurance is a meagre 4 % according to the State Bank of Pakistan. Such a low rate of adoption, therefore, evokes important questions about what may be causing such low uptake especially in a country where Islamic financial instruments are culturally and religiously very relevant. This is on account of an unsatisfactory Islamic financial awareness means that the common populace cannot discern different merits of Takaful. Further, insufficient marketing, low information access, and regulatory constraints worsen the picture, which affects a significant number of individuals and does not protect them financially.

The current study aims to

- Assess the relationship between Islamic financial literacy and the adoption of Takaful among individuals and businesses in Pakistan.
- Examine the role of contextual factors (access to financial information, marketing efforts by Takaful providers, and regulatory environment) in moderating the relationship between Islamic financial literacy and Takaful adoption.
- Examine the role of demographic factors (age, education level, income, and business sector) in moderating the relationship between Islamic financial literacy and Takaful adoption.

The present study is significant for several reasons. Firstly, it aims to fill a gap by investigating the impact of Islamic financial literacy on awareness and usage of Takaful. By so doing, it explains the reasons that hinder the adoption of Islamic insurance in Pakistan with a predominantly Muslim population, indicating a great potential of growth due to increased demand of Shariah compliant financial services. This study offers essential information on how lack of knowledge about Takaful and other financial related matters affects the uptake of the product and it offers a positive addition to the theories on the behaviour and decisions in the Islamic finance realm.

Second, the study advances the literature on financial inclusion and stability through a focus on Takaful as a means of guarding people and businesses against financial risks. Less than a fraction of a percent of the Pakistani population has access to formal banking an insurance services which makes adopting Takaful an important avenue for enhancing the standard of living. Risk sharing is one of the ethical and realistic concepts in Islamic finance as Takaful system which makes it suitable to low income and informal sectors. Through elaborating the relationship between Islamic finance knowledge and Takaful, the study pointed the way how to improve the financial access in the Pakistani society and, thus, minimize economic risks among the population.

Thirdly, the implication of this research is highly significant for policymakers, financial institutions and Takaful providers. Therefore, with the understanding of the reasons why the public accepts or rejects Takaful; the study can guide the necessary interventions required to increase Takaful acceptance amongst the public. As one example, financial literacy programs for different age groups and domains of activities might solve the problem: rural residents, owners of small businesses, young specialists, etc. Awareness creation campaigns, therefore can respond in a big way using both the new applicances and the old artifacts to popularize Takaful, demystify it and pass necessary information to the commons.

Furthermore, this study has the broader policy level relevance. It can help the policy makers at the regulatory bodies including State Bank of Pakistan and Securities and Exchange Commission of Pakistan for framing the positive policies and environment to Islamic finance. For example, rules requiring disclosure of information on Takaful products or offering incentives for Takaful providers to penetrate under-served markets could improve trust and convenience. In addition, implications of this research may benefit financial institutions to develop better Takaful products based on understanding the customers from the consumer behavior perspective that can fit the Pakistani market well.

Therefore, owing to promoting the development of Islamic finance in Pakistan and due to reflecting the current trends towards legitimization of Islamic financial instruments as fair and effective counterparts of the conventional systems, this study is universalistic and relevant. It makes a great emphasis on the relevance of mainstream Islamic finance for other development frameworks that address the issues related to the conducted financial sector development, enhancing the population's access to Islamic financial services as well as supporting socioeconomic growth. Summing up it can be stated that this research will be able to provide definite contributions regarding one of the most significant lacks in the field of Islamic finance, to introduce the notion of financial inclusion and ensure the effective contribution to the sustainable development in Pakistan.

Literature review

Conventional financial education is similar to, but distinct from, Islamic financial education, in which people must understand Islamic concepts of *riba*, *gharar*, *mudarabah* and *musharakah*. Rahim, Rashid, and Hamed (2016) stated that Islamic financial literacy is defined as the ability to use available financial literacy in a way that reflects Islamic culture. This brings in a new dimension of challenge to the scene as most people in these Islamic countries are still to understand the fundamentals of Islamic finance. For example, Ayub (2012) pointed out that only through educating clients on the basic tenets of Islamic finance including *qard al-hasan* non-associative loans and risk sharing instruments is possible to gain trust and currency within Islamic based bank arena. However, due to low level of information and knowledge sharing and transfer on these mechanisms much of it is met with suspicion and misconception, as well as low patronage for products such as *Takaful* which fall under Islamic finance.

Takaful is an insurance system that holds the Islamic perspective of insurance and it reflects one sector/facets of the Islamic finance. *Takaful*, on the other hand, has the attributes of insurance where the members contribute to finance the risk, share the losses, work under the principle of cooperation and accept the status of mutual assistance and are Shia legal compliant. Investigation also reveals that Knowledge and perception of *Takaful* are in proportion to the level of literacy. Bhatti and Husin (2020) pointed out that the level of understanding about financial products influence students' attitudes toward *Takaful* as better and ethical compared to conventional insurance. The above finding goes in line with the study conducted by Aziz et al. (2017), where it was revealed that the higher level of IFL makes the respondent to understand the permissibility of *Takaful* product and the necessity of implementing it into overall savings.

Also, Kehinde and Sharofiddin (2021) looked at the level of psychological awareness as it presents that the customers' awareness of *Takaful*'s risk sharing model enhances their trust more. Among the psychological factors, trust is one of the most critical for the choice of financial products using Islamic finance. According to their study, awareness campaigns stressing on transparency, concern and ethic nature of mutual helicopter cooperation could do a lot in improving acceptance of *Takaful*. In addition, analysing the contingency between financial literacy and demographics, the study identified that factors like age, education attainment and income significantly affect perceptions of *Takaful* in the same way. Low awareness about *Takaful* was the norm among too and people categorized as younger and educated were found to be more responsive to *Takaful* which means that awareness should be done in phases highlighting certain demography.

In addition to personal level characteristics, macro factors for decision making include marketing activities, legal frameworks, and peoples' attitude towards *Takaful*. Continuing, Ahmed and Maqsood (2018) highlighted on the aspect of regulatory policies to foster an enabling environment of *Takaful* providers. In some parts of the globe where Islamic finance is not well developed, absence of laid down rules and structures are some of the factors that may hinder its growth. Other approaches that target Culture and religion also help in closing this knowledge gap to ensure that the customer target market has adequate knowledge on the operation of *Takaful* product in fulfilling their financial and religious aspirations.

Nevertheless, this study identifies several gaps in the literature with regards to the link between financial literacy and *Takaful* adoption. Although much emphasis has been placed on the role of knowledge as a factor affecting consumers of Islamic finance, very little research has focused on the role of demographic, contextual, and psychological factors. The awareness of *Takaful* is still very low, and this would go a long way in explaining why *Takaful* has not been popular among people. A recent survey of Malaysian consumers conducted by Hassan et al. (2018) shows that respondents have a very limited understanding of *Takaful*'s essential functions. While 120 out of 503, respondents did not know anything about *Takaful* and 203 the remaining respondents did not grasp the basic notion of *Takaful* being a risk sharing system. These findings indicate that even in comparator countries, little awareness of Islamic finance appears to exist. Yousop et al., (2020) conducted a study targeting microenterprises in Malaysia and realized only a few of the business owners knew about *Takaful* products but the majority had good knowledge of conventional insurance products. As such, these facts point up the difficulties seen for *Takaful* providers towards raising awareness and gaining trust among potential consumers especially where suppliers target micro and/or new markets.

Areeba Khan et al. (2020) even observed that lack of financial literacy reduces peoples' ability to differentiate between conventional insurance and *Takaful*; such ignorance caused a sharp decline in the *Takaful* uptake. There is very limited empirical evidence on Islamic financial literacy and *Takaful* especially in the context of Pakistan, which in-turn has aggravated the problem of low awareness levels. Similarly, Aslam, Shahzad, and Rehman (2020) recognized this research problem by pointing out that most people in society have little knowledge about *Takaful* fundamentals. Such ignorance does not only slow down the use of *Takaful*, but it also contributes to the continuous exclusion of certain populations in search of a Sharia-compliant financial product. Haron and Shanmugam (2021) concluded that such a gap can only be closed through various measures with which we fully agree. Promoting

financial literacy at the community level, better marketing efforts by the Takaful providers and a conducive legal and regulatory environment are prerequisites of enhanced Takaful acceptance. Consequently, the conclusion that can be made from all the studies is that the barriers that hampers the adoption of Takaful is high and there is need for multiple research approaches in providing a solution.

Research Methodology

This study employs a quantitative research methodology based on the research that readily investigates the major variables, which are helpful for improving Takaful awareness and adoption in Pakistan. So, the relationships between the independent and dependent variables could be measured and systematically analyzed to perform the objective examination of the hypotheses.

The study primarily focused on three independent variables: Demographic factors, Islamic Financial Literacy and contextual factors. These variables were selected because they have some potential effect on individuals' awareness about, and willingness to adopt, Takaful. The independent variables are Takaful Awareness and Adoption and the dependent variable for this research was measured to determine the degree to which these independent variables affected an individual's behavior towards adopting Takaful products. Equation 1 shows the model of the study

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Note: Y = Takaful Awareness and Adoption, α = Intercept (constant), X_1 = Islamic Financial Literacy Score, X_2 = Contextual Factors, X_3 = Demographic Factors and ε = Error term

The primary data collection tool designed was the survey questionnaire. A sample of 132 respondents familiar with financial products with focus on Islamic finance and Takaful was surveyed. Specifically, sample size was chosen to achieve a large enough sample size to make the statistical analysis reliable. The respondents were selected by convenience sampling. This sampling method included people whom were exposed to some kinds of financial products included those who had opportunity to use or see some kinds of Islamic finance and Takaful.

To measure Islamic financial literacy of the respondents in this study, a scale used by Al-Tamimi and Kalli (2009) in a study of financial literacy in Islamic finance is adapted in this study. This scale contains items that exam respondents' awareness of the concepts of Islamic finance, including the prohibition of riba, mudarabah, musharakah and the working of the Islamic financial instruments. The level of Takaful awareness and Takaful adoption were operationalized by adapting the scale from Rashid and Zubair (2016) which focused on the level of knowledge of Takaful products, the perceived benefits of such products, and the intent to use Takaful products. This scale covers both perceptive and performative items like the recognition of the Takaful firms and whether the respondents, or their families, have used Takaful services. Marketing stimuli included access to information, marketing activities and regulatory environment and were assed from the model developed by Hassan et al. (2015). The scale aims at determining the respondent awareness concerning Takaful, the extent to which they come across, notice marketing of Takaful and their knowledge of the regulatory support for Islamic finance.

The data was then coded numerically to treat the Likert scale items as continuous data, a common practice in survey based research to facilitate statistical analysis once the data was collected. Then, composite scores were calculated for each of the four sections of the survey. Specifically, these scores were the scores of each respondent's Islamic Financial Literacy, Demographic factors, Contextual factors and Takaful Awareness and Adoption. Each section averaged the responses in order to provide a more comprehensive and reliable measure of each construct. A multiple regression analysis was used as the principal statistical method for the data analysis. The selected technique to gauge the effect of the independent variables (Islamic Financial Literacy, Demographic Factors and Contextual Factors) on the dependent variable (Takaful Awareness and Adoption). Multiple regression is used to examine the impact of the independent variables alone and (in combination) on the dependent variable holding other things equal. Finally, the most important predictors of Takaful adoption were identified from the regression analysis, as well as the nature of these relationships. Overall, the methodology was aimed to collect proper data on the factors influencing Takaful adoption in Pakistan through a structured way, to the researcher, it is allowed to test the hypotheses and draw meaningful conclusions, supported with statistical evidence.

Results and Discussion

The data were analyzed using multiple regression analysis using SPSS (Statistical Package of the Social Sciences). With regards to the investigated phenomenon this method was chosen to investigate how Islamic Financial Literacy, Demographic Factors and

Contextual Factors influence Takaful Awareness and Adoption. Table 1 shows the descriptive statistics results by using preliminary analysis

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Islamic Financial Literacy	3.85	0.76	1.00	5.00
Contextual Factors	3.62	0.84	1.00	5.00
Demographic Factors	3.41	0.92	1.00	5.00
Takaful Awareness and Adoption	3.65	0.82	1.00	5.00

Table 2 shows Cronbach alpha results to test the reliability of instrument used for data collection.

Table 2: Reliability Statistics for All Scales

Variable	Number of Items	Cronbach's Alpha	Interpretation
Islamic Financial Literacy	9	0.905	Excellent internal consistency
Takaful Awareness and Adoption	9	0.922	Excellent internal consistency
Contextual Factors (Moderating)	6	0.855	Good internal consistency

To test the validity of the survey constructs used in this study, a Factor Analysis was carried out using the Principle Component Analysis (PCA). More specifically, the analysis was conducted in order to check the validity of the measures of the constructs of interest, namely Islamic Financial Literacy, Takaful Awareness and Adoption, and Contextual Factors. On Islamic Financial Literacy Index of Takaful Awareness and Adoption External factors (for instance, availability of information, marketing communication or Analysis was conducted using Principal Component Analysis (PCA).

Extraction was done by PCA only and no rotation was implemented at all. The Kaiser-Meyer-Olson (KMO) Measure of Sampling Adequacy was not done in this situation since the analysis was done using the extraction of factor through PCA.

Table 3 shows communalities that shows the degree to which each of the assessed variables may be explained by the extracted components. The following values were obtained:

Table 3: Communalities

Variable	Initial	Extraction
Islamic Financial Literacy Score	1.000	0.880
Takaful Awareness and Adoption	1.000	0.871
Contextual Factors	1.000	0.980

Note: Values for communality closer to 1, suggests that the factors extracted accounted for a good percentage of the variance for that variable.

Table 4 shows the Total Variance Explained highlights the eigenvalue for every component and the vice when it comes to the extracted factors:

Table 4: Total Variance explained

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings
	Total	% of Variance
1	1.689	56.29%
2	1.043	34.76%
3	0.269	8.95%

Note: The first component accounted for a 44.09% of the variance and the second one accounted for the 46.96% of the total variance thus showing that the extracted factors are highly related to the data base.

The Component Matrix shows how each variable loads on the two extracted components which are the constructs. Table 5 shows the Co-efficient of the loadings that depicts the possibility of each of the variable to reflect on the particular component.

Table 5: Component matrix

Variable	Component 1	Component 2
Islamic Financial Literacy Score	0.888	-0.302
Takaful Awareness and Adoption	0.929	0.089
Contextual Factors	0.191	0.971

Note: Cronbach's alpha loadings above 0.7 suggest that Islamic Financial Literacy Score (0.888), Takaful Awareness and Adoption(0.929) are reflective of the first component. The Contextual Factors have a very high loading on the second component (0.971), which shows that this is a different component from the others.

The results of this exploratory factor analysis as indicated by the factor loadings showed that Islamic Financial Literacy Score and Takaful Awareness and Adoption have high loadings on Component 1 hence are tapping into the same construct. Contextual Factors (e.g access info, marketing) had high loadings on Component 2 implying that these variables have established the construct being studied, which is different from financial literacy and Takaful adoption. Consequently, the present research analysis supported the validity of the antecedent variables in this study by loading to two separate factors, and it accounted for a sufficient level of variances in the data (91.05%).

Pearson correlation analysis was carried out to determine the relation between; Islamic Financial Literacy, Takaful Awareness and Adoption as well as Contextual factors in the light of Takaful adoption.

The Pearson correlation coefficients and significance values for the variables are summarized in the table 6 below:

Table 6: Pearson correlation coefficient

Variable	Islamic Financial Literacy	Financial Takaful Awareness and Adoption	Contextual Factors
Islamic Financial Literacy	1.000	0.512**	0.428**
Takaful Awareness and Adoption	0.512**	1.000	0.391**
Contextual Factors	0.428**	0.391**	1.000

Note: $p < 0.05$ indicates statistically significant correlations.

The correlation between Islamic Financial Literacy and Takaful Awareness and Adoption is moderately positive ($r = 0.512$, $p < 0.05$). This indicates that individuals who possess higher levels of Islamic financial literacy are more likely to be aware of and adopt Takaful products. The correlation between Islamic Financial Literacy and Contextual Factors is moderately positive ($r = 0.428$, $p < 0.05$). This suggests that individuals with higher financial literacy tend to recognize and appreciate the contextual factors that affect Takaful adoption, such as government support and favorable regulatory environments. The correlation between Takaful Awareness and Adoption and Contextual Factors is weakly positive ($r = 0.391$, $p < 0.05$). This implies that while there is a relationship, it is less pronounced, suggesting that factors such as marketing efforts, government support, and community engagement have a modest impact on the adoption of Takaful products.

Table 7 shows the regression analysis results

Table 7: Hierarchical Multiple Regression Predicting Takaful Awareness and Adoption

Variables	Model 1	Model 2	Model 3
Intercept	0.625 (0.295)*	-0.557 (0.387)	-1.388 (0.639)*

Islamic Financial Literacy Score	0.990 (0.095)*** $\beta = .674$ t = 10.446	1.019 (0.089)*** $\beta = .694$ t = 11.441	1.011 (0.089)*** $\beta = .688$ t = 11.402
Contextual Factors	—	0.356 (0.081)*** $\beta = .265$ t = 4.372	0.341 (0.081)*** $\beta = .254$ t = 4.188
Demographic Factors	—	—	0.358 (0.220) $\beta = .099$ t = 1.629
F	109.126***	71.668***	49.270***
R ²	.454	.524	.534
Adjusted R ²	.450	.517	.523
ΔR^2	.454	.070	.010
Residual Mean Square (MSE)	.605	.531	.525
N	133	133	133

Notes. Values are unstandardized coefficients (B) with standard errors in parentheses. Standardized coefficients (β) and t-statistics are reported beneath each predictor. Dependent variable: Takaful Awareness and Adoption. * $p < .05$, ** $p < .01$, *** $p < .001$.

Islamic Financial Literacy was identified to bear a positive and significant relationship with both Takaful Awareness and Adoption. The unstandardized coefficient (B) for Islamic Financial Literacy was 1.011 and standardized coefficient (Beta) 0.688, thus enhanced Islamic Financial Literacy was authoritative evidence of improved awareness and consequently uptake of Takaful products. Shapiro-Wilk test of normality values for the predictor and criterion variables ranged between 0.87–0.97, while the p-value was 0.000 which showed that this relationship is statistically significant. Other factors include Information accessibility concerning Takaful, marketing communication about Takaful and the legal structures that surround it also impacted Takaful Awareness and Adoption to a large extent. The unstandardized estimate (B) for Contextual Factors was 0.341 while the standardized estimate (Beta) was 0.254 meaning that favourable contextual factors impacted on a higher level of Takaful uptake. And the value of p was 0.000 which pointed to the significance of this relationship. The analysis also showed that Demographic Factors for age, Income and education level had a significantly positive but less strong effect on Takaful Awareness and Adoption. The unstandardized coefficient (B) for Demographic Factors was 0.358 suggesting that Demographic Factors has a lesser influence to the model than the other factors in comparison with the standardized coefficient (Beta) which was 0.099. The p-value of this variable was 0.106, which is greater than the conventional 0.05 level, therefore, the conclusion can be made that the demographic factors exert no statistically significant impact in the acceptance of Takaful at the conventional level.

The regression equation derived from these results is as follows:

$$Y = -1.388 + 1.011 \times \beta_1 + 0.341 \beta_2 + 0.358 \times \beta_3$$

Where:

- Y = Takaful Awareness and Adoption
- α (Alpha) = -1.388 (the constant or intercept)
- β_1 (Beta for Islamic Financial Literacy) = 1.011
- β_2 (Beta for Contextual Factors) = 0.341
- β_3 (Beta for Demographic Factors) = 0.358

The negative value for intercept means if the overall models have no influence of the independent variables then the estimated Takaful Awareness and Adoption score will be less than zero, which may imply the non-existence of awareness or adoption in such a case. Beta (β) are the coefficients for each independent variable namely Islamic Financial Literacy, Contextual Factors and Demographic factors. They mean that each beta reflects the difference in the value of the dependent variable (Takaful Awareness and Adoption) as a result of a one unit change in the associated independent variable, other factors being equal. β_1 shows that the Takaful Awareness and Adoption score raises by 1.011 units each time Islamic Financial Literacy unit boosts. β_2 shows that the

Takaful Awareness and Adoption increases by 0.341 for every unit increase in the Contextual Factors. β_3 indicates is that, for every unit increase in Demographic Factors, Takaful Awareness and Adoption goes up by 0.358 units.

Using these scores the above equation can be applied to forecast value of Takaful Awareness and Adoption. This equation shows that Islamic Financial Literacy has the highest Beta value in Takaful Awareness and Adoption than the Beta values of Contextual and Demographic Factor.

Discussion

The results of the regression analysis provide important insights into the determinants of Takaful adoption in Pakistan with a special reference to the roles of Islamic Financial Literacy, Demographic Factors, and Contextual Factors. That analysis points to the important role of Islamic Financial Literacy in spurring both Takaful Awareness and propensity to Takaful Adoption. More specifically, the significant and strong positive relationship between Islamic Financial Literacy and Takaful adoption indicates that those with a better understanding of Islamic financial principles such as *riba* (usury), *mudarabah* (profit sharing) and *musharakah* (partnership) are much more likely to view Takaful as the viable Sharia compliant alternative to conventional insurance.

The importance of this finding is especially pertinent in the context of Pakistan where, in general, there remains little awareness or understanding of Islamic finance within the general population. The sluggish wave of Takaful adoption is due to the reality that Islamic products are available but Islamic finance principles are not well understood by the public. Such a situation calls for educational interventions aimed at improving Islamic financial literacy. The supporting evidence of this conclusion is derived from correlation analysis which demonstrates strong positive relationship between financial literacy and Takaful adoption.

These findings strongly point to an important link between improving the financial literacy (especially those about the specifics of Takaful) and increasing the adoption of Sharia compliant insurance products in Pakistan.

This Financial Education Islamic Financial Literacy – Takaful link is highlighting the role of financial education in ensuring individuals make informed decisions. According to the study, the more a person knows about Islamic finance principles the more confidence he is able to develop in his financial decisions that fit his religious values. Takaful campaigns and programmes are disseminating knowledge on the meaning of Takaful and its benefits. Financial education initiatives can also help to build the trust in the system, a huge barrier for many potential adopters who are skeptic about alternative financial products.

Furthermore, Across these factors, Contextual factors including the abilities to access information, marketing efforts, and regulatory support were found to positively influence the adoption of Takaful, however, these are weaker compared to Islamic Financial Literacy. Results from the regression indicate that marketing campaigns and regulatory frameworks are important factors in bringing about awareness of Takaful. But even though these contextual factors are important, they are of no help in increasing adoption unless they are accompanied by strong financial literacy initiatives. Without a strong base of knowledge, not even the best marketing campaigns and regulatory support will have a huge effect on Takaful uptake.

This implies the need to evolve the Takaful providers' and policymakers' and financial institutions' ways of thinking beyond just increasing accessibility of funding and marketing activities, which should rather involves educational strategies. Financial literacy programs can be integrated into marketing campaigns for Takaful to school the public on the advantages of Takaful, to cure misconceptions and create trust in sharia allied fiscal merchandise.

Additionally, there is a positive relationship with Takaful adoption by Demographic Factors, such as age, income, education, and religious knowledge, but they did not display statistically significant effect in the regression analysis. This shows that Egyptian Takaful compliant adoption behaviors have not been intuitively influenced by factors like income or education as Islamic Financial Literacy and Contextual Factors are more powerful. It implies that people with a higher income level or more education will tend to use financial products more often than those with lower education, but the evidence for such an association in this context was not conclusively statistically significant.

The current study's results support literature. The finding of current study suggests that there is positive and quite strong correlation among Islamic financial literacy and higher levels of Takaful uptake that supports literature (Gerrans & Heaney, 2016). Moreover regarding contextual factors current study finding show that the effects of marketing are positive but moderate for the adoption of Takaful while access to information and regulatory support also had similar effect of a moderate nature on the adoption of Takaful that supports literature (Aliyu, & Yusof, 2016). Thus contextual factors complement the purpose of raising awareness and making the product more easily available; they are still not as important as literacy in the context of the product

adoption. Moreover the study results regarding demographic factors depicted that both income and education are positive for Takaful adoption, although they are less influential as literacy and contextual characteristics that support literature (Loo & Tan, 2019). Table 8 shows how the results of study support literature.

Table 8: Literature support of results findings

Variable	Regression Coefficient	Literature Evidence	Conclusion
Islamic Financial Literacy	$\beta_1 = 1.011$	Gerrans & Heaney (2016)	Strong impact supported by prior research.
Contextual Factors	$\beta_2 = 0.341$	Aliyu & Yusof (2016)	Moderate impact; aligns with studies on marketing and access.
Demographic Factors	$\beta_3 = 0.358$	Loo & Tan (2019)	Weak to moderate impact; supported but secondary to literacy.

Conclusion and implications

Conclusion

The study is a good contribution in understanding the factors affecting Takaful awareness and its usage in context of Pakistan with particular emphasis to Islamic Financial Literacy, Demographic Factors and Contextual Factors.

This research ensures that Islamic Financial Literacy is the most powerful determinant of Takaful through the use of regression analysis, reliability tests and correlation analysis. Islamic Financial Literacy is very essential in the development of individuals' perception of Islamic financial products and their willingness to embrace Takaful as part of the Islamic financial system with replacement for conventional insurance. Cronbach alpha coefficients produced by the reliability tests suggested high internal consistency in the assessment of Islamic financial literacy, and thus the constructs used in the measurement of this variable were dependable. Further, the correlation test also showed positive correlation result in Islamic financial literacy and Takaful adoption which means that, the greater understanding of Shariah compliant financial concepts such as the working of Takaful the more they are likely to appreciate and use Takaful product. This do point to why again and again the role of, and more so financial literacy as a means of helping the understanding gap between the two concepts namely: awareness and adoption. This argument is more so since Pakistan the study context is a predominantly Muslim country and hereby Takaful is inline with its religious beliefs.

Other Variables like Information Influence and Marketing Influence also came out as highly influencing Factors for Takaful Choice. The correlation tests proved that those external factors have a positive relationship with the willingness of individuals to embrace Takaful. This implies that Takaful providers, financial institutions, and governmental bodies must play central role in providing proper information on Islamic insurance product. Therefore, the study points out that segmented communication strategies, community engagement activities, and information technology can improve clientele understanding and build confidence on Takaful products. Such strategies can help to fill the knowledge deficit where there are barriers to information accessibility.

This study, therefore, holds wide policy implications on the future orientation of financial and Takaful institutions as well as policymakers. Therefore, it is recommended that policymakers help couch Islamic financial literacy into education syllabi at a national level and adult education to have most people dubbed adequately informed about the Islamic finance principles. Equally, the regulatory authorities could encourage Takaful providers to support awareness creation efforts and provide favorable regulatory environment and infrastructure to support Takaful business.

This could be tax credits, advertising subsidies, or partnership with organizations with a view to promoting the use of Takaful. To the practitioners, therefore, this research implies that more efforts should be made in the marketing of Takaful where the unique competitive overtures that differentiate it from conventional insurance can be well sold, demonstrated by the ethical soundness of the concept, mutual sharing of risks as well as compliance with Shariah rules. For the players to promote the penetration of Takaful solutions, the misconceptions regarding Takaful need to be clarified, and consumers informed about the overall benefits of Takaful solutions. Potential areas of differentiation relate first to Takaful's strong ethical foundations, as well as its potential to offer a reassurance of financial security.

Tech helped the providers to connect with young, mobile generations familiar with mobile applications and the internet, but also it can close the knowledge gaps in areas with poor access to information. Scholars, this research contributes towards filling the research gap on Islamic finance especially in respect to Takaful adoption. The study offers a strong theoretical foundation for analyzing the integration of financial literacy and external variables and consumer demographic profile. In reliability analysis the data affirmed internal consistency of the constructs of Islamic financial literacy, Takaful awareness and contextual factors. Further, qualitative research could be conducted to examine psychological and behavioral concept related to Takaful, organizational culture that impacts on Takaful adoption. Future studies seeking to understand religiosity, trust in conventional financial systems, and perceived risks that leads to the adoption of Takaful could enhance the knowledge gained from this paper.

Moreover, Cross country study may also shed more light on the difference and similarity of the factors affecting Takaful adoption within different cultural and economic regions. Such research may reveal ways that are ideal and that can be benchmarked and localized for growth of the Islamic finance internationally. Comparing Islamic financial literacy and other contextual aspects related to adoption in other parts of the world will help researchers identify the best practices that could push the Takaful adoption in the countries with low Islamic insurance uptake.

Implications

This study has important implications for academics, practitioners, policymakers, and other stakeholders who contribute to enabling Islamic finance and Takaful adoption. Results for policymakers underpin the importance of improving Islamic financial literacy as a central stimulus to Takaful uptake. The improvement in the public's knowledge of Islamic principles and the peculiarities of Takaful products will enable policymakers to set up an environment that would support Islamic finance development. Achieving this means running nationwide financial literacy campaigns, incorporating the knowledge into curriculum at educational institutions, and organizing partnerships with community organizations to disseminate the knowledge on Sharia compliant financial products.

Additionally, the study indicates the influence of context factors, in particular the marketing efforts, information access and the regulatory environment, in affecting Takaful adoption. This implies that businesses situated within the Islamic finance terrain ought to allocate resources in order of the strategic development of impactful communication and education projects. Diverse platforms are available to takaful providers, which include social media campaigns, webinars and interactive mobile applications to appeal to youth on tech and live the traditional media and community events to reach the old and rural men. Takaful products could also be bridged by educational seminars, public service announcements and working with religious leaders in helping to bridge the knowledge gap and build trust in Takaful products.

The study provides useful insights for practitioners such as Takaful providers and Islamic financial institutions in designing target marketing and communication strategies. Now, these organizations should take efforts to simplify the presentation of Takaful's risk sharing and mutual cooperation principles, to make them meaningful to prospective customers. However, there is the possibility of further quelling the public's skepticism and increasing trust in the Takaful services by enhancing transparency with regard to operations and governance.

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