The Influence of Islamic Financial Planning in Buying Life Insurance

Aried Ardhina[1], Zulkarnain Muhammad Ali[2], Indra[3]
[123]Postgraduate Program Tazkia Islamic University College, West Java, Indonesia
[*]Correspondence author: ardhina.aried@gmail.com

ABSTRACT

In Indonesia there is still a big opportunity to develop the sharia industry in Indonesia, especially sharia life insurance. This is based on the penetration rate of life insurance in Indonesia in 2018 only reaching 1.3%, which shows a decrease from the previous year which was 1.4%. Therefore a strategy is needed to increase the penetration of sharia insurance through research on the factors that influence a person's interest in participating in sharia life insurance. This study aims to examine the effect of financial literacy, Islamic life insurance knowledge, Islamic financial planning, and financial behavior on interest in participating in Islamic life insurance. This research is a quantitative research. Primary data was obtained through a survey that obtained 140 respondents aged over 17 years and domiciled in the city of Bogor. The analysis uses the Partial Least Square Structural Equation Modeling (PLS-SEM) method with SmartPLS software. The results of this study indicate that the variable knowledge of sharia life insurance and sharia financial planning has a significant effect on interest in participating in sharia life insurance. On the other hand, the variables of financial literacy and financial behavior do not significantly influence interest in participating in sharia life insurance.

Keywords: Financial Literacy, Islamic Financial Planning, Sharia Life Insurance

INTRODUCTION

Indonesia, one of the world's most populous nations, is projected to reach 274 million in 2020, ranking fourth globally (Cilluffo & Ruiz, 2019). Data from the Central Bureau of Statistics (BPS) in 2015 indicated Indonesia entered a demographic bonus era, with the productive-age population exceeding non-productive individuals. In 2022, Indonesia's population was recorded at 275.77 million, with 135.29 million employed and 8.42 million unemployed (BPS, 2022b).

Indonesia, with approximately 86.7% Muslim population (RISSC, 2022), has witnessed significant growth in Sharia financial services. While Sharia principles are increasingly integrated into the economy with government support, societal demand primarily drives this development. Despite the proliferation of Sharia financial institutions in banking, insurance, leasing, and other sectors, their market share does not yet reflect the substantial Muslim population.

Besides Sharia banking, other heavily marketed non-bank financial institutions include Sharia insurance. Sharia insurance is part of the Sharia Non-Bank Financial Industry (IKNB Sharia) along with Sharia Pension Funds, Sharia Financing Institutions, Special Sharia Financial Services Institutions, Sharia Microfinance Institutions, and Sharia Financial Technology. Sharia insurance institutions consist of three companies: Sharia Life Insurance, General Sharia Insurance, and Sharia Reinsurance. As of the end of 2022, there were 58 Sharia insurance institutions, including 19 Sharia Life Insurance companies (OJK, 2022a). Below is a depiction of the market share of assets from Sharia Banking and Sharia IKNB from 2020 to 2022.
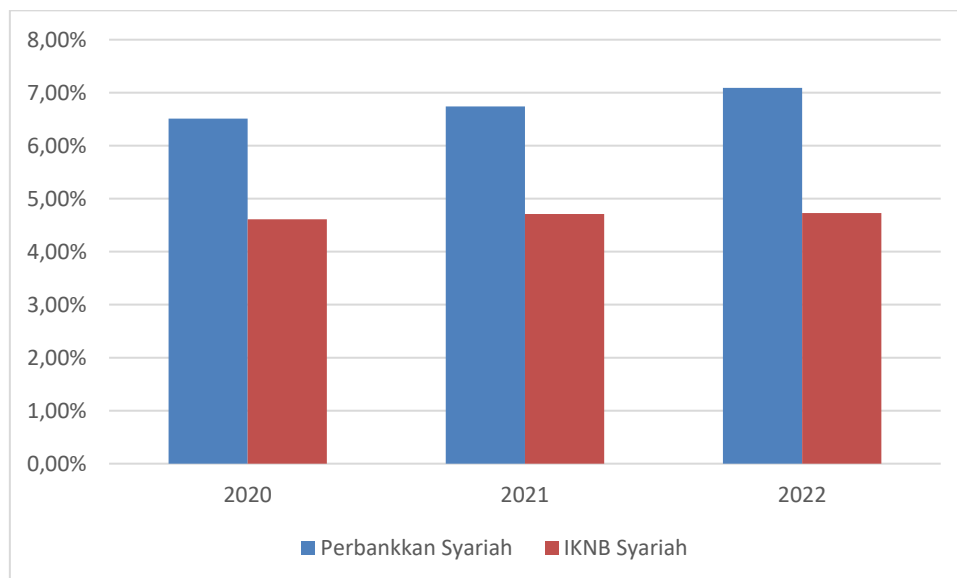
Figure 1. *Market Share* Aset
Source : OJK, 2022b (processed)

The market share of Sharia Non-Bank Financial Institutions (IKNB Sharia) in 2022 increased slightly to 4.73% from 4.71% in 2021. This growth aligns with the expansion of Sharia banking, as most Sharia banks collaborate with Sharia insurance firms. Many Sharia insurance companies are now developing products that offer both protection and investment opportunities, indicating a significant development potential in Indonesia's Sharia industry. The lack of understanding about Sharia insurance contributes to its lower market share compared to conventional insurance in Indonesia. Research by Pratama (2019) highlights the country's low and decreasing insurance penetration rate, with data from the Indonesian Life Insurance Association (AAJI) showing a drop from 1.4% to 1.3% in 2018. Comprehensive information is crucial to dispel misconceptions and promote better understanding of Sharia insurance.

Several studies have explored the factors influencing people's participation in Sharia insurance. Arrondel et al. (2013) found that financial literacy affects various aspects such as financial planning, credit, insurance, and investments, indicating its influence on insurance purchase planning. Setyowati et al. (2018) also noted that individuals with higher levels of Islamic financial literacy tend to manage their personal finances better. Pratiwi & Hartoyo's (2014) research emphasizes the link between financial knowledge and positive attitudes towards life insurance, underscoring the importance of financial literacy in driving life insurance purchases. Coolen Maturi (2013) studied Islamic insurance in the UK, finding that familiarity with takaful concepts and competitive pricing influenced respondents' decisions to buy car, health, home, and property insurance, aligning with conventional insurance practices. Valentina-Daniela & Gheorghe (2015) found that trust is crucial in life insurance purchases, with 55% of respondents showing high trust in insurance guarantees. Md Husin et al. (2016) discussed the influence of mass media, recommendations, and subjective norms on buying family takaful insurance, while Cuandra & Liani (2019) discovered factors like marital status and education affect the tendency to purchase unit-linked life insurance in Batam city. Overall, research emphasizes the impact of trust, mass media, word of mouth, and demographics on life insurance decisions.

The author's focus will be on Sharia life insurance to determine how significantly Islamic financial planning factors influence interest in purchasing it. This research aims to investigate if Islamic financial planning can increase public interest in buying Sharia life insurance, considering the suboptimal development of Sharia life insurance compared to conventional options. The research aims to analyze the influence of financial literacy, financial behavior, knowledge about Sharia life insurance, and Islamic financial planning on the interest in purchasing Sharia life insurance.

Literature Review
Sharia Life Insurance

According to Law No. 40 of 2014 on Insurance, Sharia life insurance is a risk management business based on Sharia principles, providing payment based on participants' life or death status or other entitlements at specified times. It incorporates tabarru' funds, charitable contributions among participants, which mitigate uncertainty and gambling elements (Sula, 2004). Syafi'i (1994) notes that Sharia life insurance avoids gharar through takaful contracts, where participants mutually assist each other. Farooq et al. (2015) emphasize the importance of life insurance for dependents, providing financial stability and peace of mind in the event of the breadwinner's death. Despite its significance, the adoption of Sharia life insurance remains low, as seen in Figure 2.1. This gap underscores the need for further research to address the issue.

Interest

Ajzen (1991) posits that intention or interest elucidates the motivational factors driving behavior. Interest reflects an individual's desire to engage in a behavior and the effort they are willing to invest in it. It involves paying attention to and acting upon people, activities, or situations with a sense of pleasure. Ajzen (2005) identifies three factors influencing individual behavior: attitude, subjective norm, and perceived behavioral control. The Theory of Planned Behavior (TPB) predicts consumer intentions or willingness to perform certain actions (Sumarwan, 2011). Intention, the primary driver of behavior, comprises four components according Fishbein & Ajzein (1975): behavior (specific action), target (focus of behavior), situation (context), and time (timing).

Islamic Financial Planning

Islamic Financial Planning (IFP) is a collaborative process aimed at maximizing clients' potential to achieve life goals through financial advice integrating relevant elements of their personal and financial situations (CFP Board). IFP, as outlined by Shafii et al. (2013), aligns with Sharia principles and encompasses various aspects such as Cash Flow & Liabilities Management, Islamic Risk Management & Takaful Planning, Islamic Investment Planning, Zakat Administration & Tax Planning, Islamic Retirement Planning, and Islamic Estate & Waqf Planning. Firdaus. A (2021) suggests integrating Sharia insurance with waqf to synergize social and commercial finance. Sharia insurance grants participants the autonomy to designate beneficiaries, aligning with Sharia principles of avoiding usury, uncertainty, and gambling in financial services.

Financial Literacy

Financial literacy encompasses the knowledge and skills required for making sound financial decisions (Altman, 2012). It involves understanding and applying financial concepts, as noted by Servon and Kaestner (2008). Chen (1998) defines financial literacy as the aptitude to manage finances effectively in various financial decision-making scenarios, covering personal finance, savings, loans, insurance, and investments.

Financial Behaviour

Foster's (2000) research suggests that the motivation behind possessing money is linked to its utilization. The effectiveness of money varies among individuals, indicating that its utility is contingent on its availability. Lim and Teo (1997) identified indicators of money utilization efficiency, including Obsession, Power, Budget, Achievement, Evaluation, Anxiety, Retention, and Non-Generosity.

Knowledge (Understanding) of Sharia Insurance

According to Guntara et al. (2017), public awareness and interest in insurance remain low due to insufficiently skilled marketing personnel, inadequate information from insurance companies, and inadequate legal frameworks. Customer knowledge encompasses all information about products and services, obtained through various sources summarized in the promotional mix concept. Sheeran (2002) explains the alignment between intention and behavior, highlighting the role of control factors, with knowledge being crucial. In the context of Sharia life insurance products, knowledge plays a significant role.

IFP for Purchasing Sharia Life Insurance

Islamic financial planning entails intending to perform charitable deeds in the future with the financial resources entrusted to individuals. Allah SWT commands believers to prepare for the future, as stated in Surah Al-Hashr:18. Insurance is one method of managing finances, which encompasses various aspects, including saving. Mahdzan and Victorian (2013) have identified four main saving motives: precautionary, life cycle, bequest, and wealth accumulation.

Previous Research

Table 1. Previous Research

No	Autor	Title	Years	Result	Publication	Method
1	Arrondel et al	Financial Literacy and Financial Planning in France	2013	Financial literacy influences financial planning for insurance	University of south florida	PATER Survey
2	Setyowati et al	Islamic financial literacy and personal financial planning: a socio-demographic study	2018	Individuals with a good level of Islamic financial literacy tend to have better management in their personal finances.	Jurnal Keuangan Dan Perbankan, 22(1), 63–72	survey dan Ordinary Least Square (OLS)
3	Pratiwi dan Hartoyo	Analisis Niat Beli Asuransi Jiwa pada Mahasiswa: Aplikasi Theory of Planned Behavior.	2014	The higher the level of financial knowledge, the more positive the attitude of students towards life insurance.	Jurnal Ilmu Keluarga dan Konsumen, 7(1), 58–66.	analisis deskriptif, korelasi Pearson, dan regresi logistik
4	Coolen-Maturi, Tahani	"Islamic Insurance (Takaful): Demand and Supply in the UK."	2013	Respondents purchase Islamic insurance if it has the same transaction form as conventional insurance and competitive pricing.	*International Journal of Islamic and Middle Eastern Finance and Management 6(2): 87–104.*	Survey
5	Daniela dan Gheorghe	"Potential Buyers' Attitude towards Life Insurance Services"	2015	There is a correlation between trust and attitudes towards life insurance.	Procedia Economics and Finance 32: 1083 – 1087.	systematic random sampling method
6	Md Husin, Maizaitulaidawati, Noraini Ismail, and Asmak Ab Rahman	The Roles of Mass Media, Word of Mouth and Subjective Norm in Family Takaful Purchase Intention	2016	Subjective norms, word of mouth, and mass media significantly influence consumer intentions to purchase family takaful.	*Journal of Islamic Marketing* 7(1): 59–73	SEM
7	Fendi Cuandra dan Vivi Liani	Analisis Pengaruh Faktor Demografi, Financial Literacy dan	2019	Age, marital status, level of education, and the number of dependents an individual has can	Jurnal Ilmiah Bisnis, Pasar Modal, dan UMKM,	Causal Comparitive Research, SEM

		Saving Motives Terhadap Permintaan Asuransi Jiwa Unit-Link Di Kota Batam.		influence the decision to purchase unit-linked life insurance.	Volume. 2, No.1	
8	Kirkbesoglu, N. D. E.	The Role of Financial Literacy on the Development of Insurance Awareness.	2015	Financial literacy directly influences components within financial planning, such as insurance.	*International Journal of Economics and Finance*, 7(8), 272–279	t test, ANOVA and correlation methods
9	Akhter, Waheed, and Tajammal Hussain.	"Takāful Standards and Customer Perceptions Affecting Takāful Practices in Pakistan: A Survey."	2012	Education is a factor that influences respondents' opinions, perceptions, and awareness levels of takaful.	*International Journal of Islamic and Middle Eastern Finance and Management* 5(3): 229–40	Descriptive statistics and Chi-square test
10	Dinna Miftakhul Jannah, Lucky Nugroho. 2019.	"Strategi Meningkatkan Eksistensi Asuransi Syariah di Indonesia."	2019	The role of Sharia insurance agents is crucial in bridging information to the public about insurance.	Jurnal Maneksi Vol. 8, No. 1	Library research and qualitative analysis

Hypothesis

Financial literacy significantly influences financial planning, with Samuel (2011) highlighting its positive correlation with attitudes, including those towards life insurance. Similarly, Pratiwi & Hartoyo (2014) found that higher financial knowledge leads to more favorable attitudes among students towards life insurance.
Hypothesis 1: Financial literacy has a positive influence on the interest in purchasing Sharia life insurance

Financial behavior encompasses the management and utilization of financial resources, including budgeting, saving, spending control, investing, and timely bill payment, indicating responsible financial management (Nababan & Sadalia, 2012 in (Sari, 2015).
Hypothesis 2: Financial behavior has a positive influence on the interest in purchasing Sharia life insurance

Guntara et al. (2017) argue that public knowledge and interest in insurance are low due to inadequate skills among insurance marketers, insufficient information from insurance companies, and incomplete legal frameworks. Therefore, insurers should enhance efforts to inform the market about their products and benefits.
Hypothesis 3: Knowledge of Sharia life insurance has a positive influence on the interest in purchasing Sharia life insurance

Shafii et al. (2013) incorporate insurance as a component of Islamic Financial Planning (IFP), emphasizing adherence to Sharia principles, such as avoiding riba (interest), gharar (uncertainty), and maysir (gambling), in financial services utilization.
Hypothesis 4: Islamic Financial Planning (IFP) has a positive influence on the interest in purchasing Sharia life insurance

RESEARCH METHOD

The study employs Partial Least Square Structural Equation Modeling (PLS SEM), a technique capable of analyzing complex relationships among variables. SEM tests the relationship between latent variables (structural equations) and manifest variables (measurement equations). Latent variables, which

cannot be directly measured, require indicators as proxies. The research consists of three stages: literature review, pre-research interviews, and survey administration. Following theoretical development and hypothesis formulation, data is collected via questionnaires and analyzed using SEM.

The sample selection in this study utilizes purposive sampling, focusing on specific criteria from various demographic groups, including age (17 years and above), income earners, residents of Bogor, bank account holders, gender (male or female), occupation (private employee, civil servant, entrepreneur, part-time worker, or housewife), age groups (20-30, 31-40, 41-50, 51-60), education level (elementary school, junior high school, senior high school, bachelor's degree, master's/doctorate), marital status (single, married, divorced, widowed), and income brackets (<5 million, 5-10 million, >10-15 million, >15-20 million, >20 million IDR).

This study employs the "10-times rule" method to determine the sample size, relying on the minimum R-squared value in the model, determined by the maximum number of arrows pointing to the construct variable. With four arrows pointing to the construct variable, achieving a statistical power of 80% and a significance level of 5% requires a minimum of 137 samples, with the lowest R-squared value set at 0.01 (Table 2).

Table 2. Recommended Number of Samples

Exhibit 1.7 Sample Size Recommendation a in PLS-SEM for a Statistical Power of 80%												
Maximum Number of Arrows Pointing at a Construct	Significance Level											
	1%				5%				10%			
	Minimum R²				Minimum R²				Minimum R²			
	0.10	0.25	0.50	0.75	0.10	0.25	0.50	0.75	0.10	0.25	0.50	0.75
2	158	75	47	38	110	52	33	26	88	41	26	21
3	176	84	53	42	124	59	38	30	100	48	30	25
4	191	91	58	46	137	65	42	33	111	53	34	27
5	205	98	62	50	147	70	45	36	120	58	37	30
6	217	103	66	53	157	75	48	39	128	62	40	32
7	228	109	69	56	166	80	51	41	136	66	42	35
8	238	114	73	59	174	84	54	44	143	69	45	37
9	247	119	76	62	181	88	57	46	150	73	47	39
10	256	123	79	64	189	91	59	48	156	76	49	41

Source: Cohen (1992)

Data collection involved distributing questionnaires, conducting interviews, literature reviews, and informal discussions with relevant participants. The questionnaire, distributed in Bogor city and online via Google Forms, solicited responses from the determined population. The Likert scale, ranging from 1 to 5, gauges perceptions, attitudes, and opinions. Data analysis in this study employs Structural Equation Modeling (SEM), a multivariate analysis method facilitating the examination of complex variable relationships, per Bagozzi & Fornell (1982) in Ascarya (2017). SEM concurrently tests the structural model, probing relationships between independent and dependent constructs, and the measurement model, assessing relationships (loading values) between indicators and latent variables (exogenous & endogenous), as outlined by Bollen (1989).

The author utilizes SMART-PLS software for data analysis, employing the PLS-SEM method developed by Herman Wold in 1974. The stages in PLS-SEM modeling involve designing the model, which includes creating the measurement model (outer model) to establish relationships between latent variables and indicators, and the structural model (inner model) to outline causal relationships among latent variables. These models are depicted in a flow diagram, where hypotheses are established based on theory to link latent variables and indicators. PLS-SEM uses the least squares parameter prediction method, prioritizing hypotheses and

maximizing explained variance in dependent variables. Model evaluation in PLS-SEM encompasses both the measurement and structural models, as depicted in Figure 2:
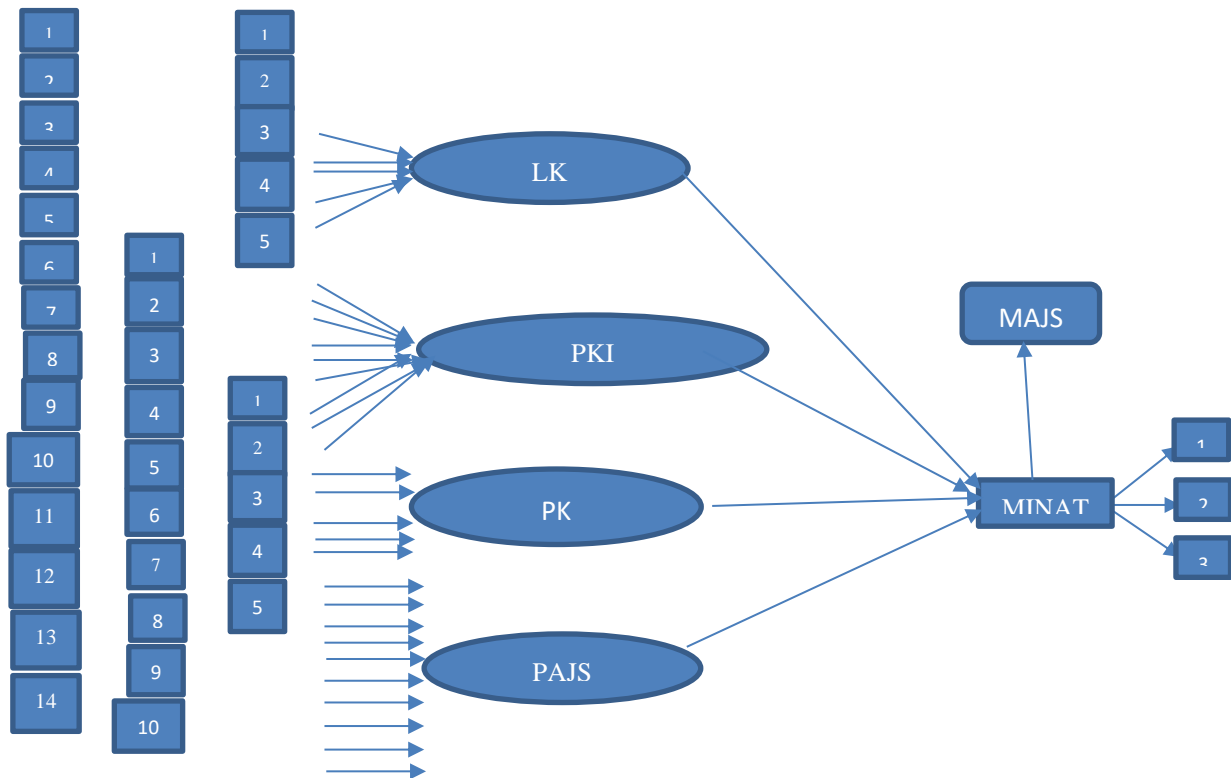

Figure 2. Structural Equation Modeling (SEM) for the Interest in Paying for Life Insurance

This evaluation includes Convergent validity, Discriminant validity, and Composite reliability (Ghozali, 2008). Convergent validity of the measurement model with reflective indicators is determined by assessing the correlation between component scores and construct scores calculated using PLS. Individual reflective measures are considered high if they correlate over 0.70 with the respective construct. Discriminant validity of the measurement model with reflective indicators is assessed through cross-loadings and comparing the square root of the average variance extracted (AVE) of each construct with inter-construct correlations. Superior discriminant validity is achieved when the square root of AVE of each construct surpasses correlations among constructs, with each indicator value ideally >0.50 for a good model (Hair Jr et al., 2014). Composite reliability evaluates the internal consistency of a block of indicators measuring a construct. The accepted threshold for composite reliability (ρc) is ≥ 0.7, though it's not an absolute standard.

Model evaluation in SEM includes assessing multicollinearity, predictive relevance (Q^2), and the coefficient of determination (R^2). Multicollinearity is flagged if tolerance values are 0.20 or lower or if VIF values exceed 5, necessitating the removal of indicators. Q^2 measures predictive relevance, with values of 0.02, 0.15, and 0.35 indicating small, medium, and large predictive accuracy, respectively. R^2 gauges predictive accuracy, with values of 0.75, 0.50, or 0.25 indicating substantial, moderate, or weak accuracy. Model fit is evaluated using Root Mean Square Residual (RMSR), with values less than 0.10 or 0.08 considered fit. Hypothesis testing involves interpreting Path Coefficient values > 0, T-Statistic values >1.96 (at a 5% significance level), and P-Values.

IJEC
International Journal of Economics
https://ejournal.ipinternasional.com/index.php/ijec

e-ISSN: 2961-712X
Vol. 3 Issue 1, January-June 2024
DOI: 10.55299/ijec.v3i1.824

RESEARCH RESULTS AND DISCUSSION
Evaluation Results of the Measurement Model/Outer Model
   A. *Indicator Reliability*
      In SEM analysis, indicator reliability is assessed through outer loading values against the measurement model. Hair et al. (2017) suggest a standard indicator reliability value of ≥ 0.7 for further analysis, while Hair et al. (2011) recommend retaining indicators with outer loading values of 0.60 or higher. In this study, 11 indicators (PK1, PK4, PKI1, PKI2, PKI3, PKI4, PKI5, PK6, PKI11, PKI12, and PKI13) were discarded due to values below 0.60. The measurement model is presented in Table 3.

Table 3. Reliability Indicator Analysis Test

	Financial Literacy	Interest	Knowledge of Sharia Life Insurance	Islamic Financial Planning	Financial Behavior
LK1	0,935				
LK2	0,760				
LK3	0,686				
LK4	0,825				
LK5	0,774				
M1		0,904			
M2		0,913			
M3		0,950			
M4		0,922			
M5		0,924			
PAJS1			0,732		
PAJS10			0,716		
PAJS2			0,861		
PAJS3			0,847		
PAJS4			0,774		
PAJS5			0,816		
PAJS6			0,843		
PAJS7			0,735		
PAJS8			0,857		
PAJS9			0,873		
PK1					0,466
PK2					0,791
PK3					0,786
PK4					0,501
PK5					0,870
PKI1				0,380	
PKI10				0,621	
PKI11				0,562	
PKI12				0,504	
PKI13				0,502	
PKI14				0,683	
PKI2				0,261	
PKI3				0,414	
PKI4				0,329	
PKI5				0,503	
PKI6				0,539	
PKI7				0,733	
PKI8				0,799	
PKI9				0,662	

The measurement model output results, post item removal, are presented in Figure 3.
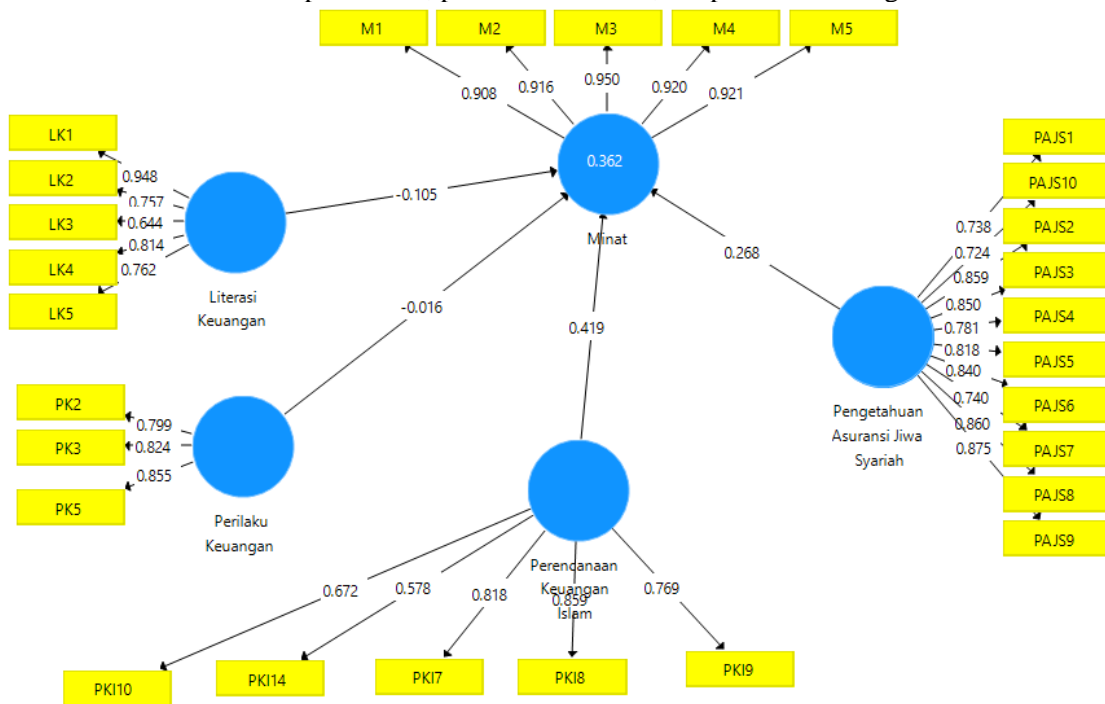

Figure 3. Outer Model SEM

B. Internal Consistency Reliability

Table 4 confirms satisfactory reliability for all latent variables, assessed via Cronbach's Alpha and composite reliability from PLS calculations, with thresholds ranging from 0.6 to 0.9 (Hair et al., 2017).

Table 4. *Test of Internal Consistency Reliability*

	Cronbach's Alpha	rho_A
Financial Literacy	0,878	1,374
Interest	0,957	0,968
Knowledge of Sharia Life Insurance	0,940	0,954
Islamic Financial Planning	0,807	0,865
Financial Behavior	0,781	0,904

C. Convergent Validity

Convergent validity testing, evaluated through the AVE value, ensures positive correlations within the same construct (Hair et al., 2017). AVE values exceeding 0.5 indicate successful explanation of the construct by its indicator variables (Hair et al., 2011). Table 5 confirms AVE values above 0.5 for all constructs, facilitating further analysis.

Table 5. Results of the AVE Test

	AVE
Financial Literacy	0,640
Interest	0,852
Knowledge of Sharia Life Insurance	0,652
Islamic Financial Planning	0,566
Financial Behavior	0,677

Results of the Structural/Inner Model Evaluation

The two-step SEM analysis involves validity and reliability tests in the measurement model, followed by testing hypotheses with t-values and p-values using 137 subsamples. The evaluation includes R-square for dependent constructs and examines the significance of structural path coefficients through t-tests in the structural model.

Table 6. Results of the R-Square Analysis

	R Square	**Adjusted R Square**
Interest	0,378	0,359

The R-square value for the endogenous variable "Interest" is 0.378, indicating that the examined variables explain only 37% of the variance, with the remaining 63% attributed to unexamined factors.

A. T-Value, P-Value

The t-value and p-value analysis in this study determines the relationship between latent variables. A t-statistic > 1.96 at a 5% alpha level indicates significant contributions to a construct in a formative model relationship. Additionally, a p-value ≤ 0.05 signifies significant strength in the relationship between exogenous and endogenous variables, with smaller p-values indicating stronger relationships. The calculation of t-value and p-value is performed using SmartPLS version 3.2.9 in this study.

Table 7. Results of the T-Value, P-Value Test

	Original Sample (O)	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistik (|O/STDEV|)**	**P Values**
Financial Literacy -> Interest	-0,076	-0,074	0,113	0,671	**0,502**
Knowledge of Sharia Life Insurance -> Interest	0,280	0,302	0,125	2,235	**0,026**
Islamic Financial Planning-> Interest	0,423	0,401	0,118	3,583	**0,000**
Financial Behavior-> Interest	-0,044	-0,016	0,105	0,413	**0,680**

The t-value and p-value analysis indicates:

1. Financial literacy is not significantly related to interest (t-value = 0.671, p-value = 0.502).
2. Knowledge of Sharia Life Insurance is significantly related to interest (t-value = 2.235, p-value = 0.026).
3. Islamic financial planning has a significant relationship with interest (t-value = 3.583, p-value = 0.000).
4. Financial behavior does not show a significant relationship with interest (t-value = 0.431, p-value = 0.680).

Discussion of Hypothesis Test Results

Table 8. Hypothesis Test Results

H	Statement	Original Sample (O)	T Statistik (O/STDEV)	P Values	Conclusion
H1	Financial literacy does not have a significant effect on Interest.	-0,076	0,671	**0,502**	The data does not support the hypothesis.
H2	Knowledge of Sharia Insurance has a significant effect on Interest.	0,280	2,235	**0,026**	The data supports the hypothesis.
H3	Islamic Financial Planning has a significant effect on Interest.	0,423	3,583	**0,000**	The data supports the hypothesis.
H4	Financial behavior does not have a significant effect on Interest.	-0,044	0,431	**0,680**	The data does not support the hypothesis.

H1 Financial literacy does not have a significant effect on the interest in purchasing Sharia Life Insurance

Financial literacy does not significantly influence the interest in purchasing Sharia life insurance, as indicated by a t-value of 0.958 and a p-value of 0.339. This outcome, predominantly from married respondents with monthly incomes of 6 to 10 million Rupiah, suggests that financial literacy does not necessarily lead to an increased interest in Sharia life insurance. This is highlighted by a case of a Sharia cooperative chairman with no interest in Sharia life insurance due to religious beliefs. Contrary to studies by Nekmahmud et al. (2017), Samuel (2011), Pratiwi & Hartoyo (2014), and Weedige et al. (2019), which suggested a positive impact of financial literacy on the interest in Sharia life insurance, this discrepancy may be due to individuals feeling they do not need life insurance due to a lack of family dependents.

H2 Knowledge of Sharia Life Insurance has a significant effect on the interest in purchasing Sharia Life Insurance

This study shows that knowledge of Sharia life insurance significantly increases public interest in buying it, evidenced by a t-value of 2.235 and a p-value of 0.026. Dominated by married men with incomes of 6 to 30 million Rupiah who already have Sharia life insurance, better knowledge about Sharia insurance principles, contracts, transparency, investment allocation, supervisory boards, claim processes, and acquisition methods correlates with higher interest in purchasing it. An example is an economic consultant who, having Sharia life insurance himself, plans to purchase it for his children. This study's findings align with those of Sari et al. (2022), Ramadhan and Alpi (2019), and Aramiko and Yanti (2021), indicating that knowledge of Sharia life insurance significantly increases interest in it. Lack of such knowledge reduces interest in participation.

Sheeran (2002) highlighted that individuals act on their intentions only if they have the necessary knowledge, identifying a crucial link between intention and action influenced by knowledge. We propose that an Insurance Knowledge Index, a concept not yet explored in emerging markets, could be a more accurate predictor of life insurance purchase intentions than general education levels. Our hypothesis suggests that understanding specific details about insurance products (functionality, rights/benefits) is essential for turning the intention to purchase life insurance into actual behavior, thus emphasizing the value of targeted knowledge over general education. Therefore, stakeholders in Sharia life insurance, including practitioners and regulators, need to enhance knowledge specifically regarding Sharia life insurance. Efforts should include socialization, advertising in mass media, and organizing seminars, which ultimately will improve decision-making. Awareness or knowledge of Sharia life insurance is a key factor in determining the success of the Sharia life insurance business.

Lack of health insurance purchases may stem from insufficient knowledge about its importance (Deloitte, 2015). Low awareness can reduce consumer confidence in financial planning and deter them from securing future benefits through insurance. Professional advice is often needed for making informed health insurance decisions. Sarwar and Qureshi (2013) identify knowledge deficiency as a key barrier to health insurance acquisition. Bhat and Jain (2006) stress the need for increased consumer awareness to boost health insurance uptake. Education impacts insurance understanding; Ioncică et al. (2012) note that educated individuals are likelier to purchase health insurance, recognizing its value in accessing better healthcare and protecting assets. Higher education and insurance knowledge correlate with a higher propensity to have life insurance.

H3 Islamic Financial Planning has a significant effect on the interest in purchasing Sharia Life Insurance

This study reveals that Islamic Financial Planning positively impacts interest in Sharia life insurance, evidenced by a t-value of 3.583 and a p-value of 0.000. Predominantly married individuals aged 25 to 40 years showed increased interest, correlating with positive Islamic financial planning practices. Financial planning aspects covered include cash flow, expense management, zakat, tax, Islamic risk insurance, investment, retirement, endowment, and inheritance planning. An example is a Sharia banker who secures his family with Sharia life insurance. The research findings, consistent with Jahan & Sabbir (2018), highlight the positive impact of financial planning on insurance interest. Life insurance provides security and enhances savings, with new innovations offering long-term investment opportunities. Savings motives, including precautionary, life cycle, bequest, and wealth accumulation, significantly influence life insurance demand, with wealth accumulation being the strongest factor, followed by bequest, life cycle, and precautionary motives (Mahdzan & Victorian, 2013).

Life insurance serves as a disciplined savings tool and a key source of long-term financial accumulation. Mahdzan & Peter Victorian (2013) found that the wealth accumulation motive strongly drives life insurance demand, with individuals viewing it as savings and willing to invest for future needs. Wärneryd (1999) concludes that people save to accumulate capital and seek greater wealth, particularly in uncertain times, leading to increased demand for life insurance. In financial planning, saving is crucial. Scholars identify four main saving motives: precautionary, bequest, life cycle events, and wealth accumulation. The precautionary motive involves reducing life uncertainties. According to Wärneryd (1999), life insurance addresses uncertainty by preparing for adverse outcomes. Life insurance demand is influenced by the precautionary motive, protecting against personal risks like mortality and disability. Major life events such as marriage and home purchases also affect demand. Liebenberg et al. (2012) note lapses during events like divorce and retirement. Lastly, saving for capital accumulation drives demand, especially amid increased uncertainty, as per Tamiya et al. (2011).

H4 Financial behavior does not significantly influence interest in purchasing Sharia life insurance

The financial behavior variable does not significantly influence interest in Sharia life insurance, as indicated by the insignificant relationship between perception and interest (t-value = 0.431, p-value = 0.680). Respondents, primarily married men aged 25 to 40 with incomes of 6 to 10 million rupiahs per month, show that even with good financial behavior, they are not inclined to purchase Sharia life insurance. They already have regular financial commitments that deter them from adding new expenses for this type of insurance. However, this research finding contradicts existing theories. The importance of family financial planning provides full control over their spending. Warsono (2010) defines financial planning as coordinating to meet future financial goals. Nonetheless, financial planning doesn't always influence interest in Sharia life insurance. The research findings align with the low interest observed in purchasing Sharia life insurance at an Islamic bank in Bogor. Customers mainly acquire Sharia life insurance when bundled with financing. Reasons for the low interest include preferences for conventional insurance, perceived inferiority of Sharia life insurance benefits, and a preference for unit-linked insurance. Additionally, some customers still doubt the halal status of insurance.

CONCLUSION

Based on the research findings and discussions, the following conclusions are drawn: Financial literacy has no significant impact on interest in purchasing Sharia life insurance. Knowledge of Sharia life insurance significantly influences purchasing interest. Valid, reliable, and convergent indicators of Sharia life insurance knowledge include understanding insurance principles, Sharia principles, contract terms, transparency, customer investment, supervisory boards, claims processes, and product acquisition methods. Islamic financial planning significantly affects interest in purchasing Sharia life insurance. Valid, reliable, and convergent indicators of Islamic financial planning encompass risk management, Islamic insurance, investment planning, and inheritance planning. Better Islamic financial planning increases interest in purchasing Sharia life insurance. However, financial behavior does not significantly influence interest in purchasing Sharia life insurance.

REFERENCES

Ajzen. (2005). Teori perilaku terencana. Organizational Control and Human DecisionProcesses. https://doi.org/https://dx.doi.org/10.4135/9781446249215.n22

Ajzen. (1991). *Teori perilaku terencana. Perilaku Organisasi Dan Proses Keputusan Manusia. Vol. 50.*

Altman, M. (2012). Implications of behavioural economics for financial literacy and public policy. Journal of Socio-Economics, 41(5), 677–690. https://doi.org/10.1016/j.socec.2012.06.002

Anita S, Dian. 2015. Financial Literacy dan Perilaku Keuangan Mahasiswa. *Jurnal Studi Kasus Mahasiswa STIE YPPI Rembang*. 6(1):171-174.

Aramiko, S., & Yanti, N. (2021). International Journal of Trends in Accounting Research the Influnce of Student Knowledge And Awareness Sharia Insurance on Interest To Buy Insurance Sharia Personal Accident. International Journal of Trends in Accounting Research, 2(2), 169–175. https://journal.adaindonesia.or.id/index.php/ijtar/index

Arrondel, L., Debbich, M., & Savignac, F. (2013). Financial Literacy and Financial Planning in France. *Numeracy*, *6*(2). https://doi.org/10.5038/1936-4660.6.2.8

Ascarya. (2017). Aplikasi SEM mengggunakan LISREL 8.5. In *Metode Penelitian* (Vol. 1666, pp. 557–580). doi: 10.1007/978-1-4939-7274-6_28

Bhat, R., & Jain, N. (2006). Factor Affecting The Demand for Health Insurance in a Micro Insurance Scheme. In Indian Institute of Management (No. 2006–07002).

Bollen, K. A. (1989). Structural Equations with Latent Variables. John Wiley & Sons.

BPS. (2022b). *Jumlah dan Presentase Penduduk Bekerja dan Pengangguran2021-2022*. https://www.bps.go.id/indicator/6/1953/1/jumlah-dan-persentase-penduduk-bekerja-dan-pengangguran.html.

BPS. (2015). Penduduk Indonesia, Hasil SUPAS 2015.

Chen, H. (1998). An analysis of personal financial literacy among college students. Financial Services Review, 7(2), 107–128. https://doi.org/10.1016/S1057-0810(99)80006-7

Cilluffo, A., & Ruiz, N. G. (2019). World's population in projected to nearly stop growing by the end of the century. Www.Pewresearch.Org. https://www.pewresearch.org/fact-tank/2019/06/17/worlds-population-is-projected-to-nearly-stop-growing-by-the-end-of-the-century/

Cohen, J. (1992). A Power Primer Psychol Bull 112:155-159. *Psychological Bulletin [PsycARTICLES]*, *112*(July), 155–159. http://www2.psych.ubc.ca/~schaller/528Readings/Cohen1992.pdf

Coolen Maturi, T. (2013). Islamic Insurance (Takaful): Demand and Supply in the UK. *International Journal of Islamic and Middle Eastern Finance and Management*, 87–104.

Cuandra, F., & Liani, V. (2019). Analisis pengaruh faktor demografi, financial literacy dan saving motives terhadap permintaan asuransi jiwa unit-link. *Jurnal Ilmiah Bisnis, Pasar Modal Dan UMKM*, *2*(1), 38–51.

Deloitte. (2015). Life insurance consumer purchase behavior Tailoring consumer engagement for today's middle market.

Farooq, M., Roman, M., Mohsin, N., Riaz, F., & Anwar, H. N. (2015). People's attitude towards life insurance in Pakistan. *Mediterranean Journal of Social Sciences*, *6*(3), 305–312. https://doi.org/10.5901/mjss.2015.v6n3s2p305

Fishbein, & Ajzein i, A. (1975). *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research, Reading*. MA Addison-Wesley.

Firdaus, A. (2021). Bunga Rampai 30 Tahun Ekonomi Syariah Indonesia. *Integrasi Wakaf Pada Asuransi Syariah* (Hal 115-138). Jakarta: IAEI.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, *18(1)*, 39–50.

Foster, A. D. (2000). Imperfect Commitment, Altruism and the Family: Evidence from Transfer Behavior in Low-Income

Rural Areas. Review of Economics and Statistics, 1–36.

Ghozali, I. (2008). *Structural Equation Modeling Metode Alternatif dengan Partial Least Squares (PLS)* (2nd ed.). Badan Penerbit Universitas Diponegoro.

Ghozali, I., & Fuad, M. (2008). *Structural equation modeling*. Universitas Diponegoro.

Guntara, Deny, & Dkk. (2017). Perlindungan Hukum Terhadap Konsumen Jasa Asuransi di Indonesia. *Jurnal Justisi Hukum*, *Vol.2/No.1*.

Hair, J. F. ;, Hollingsworth, C. L. ;, Randolph, A. B. ;, & Chong, A. Y. L. (2017). An Updated and Expanded Assessment of PLS-SEM in Information Systems Research. Industrial Management & Data Systems, 117(3), 442–458.

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Thousand Oaks. *Sage*, 165.

Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). *PLS-SEM: Indeed a silver bullet. Journal of Marketing theory and Practice. 19(2)*, 139–152.https://doi.org/10.2753/MTP1069-6679190202

Hair, J., Hult, T., Ringle, C., & Sartstedt, M. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM) (2nd ed)*. Sage.

Hair Jr, J. F., Sarstedt, M., Hopkins, L., & Kuppelwieser, V. G. (2014). *Partial least squares structural equation modeling (PLS-SEM) an emerging tool in business research. European Business Review. 26(2)*, 106–121. https://doi.org/10.1108/EBR-10-2013-0128.

Ioncică, M., Petrescu, E.-C., Ioncică, D., & Constantinescu, M. (2012). The Role of Education on Consumer Behavior on the Insurance Market. Procedia - Social and Behavioral Sciences, 46, 4154–4158. https://doi.org/10.1016/j.sbspro.2012.06.217

Jahan, T., & Sabbir, M. M. (2018). Analysis of Consumer Purchase Intention of Life Insurance: Bangladesh Perspective. Business Review-A Journal of Business Administration Discipline, Khulna University, 13(1 & 2), 13–28.

Liebenberg, A. P., Carson, J. M., & Dumm, R. E. (2012). A Dynamic Analysis of the Demand for Life Insurance. Journal of Risk and Insurance, 79(3), 619–644. https://doi.org/10.1111/j.1539-6975.2011.01454.x

Lim, V. , & Teo, T. (1997). Sex, money and financial hardship: An empirical study of attitudes towards money among undergraduates in Singapore. . Journal of Economic Psychology, 18, 369–386.

Mahdzan, N. S., & Peter Victorian, S. M. (2013). *The determinants of life insurance demand: A focus on saving motives and financial literacy. Asian Social Science. 9(5)*, 274–284. https://doi.org/10.5539/ass.v9n5p274

Md Husin, Maizaitulaidawati, Ismail, N., & Rahman, A. A. (2016). The Roles of Mass Media, Word of Mouth and Subjective Norm in Family Takaful Purchase Intention. *Journal of Islamic Marketing*, 59–73.

Nababan dan Sadalia. 2012. "Analisis Personal Financial Literacy dan Financial Behavior Mahasiswa Strata I Fakultas Ekonomi Universitas Sumatera Utara". https://jurnal.usu.ac.id/index.php/jmim/article/view/651.

Nekmahmud, Shahedul, & Rahman, F. (2017). Measuring People's Attitude towards the Life Insurance in Rangpur City Corporation in Bangladesh. *International Journal of Economics & Management Sciences*, *06*(02). https://doi.org/10.4172/2162-6359.1000407

OJK. (2022a). *Statistik Asuransi - Desember 2022*. https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/asuransi/Pages/ Statistik- Asuransi -Desember-2022.aspx

OJK. (2022b). *Statistik IKNB-Syariah - November 2022*. https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/iknb-syariah/Pages/ Statistik-Iknb-Syariah-November-2022.aspx

Pratama, W. P. (2019). *Rendahnya Penetrasi Asuransi Dorong Pertumbuhan Agen Million Dollar Round Table*. https://finansial.bisnis.com/read/20190807/215/1133431/rendahnya-penetrasiasuransi-dorong-pertumbuhan-agen-million-dollar-round-table.

Pratiwi, N. A., & Hartoyo, H. (2014). Analisis Niat Beli Asuransi Jiwa pada Mahasiswa: Aplikasi Theory of Planned Behavior. *Jurnal Ilmu Keluarga Dan Konsumen*, *7*(1), 58–66. https://doi.org/10.24156/jikk.2014.7.1.58

Ramadhan, P. R., & Alpi, M. F. (2019). The Effect of Knowledge and Motivation Toward Customers Decision on Jasindo Takaful Insurance Pematang Siantar. International Halal Conference and Exhibition, 59–63.

Samuel, K. (2011). *Makerere University Consumer Attitudes , Financial Literacy and Consumption of Insurance in Kampala ,*.

Sari, D. A. (2015). Financial Literacy dan Keuangan Mahasiswa (Studi Kasus Mahasiswa STIE "YPPI" Rembang). *Buletin Bisnis Dan Manajemen*, *1*(2), 171–189. http://www.journal.stie-yppi.ac.id/index.php/BBM/article/view/14/ 14%0Ahttps://www.researchgate.net/publication/320009228%0Awww.cnnindonesia.com,

Sari, I., Sirait, N., & Inayah, N. (2022). Pengaruh Pengetahuan dan Religiusitas terhadap Minat Mengikuti Asuransi Dana Pendidikan pada Perusahaan Asuransi Syariah. ManBiz: Journal of Management and Business, 2(1), 81–95. https://doi.org/10.47467/manbiz.v2i1.1794

Sarwar, A., & Qureshi, H. A. (2013). Awareness and Willingness to buy Private Health Insurance and a look into its Future Prospects in Pakistan. European Journal of Business and Social Sciences, 2(1), 69–81.

Servon, L. J., & Kaestner, R. (2008). Consumer financial literacy and the impact of online banking on the financial behavior of lower-income bank customers. Journal of Consumer Affairs, 42(2), 271–305. https://doi.org/10.1111/j.1745-6606.2008.00108.x

Setyowati, A., Harmadi, H., & Sunarjanto, S. (2018). Islamic Financial Literacy and Personal Financial Planning: A Socio-Demographic Study. *Jurnal Keuangan Dan Perbankan*, *22*(1), 63–72. https://doi.org/10.26905/jkdp.v22i1.1625

Shafii, Z., Yusoff, Z., & Md Noh, S. (2013). *Islamic Financial Planning & Wealth Management*. IBFIM.

Sheeran, P. (2002). *Intention—Behavior Relations: A Conceptual and Empirical Review. European Review of Social Psychology*. 1–36. https://doi.org/10.1080/14792772143000003

Sula, M. S. (2004). *Asuransi Syariah, Konsep dan Sistem Operasional*. Gema Insani.

Sumarwan, U. (2011). Prilaku konsumen. Ghalia Indonesia.

Syafi'i, M. A. (1994). *Asuransi dalam perspektif Islam*. Syarikat Takaful Indonesia.

Tamiya, N., Noguchi, H., Nishi, A., Reich, M. R., Ikegami, N., Hashimoto, H., Shibuya, K., Kawachi, I., & Campbell, J. C. (2011). Japan: Universal Health Care at 50 years 4 Population ageing and wellbeing: lessons from Japan's long-term care insurance policy. Www.Thelancet.Com, 378, 1183–1192. https://doi.org/10.1016/S0140

Valentina-Daniela, C., & Gheorghe, O. (2015). Potential Buyers' Attitude towards Life Insurance Services. *Procedia Economics and Finance*, *32*(15), 1083–1087. https://doi.org/10.1016/s2212-5671(15)01571-3

Wärneryd, K.-E. (1999). The Role of Macroeconomic Psychology. Applied Psychology. *Applied Psychology: An International Review*, *48(3)*, 273–296.

Warsono. (2010). Prinsip-prinsip dan Praktek Keuangan Pribadi. Salam, 13(2), 137–151. http://bisniskeuangan.kompas.com/read/

Weedige, S. S., Ouyang, H., Gao, Y., & Liu, Y. (2019). Decision making in personal insurance: Impact of insurance literacy. *Sustainability (Switzerland)*, *11*(23). https://doi.org/10.3390/su11236795