

## Students' Understanding towards the Objectives and Concepts of Takaful

Muhammad Hanif Othman

Faculty of Business and Management, University Teknologi MARA Kedah, Malaysia

Email: hanifothman@uitm.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v12-i8/14449> DOI:10.6007/IJARBS/v12-i8/14449

Published Date: 06 August 2022

### Abstract

The purpose of this paper is to investigate the students' understanding towards the objective and concept of Takaful. There were 60 students who participated in this study. The data were analysed using descriptive statistical analysis and factor analysis, to measure the level of understanding among the students and also the factors contributed to their understanding. The finding indicated that the level of understanding among the students are moderate. Furthermore, the study also has found learning exposure are the factors that contribute to the students' understanding on Takaful. Overall, the results suggest that the university should establish a productive learning environment for students and can collaborate with Malaysian Takaful Association in order to give benefits and can increase their understanding of Takaful and therefore can bridge the gap between academia and industry players.

**Keywords:** Takaful, Understanding, Takaful Objective, Takaful Concept

### Introduction

The Takaful industry has been around for more than 40 years and become the alternative for both Muslim and non-Muslim compared to conventional insurance (Othman, 2015). Takaful plays an important role to eliminate risks and brought to the culture of cooperation, mutual help and a sense of brotherhood (Salleh et al., 2013). Takaful is a protection system based on the principle of mutual aid to provide financial stability if any of them faces an unexpected risk (Aris et al., 2012). The following hadith of the Prophet (pbuh) support the principle of Ta'awun (cooperation) that strengthen the offering of Takaful schemes.

*"Believers are to other believers like parts of a structure that tighten and reinforce each other."*  
(Al-Bukhari and Muslim)

*"The Believers, in their affection, mercy and sympathy towards each other, are like the body-if one of its organs suffers and complains, the entire body responds with insomnia and fever."*  
(Hadith Muslim)

The element of Ta'awun also highlighted in Surah al-Maidah, 5:2 as stated below:

*“..and help ye one another in righteousness and piety, but do not help one another in sin and transgression. And have Taqwa of Allah. Verily, Allah is severe in punishment.”*

In Takaful, there are concept of Tabarru' (mutual help) which all the participants agree to contribute some of the amount to the participant's risk account. It shows that Islam want to educate Muslim with a charitable attitude for helping the needy and indirectly building good relationship with the society (Salleh et al., 2013).

Takaful is not a religious but a commercial product. It is suitable for people of all religions. It serves a crucial and vital function in the financial sector. Takaful is the optimal alternative for anybody seeking financial protection against unexpected tragedy, since it provides more additional value than insurance (Hassan et al., 2018). Therefore, it is interesting to examine the students' knowledge and understanding towards the ultimate objectives and concept of Takaful.

This study is structured in the following manner; some overview of the students Islamic Banking in UiTM. The following sections explore the methodology and present the overall results of the study. The study ends with conclusion and suggestions for future research.

### **Overview: Students Islamic Banking**

The programme Bachelor of Business Administration (Hons.) Islamic Banking was developed by the Faculty of Business Administration, Universiti Teknologi MARA (UiTM) in July 1999 to fulfil the increasing demand for experts in Islamic banking sector in Malaysia. Under this three-year degree programme, students need to take courses that related to the Islamic Jurisprudence which consists more of the rules and regulations of Al-Quran and Al-Sunnah. Table 1 and 2 presents the programme overview and programme content.

Table 1

*Programme Overview*

---

- Islamic Banking
  - Monetary Economics
  - Qawaid Fiqhiyyah
  - Islamic Economics
  - Advanced Fiqh Muamalat
  - Islamic Financial Planning
  - Islamic Financial Legal Framework
  - Islamic Capital Market
  - Islamic Banking & Financial Services
- 

Source: <https://fbm.uitm.edu.my/index.php/ba249-islamic-banking>

Table 2

*Programme Content*

<b>Year 1</b>	
<b>Semester 1</b>	Co-Curriculum I Falsafah Dan Isu Semasa Introductory Arabic (Level I) Business Law Principles and Practice of Marketing End User Applications Intermediate Financial Accounting & Reporting Principles and Practice of Management
<b>Semester 2</b>	Co-Curriculum II Introductory Arabic (Level II) English For Critical Academic Reading Introduction to Corporate Finance Introduction to Operations Management Islamic Economics Human Resource Management Islamic Theology
<b>Year 2</b>	
<b>Semester 3</b>	Co-Curriculum III English for Oral Presentation Introductory Arabic(Level III) Islamic Financial Planning Principles of Entrepreneurship Usul Fiqh (Islamic Jurisprudence) Introduction to Fiqh Muamalat Elective 1
<b>Semester 4</b>	Penghayatan Etika dan Peradaban II Business Analytics & Financial Modelling Investment & Portfolio Analysis Advanced Fiqh Muamalat Qawaid Fiqhiyyah (Islamic Legal Maxims) Elective 2: Choose 1 <ul style="list-style-type: none"> <li>• Digital Workforce</li> <li>• Digital Entrepreneurship</li> <li>• Digital Marketing</li> </ul> Elective 3
<b>Year 3</b>	
<b>Semester 5</b>	English Exit Test Strategic Management Quantitative Research Methods

---

Islamic Financial Legal Framework & Governance  
Islamic Capital Market  
Islamic Banking And Financial Services  
Elective 4

---

**Semester 6** Industrial Training

Source: <https://fbm.uitm.edu.my/index.php/ba249-islamic-banking>

One of the courses that Islamic Banking students need to take is Islamic Financial Planning. This course introduces the basic concept of financial planning in Islam including the concept of wealth and debt and the process of Islamic financial planning. This course will also include an analysis of individual financial requirements and a discussion of many forms of shariah-compliant investment vehicles. In addition, students must understand the concept of zakat and taxes, Takaful, hajj planning, retirement planning and assets distributions. Therefore, this study is carried out among selected undergraduates from programme Bachelor of Business Administration (Hons.) Islamic Banking, UiTM Kedah who take the Islamic Financial Planning course in Semester 1, 2021–2022.

**Methodology**

In an attempt to determine the level of understanding among UiTM Kedah students that take a course of Islamic Financial Planning, a total of 60 questionnaires was distributed to students from group KBA2493A and KBA2493B. To ensure high response rates, the survey was conducted during the last week (week 14) of Semester 1, 2021–2022 and the questionnaires were distributed during class time<sup>1</sup>. The students had been given 15 minute to complete the questionnaires<sup>2</sup>.

SPSS software was used to perform the statistical analysis. The methodologies used were descriptive statistics, reliability analysis and factor analysis. In order to test the reliability of the data, Cronbach's  $\alpha$  analysis was also conducted. According to George and Mallery (2003), rules of thumb for value of Cronbach's alpha are; " $\geq 0.9$  = Excellent;  $\geq 0.8$  = Good;  $\geq 0.7$  = Acceptable;  $\geq 0.6$  = Questionable;  $\geq 0.5$  = Poor; and  $< 0.5$  = Unacceptable". The reliability analysis shows that the Cronbach's Alpha was 0.888 for the proposed 18 items which indicates the scale items are good and consistent.

**Finding***Descriptive statistics*

Table 3 illustrates the demographic profile of respondents. A total of 9 males and 51 females responded to the questionnaires distributed. In this study, there are more females' students with 23 (93%) compare to males' students with 5 (7%) out of the 28 students from group KBA2493A. For the group KBA2493B, out of 32 students, most of the students are female (87.5%) compared to male (12.5%). Most of the respondents are aware of Takaful and know that Takaful is a Shariah complaint product.

---

<sup>1</sup> All the questionnaires were returned, a response rate of 100%.

<sup>2</sup> Students were asked whether they had completed this survey before. This was to ensure that all the respondents answered the questionnaire only once.

Table 3

*Demographic Information*

Demographic Information		Frequency	Percentage (%)
KBA2493A	Male	5	7%
	Female	23	93%
KBA2493B	Male	4	12.5%
	Female	28	87.5%

Note: Total female 85% and male 15%.

*Students Understanding Towards the Objectives of Takaful*

Table 4 below shows the students understanding towards the objectives of Takaful. All the items used interval scale for respondents to indicate their opinions. A five-point Likert-scale is applied in the questionnaire with level 1 of agreement indicates that the respondents strongly disagree with the statement while level 5 of agreement indicates that the respondents strongly agree with the statement. The study has found that the students tend to agree that "Takaful was from the elements of uncertainty, gambling, and usury" (mean score = 4.80), "Takaful operations are based on Shariah principles" (mean score = 4.75) and "Takaful participants are encouraged to contribute money for mutual help" (mean score = 4.60). Surprisingly, it shows that students are not sure about whether Takaful offering competitive products or not (mean score = 3.80). On the other hand, they were disagreeing about the Takaful product which are only for Muslims (mean score 2.20).

Table 4

*Takaful Objectives*

Ranking	Measurement Items for Takaful Objectives	Mean*
1.	Takaful free from the elements of uncertainty, gambling, and usury	4.80
2.	Takaful operations are based on Shariah principles	4.75
3.	Takaful participants are encouraged to contribute money for mutual help	4.60
4.	Takaful is a protection instrument	4.40
5.	Takaful contract is based on the concept of Tabarru'	4.40
6.	Takaful is to create an exploitation free society	4.30
7.	Takaful offering competitive products	3.80
8.	Takaful product are only for Muslims**	2.20

Note: \*Based of scale, 1=Strongly Disagree, 2=Agree, 3=Not Sure, 4=Agree, 5=Strongly Agree

\*\* Item reverse score

*Students Understanding Towards the Concepts of Takaful*

Table 5 below shows the mean score for each statement for Takaful concepts which were asked for the students. Overall, most of the students understand about the concept of Takaful. For example; "Profit sharing in Takaful known as Al-Mudharabah" (mean score = 4.35), "Takaful operators act as trustee on behalf of the participants" (mean score = 4.35), "Takaful brings the concept of shared responsibility, joint indemnity, and solidarity" (mean score = 4.35) and "The funds deposited in the Takaful fund will be invested in Shariah-compliant sectors" (mean score = 4.25). On the other hand, students are not sure on "there is no insurer-insured relationship between Takaful operator and participants" and "the premium paid under Takaful is higher than the premium paid under conventional insurance"

(mean score = 3.30). Therefore, it shows that students have basic knowledge about the concept of Takaful.

Table 5

*Takaful Concepts*

Ranking	Measurement Items for Takaful Concepts	Mean*
1.	Profit sharing in Takaful known as Al-Mudharabah	4.35
2.	Takaful operators act as trustee on behalf of the participants	4.35
3.	Takaful brings the concept of shared responsibility, joint indemnity, and solidarity	4.35
4.	The funds deposited in the Takaful fund will be invested in Shariah-compliant sectors	4.25
5.	If there is a surplus from the operation, the company will share the surplus with the participants	4.15
6.	Claims will be paid by the Takaful fund.	4.10
7.	Al-Wakalah in Takaful is an agency contract.	4.05
8.	Takaful products consist General and Family Takaful.	3.85
9.	There is no insurer-insured relationship between Takaful operator and participants.	3.30
10.	The premium paid under Takaful is higher than the premium paid under conventional insurance.	3.30

Note: \*Based of scale, 1=Strongly Disagree, 2=Agree, 3=Not Sure, 4=Agree, 5=Strongly Agree  
*Factor analysis*

According to Hair et al (2010), for factor analysis the number of the sample used must be five times the number of variables involved. Therefore, this study has achieved the minimum requirement (n=35). Furthermore, all the necessary procedures that are required prior to factor analysis also conducted. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.655 and The Bartlett's Test of Sphericity also reached statistical significance (0.000), hence is appropriate for factor analysis using principal component analysis method and also supporting the factorability of the correlation matrix.

The analysis proceeds by running the principal component analysis on the seven items and the eigenvalues more than one rule is used to decide on the number of factors to be retained. The results of the factor analysis in term of eigenvalues and total variance explained are shown in Table 6. Overall, two factors are extracted, and the two factors structure explain 76.37 per cent of the total variance.

Table 6

*Factor Analysis – Total Variance Explained*

Factor	Total	Rotation sums of squared loadings	
		% of variance	Cumulative %
1	3.179	45.42%	45.42%
2	2.167	30.95%	76.37%

Note: Extraction method: principal component analysis

Table 7 below presents result of factor analysis of the factors that contributes to the students' understanding on Takaful. In order to identify the component of the factor, factor loading of each item is carefully examined. According to Tabachnick and Fidell (2001), "loadings of 0.32 and below are considered less good, while variable with factor loadings equal to 0.32–0.45 is considered average". On the other hand, Dole (2009) indicates that items with loading lower than 0.4 are weak and, as a result, are not important to the factor. In light of this, the research adopts a benchmark of factor loading of 0.4 and above to identify the relevant components that are important to the factors.

As can be seen from Table 7, two factors were named learning exposure, and media exposure since it contributed 45.42%, and 30.95% of the total variance. Table 7 also depicts the communality of each variable (between .576 and .870) which higher value represents higher correlations among the variables.

Table 7

*Factors that Contributes to the Students' Understanding*

Variables	Factor		Communality of each variable
	Learning Exposure	Media Exposure	
I know about the Takaful company, products and benefit from my lecturer	.933		.822
After take Islamic Financial Planning I got better understanding in the Takaful	.916		.710
Conversation with my friends has influenced me to further understand the Takaful concept	.905		.860
I like to discuss about any Takaful issues with my family	.721		.870
I read about Takaful in the internet		.851	.782
I search about Takaful in mass media		.809	.576
I read about Takaful in the newspaper and magazine		.759	.726

Note: Extraction method: principal component analysis, Rotation method: varimax with kaiser normalization

As can be seen from Table 7, Factor 1 can be categorized as 'learning exposure' that comprised of four items with factor loading ranging from 0.721 to 0.933. These items include, "I know about the Takaful company, products and benefit from my lecturer", "After take Islamic Financial Planning I got better understanding in the Takaful", "Conversation with my friends has influenced me to further understand the Takaful concept" and "I like to discuss about any Takaful issues with my family".

The last factor that may influence the knowledge of students was named 'media exposure' and comprised of three items. These items include, "I read about Takaful in the internet", "I search about Takaful in mass media" and "I read about Takaful in the newspaper and magazine". Since factor 1 (learning exposure) has the higher eigenvalues and variance (eigenvalue = 3.179, variance = 45.42%), it automatically signifies the most important factor

perceived by the students and followed by media exposure (eigenvalue = 2.167, variance = 30.95%).

### **Conclusion**

This study investigates the students' understanding towards the objective and concept of Takaful. Through a simple statistical analysis (mean analysis), it was found that the students are familiar upon the objectives and concept of Takaful. Furthermore, it was realised that the majority of the students are not sure some of the objective and concept of Takaful such as "Takaful offering competitive products", "There is no insurer-insured relationship between Takaful operator and participants" and "The premium paid under Takaful is higher than the premium paid under conventional insurance".

In addition, two sources are identified contributed to the students' understanding towards Takaful namely, learning exposure and media exposure. The learning exposure becomes the most influential factor in giving knowledge to the students.

In order to enable them to understand the concept and operation of Takaful, students can read Takaful: Realities and Challenges by Syed Othman Alhabshi, Kamaruddin Sharif, Shaikh Hamzah Abdul Razak and Ezamshah Ismail. As an Islamic Banking student under Faculty of Business Administration, they need to have knowledge and understand the objective of Takaful as well as able to explain the concept of Takaful comprehensively (Othman, 2015). Students from programme Bachelor of Business Administration (Hons.) Islamic Banking are strongly recommended to take Takaful Basic Examination (TBE). Once students pass for this examination, they can become a registered takaful agent, and explore a wide range of career opportunities in the Takaful industry.

Furthermore, Faculty of Business Administration, UiTM Kedah can collaborate with Malaysian Takaful Association (MTA) in order to give benefits to students, graduates and the lecturer therefore can bridge the gap between academia and industry players.

In a nutshell, some limitation was emerged in the current study. The sample selection in this study only presents students from Faculty of Business Administration, UiTM Kedah that take the Islamic Financial Planning course in Semester 1, 2021–2022. The result may vary with the other UiTM branches. Thus, future studies could enhance this study to involve many students and if possible, to cover all branches from Faculty of Business Administration in UiTM.

### **References**

- Alhabshi, S. O., Sharif, K., Abdul Razak, S. H., & Ismail, E. (2012). Takaful: realities & challenges. Selangor, Malaysia: Pearson
- Aris, N. A., Tapsir, R., & Talib, M. K. A. (2012). Risk and risk management of takaful industry. *Journal of Global Business and Economics*, 4(1).
- Dole, K. B. V. (2009), The evaluation of the menopause-specific quality of life questionnaire and association of vasomotor and psychosocial symptoms among postmenopausal women in the United States: a dissertation, Doctoral dissertation, The University of North Carolina at Chapel Hill, Chapel Hill, NC.
- George, D., & Mallery, P. (2003). SPSS for Windows step by step: A simple guide and reference. 4th edition. Boston: Allyn & Bacon.



- Hair, J. F., Black, W. C., Babin, B. L., and Anderson, R. E. (2010). *Multivariate Data Analysis, A Global Perspective*. 7th edition, Pearson Education Inc, New Jersey.
- Hassan, R., Salman, S. A., Kassim, S., & Majdi, H. (2018). Awareness and knowledge of takaful in Malaysia: a survey of Malaysian consumers. *International Journal of Business and Social Science*, 9(11), 45-53.
- Othman, M. H. (2015). Takaful: Realities and Challenges. *Institutions and Economies*, 187-190.
- Salleh, M. C. M., Abdullah, N. I., & Razali, S. S. (2013). Measuring Takaful Agents' Understanding Towards The Objectives and Concepts of Takaful. *Journal of Islamic Finance*, 2(1).
- Tabachnick, B. G., and Fidell, L.S. (2001), *Using Multivariate Statistics*, 4th ed., Allyn and Bacon, Boston, MA.