

# Reengineering the National Economy by Issuance of Family *Takaful* Product Based on the Preservation of Religion

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## Abstract

The main objective of the study is to evaluate the participants in family *takaful* products based on the protection of religion (*deen*) on *Maqasid Shari'ah* framework in choosing their family *takaful* products to rebuilding the national economy after Covid-19. This study is nonprobability study that uses judgment sampling technique. The sample of this study consists of 150 respondents among the *takaful* participant and basically have a basis knowledge in *Maqasid Shari'ah*. This study indicates that the protection of religion (*deen*) as independent variable shows such a positive significant relationship towards the participation in family *takaful* product. Finally, this study gives some input to the *takaful* business which explicitly contribute to the *takaful* industries in promoting the family *takaful* products, as well as the awareness among society that *takaful* instrument is not about the matter of business but it is a part of human needs in which protection of religion among the participants.

**Keywords:** Takaful, Family Takaful, Maqasid Shari'ah, Protection of Religion, Reengineering the National Economy

## Introduction

Before the introducing of *takaful* in Islamic financial market, mostly Muslims never realize that the conventional insurance itself against the *Maqasid Shari'ah Principles* until that National Fatwa of Malaysia declared that conventional insurance is prohibited. Even it was declared long years ago, until now there are certain Muslims still doesn't take any action to terminate or convert their policy insurance into *takaful* Insurance. This paper will show the most important matter of introducing the *takaful* product to be in line with *Maqasid Shari'ah* objectives and principles to be *shari'ah* compliant product. *Takaful* is growing fast day by

days. Other than it can develop the industry of *Takaful* itself. The main reason by introducing the *takaful* insurance is to offer or provide an alternative to all *Muslims'* needs in protection product. Thus, like the conventional insurance, it is to provide the element of protection and indemnity to both individual or corporate bodies against loss or hazards to their selves or wealth but in line with the *Maqasid Shari'ah Principles*. Never to deny that, *takaful* become a part of human needs. So, the other objective of this paper is to analyses the needs of people in *takaful* product based on *Maqasid Shari'ah* principles in order the people can make such a good and best decision in the selection of *takaful* products. This is so important thing to make sure customer will not be influenced by any unrelated factors to participate in *takaful* products that last will burdening the participant itself.

### Problem Statement

According to Arifin, Yazid, & Hussin, (2014) the *takaful* industry has qualified a significant expansion as it is one of the vital instruments of the Islamic Finance system. Due to this, the *takaful* industry is boundlessly creating the basis that is strong enough to take its place together with the conventional insurance industry as a legal substitute in key markets. Even though the *takaful* industry is still measured by low market penetration in the world as compared to the conventional insurance market the *takaful* industry seems to be doing well and struggles to expand the competitive performance so that *takaful* can magnificently have a positive outlook equivalent to the conventional insurance performance in the world today. In Malaysia is relatively low and remains largely untapped, therefore presenting a huge business opportunity. The problem or issue here is this opportunity finally led to an increasing in family *takaful* participants. That is why one of the others and main objective of this research paper is to examine whether the participant of the family *takaful* product really make a good decision in choosing the best product as suitable to their needs that based on *Maqasid Shariah* perspectives or else. Thus, a fascinating question that arises in this study is what are the perilous factors that influence the family *takaful* demand in Malaysia. The purpose of this study, however, is to examine the factors that contribute significantly to the family *takaful* demand in Malaysia based on the preservation of religion (*deen*) from the fives preservations of *Maqasid Shari'ah* framework.

### Literature Review

The purpose of the Islamic Law is for humans to achieve cheerfulness in this world and the hereafter, by succeeding the law of adopting the good and abandoning the bad. The Islamic Law does not command anything that is not good for people, and it does not forbid anything that is not bad for them. Generally, the clarification of *maqasid* should be based on three essential objectives, namely necessities objectives (*maqasid daruriyyah*), needs objectives (*maqasid hajiyyah*) and embellishments objectives (*maqasid tahsiniyyah*). From the objectives on necessities, it should be for the protection on five necessities (*daruriyyah al-khamsah*), namely, the protection of religion (*din*), the protection of life (*nafs*), the protection of intellect (*'aql*), the protection of progeny (*nasl*) and the protection of wealth (*mal*). These protections include the protection of the essential objectives of this world and in the hereafter (Fisol, Al-Basri & Mat, 2017).

According to Al-Raysuni (2005), the traditional scholars including *al-Shatibi* classify the general objectives into three sub-categories according to the hierarchy of needs, or levels of necessity: the essentials or necessities (*daruriyyah*), the needs (*hajiyyah*), and the luxuries

(*tahsiniyyah*). Scholars like Al-Ghazali, Ibn al-Hajib and al-Shatibi defined *daruriyyah* as the protection and safeguarding of five fundamentals in one's life that includes protection of religion (*din*), protection of life (*nafs*), protection of intellect (*aql*), protection of wealth (*mal*), and protection of lineage (*nasl*). These are regarded the essential needs that a man involves for his wellbeing in this world and the hereafter. None of these essential needs can be discounted, for it will create a disorder in this world and man will not be able to fulfill his requirement as a *khalifah* in this world and accomplish success in the world hereafter (Ibn Ashur, 2006).

Therefore, the *Maqasid al-Shari'ah* are the law's meanings and objectives as manifested in most or all of its rulings, or they may be said to be the objectives of the *shari'ah* and the hidden wisdom which the Lawgiver has placed within each of its rulings, Zuhaili (1996)". Protection of religion is an obligatory when establishing a *takaful* company to be in line with *Sharia'h* compliant. Therefore, to ensure all the *takaful* companies are *Shari'ah*-compliant, then the government has formed the *Takaful* Act in 1984, strengthening with Islamic Financial Services Act (IFSA) in 2013. To guarantee the protection of religion, all established *takaful* companies are under *Shari'ah* Advisory Council of Bank Negara Malaysia (SAC), which was established in May 1997 as the highest *Shari'ah* authority in Islamic finance in Malaysia. Every *takaful* company should have a *Shari'ah* Advisory Board (SAB). SAB is accountable for validating all *takaful* products expansion with to ensure their compatibility with the *Shari'ah* principles.

A study conducted by Zainuddin and Noh (2013) highlights the indication of the emergence of *takaful* as part of the Islamic type of policy. Their study endeavored to gain a fundamental understanding of what *takaful* is all about and how it varies from conventional insurance. In addition, they also expected at enhancing the level of understanding and bridge the gap caused by misapprehension on the concepts and applications of *takaful* as an insurance policy. The study decided that *Muslims* are strictly prohibited in purchasing conventional insurance products as it is forbidden "*haram*" and violates the Islamic principles.

### **Methodology**

Since this study is a survey research, this study uses primary data which is collected using questionnaires to represent a population. In other words, this study employs data collected from the survey to generalize findings from a sample to the population. However, it is important to avoid sampling error in determining sample size when using survey research (Bartlett, Kotrlik, & Higgins, 2001).

### **Data Analysis & Finding**

This study shows the result of respondent's profile also in pie chart and bar chart to easily showed the average of respondent's profile by first look. Below is the result of the respondent's demographic profile in this study. Table 1 shows that most respondents are female. The female respondents constitute 56.7% of the total respondents meanwhile male is about 43.3%.

Table 1

*Gender*

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	65	43.3	43.3	43.3
Female	85	56.7	56.7	100.0
Total	150	100.0	100.0	

Table 2 shows that most of the respondents age are between age of 18 to 29 years old which is 54%. Meanwhile between age 30 to 39 years old is about 30.7%, age 50 to 59 about 12.7% and last for age 40 to 49 is about 2.7%.

Table 2

*Age*

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-29	81	54.0	54.0	54.0
30-39	46	30.7	30.7	84.7
40-49	4	2.7	2.7	87.3
50-59	19	12.7	12.7	100.0
Total	150	100.0	100.0	

Table 3 shows that the majority of respondents' education level is from degree which indicates about 34.7%, followed by Diploma 24.7%, from SPM about 22.7%, from Master Degree about 16.7% and from doctorate level is only 1.3%

Table 3

*Education Background*

Education Background	Frequency	Percent	Valid Percent	Cumulative Percent
SPM	34	22.7	22.7	22.7
Diploma/STPM	37	24.7	24.7	47.3
Degree	52	34.7	34.7	82.0
Master's degree	25	16.7	16.7	98.7
Doctorate	2	1.3	1.3	100.0
Total	150	100.0	100.0	

Table 4 shows that most of the respondents' employment status come from private sector which is 36%. Followed by self-employed 30.7% and public servant 18% and. Meanwhile for others is about 14.7% and retired about 0.7% only.

Table 4

*Employment Status*

Employment	Frequency	Percent	Valid Percent	Cumulative Percent
Public servant	27	18.0	18.0	18.0
Private	54	36.0	36.0	54.0
Retired	1	.7	.7	54.7
Self employed	46	30.7	30.7	85.3
Others	22	14.7	14.7	100.0
Total	150	100.0	100.0	

Table 5 shows that most respondents' range of income is between RM2001-3000 which indicates about 26.7% and followed by RM1201 – 2000 about 24%. Meanwhile for income range below RM1200 is about 22% and for income RM5001 and above it indicates about 12.7%. For income between RM3001 – 4000 is about 10.7% and for the lowest frequency come from between RM4001-5000 which about 4%.

Table 5

*Salary*

Salary	Frequency	Percent	Valid Percent	Cumulative Percent
Below 1200	33	22.0	22.0	22.0
1201-2000	36	24.0	24.0	46.0
2001-3000	40	26.7	26.7	72.7
3001-4000	16	10.7	10.7	83.3
4001-5000	6	4.0	4.0	87.3
5001 and above	19	12.7	12.7	100.0
Total	150	100.0	100.0	

In this study, the researcher used two types of data analysis to indicates and to achieve the objective of the research study which are frequency variables analysis which is to indicate what majority respondents said towards the questions of the research questionnaire and the second type is T-Test Analysis to support the significance of the result findings.

**Protection of Religion**

Table 6 shows that the respondents' frequency in responding the answer of the questionnaire. All the respond shows that more than 90% of all respondents agree and strongly agree that choosing family *takaful* due to protect the religion as a factor.

Table 6  
*Responses*

Item	Responses					
	Not Sure		Agree		Strongly Agree	
	n	%	n	%	n	%
Choosing Takaful To Protect the Religion			96	64.0	54	36.0
Choosing the Conventional insurance is abusing the Islamic religion	15	10.0	79	52.7	56	37.3
Islam makes compulsory to choose Islamic Insurance rather than conventional one	-	-	75	50.0	75	50.0
Islamic insurance is very important to protect the religion	-	-	88	58.7	62	41.3
Choosing Takaful because conventional insurance is prohibited in Islam	1	.7	82	54.7	67	44.7
To protect the religion become the most factor why I'm choosing Takaful	8	5.3	88	58.7	54	36.0
Protection of religion is the reason number one in participating in any financial instruments	3	2.0	92	61.3	55	36.7

Table 7 indicate that the whole T-Value are positive value which means that T- Test for Protection of Religion is significant relationship towards the choice or participation in family *takaful* products.

Table 7 T-Test

Item	Test Value					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval	
					L	U
Choosing Takaful to Protect the Religion.	110.88	149	0.000	4.36	4.28	4.43
Choosing the Conventional insurance is abusing the Islamic religion.	82.62	149	0.000	4.27	4.17	4.38
Islam makes compulsory to choose Islamic Insurance rather than conventional one.	109.86	149	0.000	4.50	4.42	4.58
Islamic insurance is very important to protect the religion.	109.40	149	0.000	4.41	4.33	4.50
Choosing Takaful because conventional insurance is prohibited in Islam	106.34	149	0.000	4.44	4.36	4.52
To protect the religion become the most factor why I am choosing Takaful	93.03	149	0.000	4.31	4.21	4.40
Protection of religion is the reason number one in participating in any financial instruments.	102.78	149	0.000	4.347	4.26	4.43

The objective of the study is to examine whether the Protection of Religion of *maqasid shari'ah* has an influence factors in participating into family *takaful* products. Based on this study through getting the respond from related respondents, finally analysis shows that the Protection of Religion factor showing such a positive significant relationship. Then what this means is, before participating into family *takaful* products, participants need to consider to what *maqasid shari'ah* whispered to fully achieved the objective stated.

### **Conclusion**

In conclusion, most of the products offered in *takaful* institutions are in conformity with the *Maqasid Shari'ah* perspective as sustainable of financial planning which bring to the social well-being and impartiality for the public interest (*maslahah*). Therefore, the choice of *takaful* products is falls under the category of necessities (*daruriyyah*), needs (*hajiyyah*) and embellishments (*tahsiniyyah*) by taking into consideration on the preservation of religion (*al-ddin*).

It is important not only in developing *takaful* as a part of industry growing but then beyond than that to fulfill the needs of Muslim as well for all the others in this world and the hereafter. Not denying that taking *takaful* is about participating in part of long-term financial commitment and involving the issues of financial capabilities and at the same time, currently the financial economic is quietly tough so participants really need to make such a considerable decision in taking part in *takaful*. Muslim really need to truly understand what *maqasid shari'ah* encourage us, what are the best reason which in line with *shari'ah* to participate in *takaful* in order it would not give a burden to the *Muslim* itself.

The major findings of this study are, all the *takaful* products are in line with the *maqasid shari'ah* which preservation of religion. However not all participants out here really understand what the real purpose of taking the *takaful* products. Mostly people who do not have any knowledge about *takaful* think that *takaful* is about only a business activity. That is why, it is important to make all understand why they need to participate in *takaful* as what this study has come out, which in conformity with the preservation of religion as well as *maqasid Shariah*.

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