TOWARD UNDERSTANDING THE KNOWLEDGE ON THE CONCEPTS AND ARABIC TERMS IN TAKAFUL

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The word takaful is derived from the Arabic word kafala which means to guarantee, looking after or trust. The noun takaful is derived from the adverb takafala which literally translates to “looking after one another”. The market share of takaful in the insurance industry is only 5.1 percent. It is extremely low compared to 31 percent for the conventional insurance market despite the existence of takaful in Malaysia since 1984. This article investigates this issue by discussing the results of a study on the level of knowledge and understanding among Muslims in Malaysia towards the concepts of Arabic and shariah terms in takaful. A sample of 500 Muslim banking customers in Kuala Lumpur was surveyed. Surprisingly, the majority of respondents did not know and understand about tabarru’ which is the main and core feature of takaful which distinguishes it from conventional insurance. Most of the respondents did not know about the newly practiced in takaful i.e. al-ujrah (commission) and al-wakalah (agent). A majority of respondents did not know and understand about the elements of gharar and maysir which make conventional insurance go against the principles of shariah. The majority of respondents agreed with the use of Arabic terms in takaful. The most quoted reasons by the respondents are to differentiate the concept of takaful from conventional insurance and to show that takaful promotes Islamic finance products. Some of the findings in this study may be useful to the takaful companies in their effort to enhance their marketing and promotion activities.

**Key words:** Takaful, insurance, syariah terms

The word takaful is derived from the Arabic word *kafala* which means to guarantee, looking after or trust. The noun takaful is derived from the adverb takafala which literally translates to “looking after one another”.

Bakar (2000) asserts that, takaful differs from conventional insurance in the sense that the company is not the ‘insurer’ insuring the participants. The persons
participating in the scheme mutually insure one another and this is the very essence of the word takaful in Arabic. This means takaful is a scheme or a social program for the collection of funds for the aid of participants in the contingent future.

The central arguments among the shariah scholars on the position of conventional insurance in Islam involve three major issues. First, the contract between the insurer (insurance company) and the insured (policy holder) contains some degree of avoidable uncertainty. This is termed as gharar. Second, the insurance contract per se is riba (unequal exchange of value) and also the investment made by the insurance companies involves the element of riba. Third, the excessive element of uncertainty (gharar) can lead to the issue of maysir (gambling). Consequently, the majority of the juristic scholars came to an agreement that the practice of conventional insurance is not in line with and therefore it is not permitted in Islam, unless these major elements could be eliminated.

In Malaysia, a fatwa has been made by the Fatwa Committee of the National Council for Islamic Religious Affairs Malaysia. At a meeting held on 15 June 1972, this issue was discussed and deliberated. It was concluded that life insurance provided by conventional insurance companies is a business transaction which is voided because it contradicts the Islamic business principles in view that the contract contains the elements of gharar, maysir and riba.

The development of takaful began in 1979 with the establishment of the first Islamic insurance company in Sudan and Islamic Arab-Insurance company in Saudi Arabia (Ma’sum, 2001). The foundation for the development of takaful in Malaysia was set by the wish of Muslims to realign more to Islamic practices in their economic activities (Yusof, 2000). A special task force was formed in 1982 to look into the possibility of establishing an Islamic insurance company to complement the services of Islamic banking. Following the Task Force recommendations, the Takaful Act was enacted in 1984. In August 1985, the first takaful operator (Syarikat Takaful Malaysia Sdn. Bhd.) established by Bank Islam Malaysia Berhad, commenced its operation.

In 1988, Bank Negara Malaysia assumed the regulation and the supervision of the insurance and takaful industries. The first takaful operator showed remarkable growth over the first eight years of its business, supported by the favorable demand for Islamic insurance. A second takaful operator (Takaful Nasional Sdn Bhd) entered the industry in 1993. The second operator was intended to create competition and open a vista for the exchange of business through retakaful. It also accommodated the increased demand for Islamic insurance coverage arising from services provided under the interest-free banking system introduced in 1993. Two takaful licences were issued again by Bank Negara Malaysia to Maybank Takaful Sdn Bhd and Takaful Ikhlas Sdn Bhd in 2002 and 2003 respectively. They are composite takaful operators carrying on both family Takaful and general takaful businesses. Another four new licenses were also issued by Bank Negara Malaysia at the end of 2005.
Statement of the Problem

In Malaysia, over the period 1986-2000, the total takaful contribution recorded an average growth rate of 47%. In the takaful business, the total contribution increased from RM1.6 million in 1986 to RM522.7 million in 2000 (Bank Negara Annual Report, 2005). The Takaful fund assets of both family and general takaful have registered an average 68% rate of increase over the same period. Table 1 shows the key indicators of takaful performance respectively for five years. From Table 1 it can be seen that the market share of takaful in the Malaysian insurance industry was only 5.1 percent in 2004. It is extremely low compared to 31 percent for the conventional insurance market.

Table 1

<table>
<thead>
<tr>
<th>Key Indicators(^1) of Takaful in Malaysia</th>
<th>1986(^2)</th>
<th>1990</th>
<th>1995</th>
<th>2000</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution Income</td>
<td>1.6</td>
<td>28.4</td>
<td>94.9</td>
<td>522.7</td>
<td>1,123.1</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>0.6</td>
<td>8.4</td>
<td>37.0</td>
<td>373.0</td>
<td>794.4</td>
</tr>
<tr>
<td>General Takaful</td>
<td>1.0</td>
<td>20.0</td>
<td>57.9</td>
<td>149.7</td>
<td>328.7</td>
</tr>
<tr>
<td>Market share of insurance industry (%)</td>
<td>…</td>
<td>0.8</td>
<td>1.0</td>
<td>3.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Assets</td>
<td>1.4</td>
<td>38.2</td>
<td>183.3</td>
<td>1,872.9</td>
<td>5,028.7</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>0.6</td>
<td>15.5</td>
<td>94.2</td>
<td>1,542.4</td>
<td>4,305.1</td>
</tr>
<tr>
<td>General Takaful</td>
<td>0.8</td>
<td>22.7</td>
<td>89.1</td>
<td>330.5</td>
<td>723.5</td>
</tr>
<tr>
<td>Market share of insurance industry (%)</td>
<td>…</td>
<td>0.4</td>
<td>0.7</td>
<td>3.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Market Penetration(^3)</td>
<td>…</td>
<td>0.1</td>
<td>0.3</td>
<td>2.5</td>
<td>5.1</td>
</tr>
</tbody>
</table>

1. In RM million
2. The first financial year year-end in 1986
3. Number of takaful certificates in force divided by total population
   … Negligible


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\(^1\) The Financial Sector Masterplan, Bank Negara Malaysia 2001, p. 148
Why is takaful participation low compared to conventional insurance despite the existence of takaful in Malaysia for more than 20 years since 1984? Thus this study tries to investigate this issue by conducting a survey on the knowledge and understanding of people toward Arabic and syariah terms in takaful. This study is an extension of an earlier study conducted by Norlida, Rosemaliza, and Yusnidah (2004) which studied the awareness and ownership of family takaful scheme among the Muslim community in Malaysia. Our study will contribute in this area to the extent that we extend the study and try to include a survey on the level of knowledge and understanding on Arabic and syariah terms in takaful.

Research Objective

The main objective of this study is to identify the level of knowledge and understanding of people on the concept, Arabic and shariah terms that have been used in takaful business among Muslims in Malaysia. To achieve this objective, the level of awareness in the existence of takaful and participation in the takaful products among the respondents will also be tested and addressed in this study.

Earlier Evidence Based on Previous Studies

The findings of empirical evidence of previous studies on the subject of takaful seem to be limited. Most of the studies conducted by previous researchers were more on takaful concept (Bakar, 2000; Kamaruddin, 1997; Ma’sum, 2001; Maysami & Kwon, 1997). However, Norlida et al. (2004) have explored the awareness and ownership of family takaful scheme among the Muslim community in Malaysia. They found that nearly 50 percent of the respondents are aware of the existence of the Family Takaful Scheme. In general, they claim that the respondents lack proper understanding of certain characteristics and operations of Family Takaful Schemes.

Although the literature is limited, we try to discuss some previous studies related to takaful demand but these studies were on conventional insurance. Consumers’ purchasing behavior with regard to life insurance products is affected by many environmental factors such as the demographic, the economic and the political. Among the demographic factors that may affect consumption of life insurance are the number of dependents, age, and income level, education, culture and religion. Some of the economic factors that may affect insurance purchases are gross domestic product, per capita income, interest rates and inflation. Political factors relate to government policies concerning insurance regulations and tax exemption.

Findings from a study by Truett and Truett (1990) demonstrated that consumption of life insurance and the number of dependents were positively related. This was expected, since the principal purpose of life insurance is to protect the number of dependents against financial loss in the event of a premature death of the primary money earner. The loss is made worse for the immediate family were
there no readily available assets to meet their basic needs on an ongoing basis. Such
a situation creates tremendous hardship for the immediate family members, even
forcing them to resort to public welfare. Hence, individuals with children or
dependents were more inclined to own life insurance protection. The ratio of
dependents has also been shown to have positive relationship with the life insurance
demand (Beenstock, Dickinson, & Khajuria, 1993; Browne & Kim, 1993; Outreville, 1996; Truett & Truett, 1990).

Besides dependents, education has also been hypothesized to be positively
related to the demand for life insurance. Browne and Kim (1993) in their study
showed that a higher level of education may lead to a greater degree of risk
aversion and a higher level of awareness of the importance of insurance as well as
the availability of various products in the market to suit their needs. In addition,
education lengthened the period of dependency, which, as discussed above, results
in a higher demand for life insurance.

Berekson’s (1972) findings in his study suggest that age, number of
children, income, life cycle and birth order were associated with life insurance
ownership. Several other variables have also been suggested as influencing the
insurance purchase decision (Burnett & Palmer, 1984) such as family composition,
race, urban/rural location, attitude toward risk or death, insurance agent salience,
savings salience and family orientation. Through the Tobit analysis done by
Showers and Shotick (1994), it was shown that the number of working households
had a positive relationship with insurance demand. However, a study carried out by
Ferber and Lee (1980) and Goldsmith (1983) showed contrary results. Chang
(1995) did a study on the growth of universal life insurance. A universal life policy,
which provides a lifetime insurance protection to its policyholders, has some
attractive features such as flexibility in the amount of premium and the death
benefits. The policy also provides transparency to the policyholders by breaking
down its protection, savings and expense components. Chang’s findings showed
that the current interest rates of the universal policies had a strong positive
relationship with the market growth of the product. The current mortality charges
had been found to have a negative impact on sales of universal policies. Similarly,
competition from other life products was expected to have some impact on the sales
of universal policies. It was found that the sale of the whole life insurance products
had a negative effect on the sales of universal products. In that study, the effects of
the short term interest rate, the individual savings interest rate and the inflation rate
were found to be insignificant to the sales of universal life policies.

Inflation has been proven to have a negative impact on the insurance
industry. Fortune (1973) and Babbel (1981) demonstrated that inflation was
detrimental to the demand for life insurance. A high inflation rate caused many
existing policy holders to either cash out or withdraw sizeable sums through policy
loan provisions, in order to take advantage of higher rates of return in other
investment instruments. At the same time, other financial institutions may become
more aggressive in the competition for savings dollars. As a result, insurers
experienced a significant decline in the sale of new traditional (without inflation
protection) cash value insurance products. There was also an increase in the
replacements and lapses of existing policies. This economic factor motivated life insurers to develop new products with built-in inflationary mechanism. Universal life insurance, which was introduced in the US to meet the inflation-induced needs of both insurers and their policy holders, is perhaps the most significant to date. Unfortunately, this product is unavailable in Malaysia.

The effect of the inflation rate on the traditional life insurance products has also been studied by Maas (1994). Consistent with the findings of Fortune (1973) and Babbel (1981), his findings showed that the inflation rate had a negative relationship with the traditional life insurance products. Inflation reduced the value of life insurance products; hence it became a less desirable or less needed product. According to Cargill and Troxell (1979), the inflation rate influenced the life insurance industry by changing the demand pattern of its products.

Cultural perception on the role of life products varies substantially among citizenships, races and religions. Each individual’s demand for life insurance may be affected by his or her culture and religious belief. Douglas and Wildavsky (1982), in their study, confirmed the expectation that culture and religion of a nation may affect the population’s risk aversion. Japanese, who are known for their security mindedness, paid the highest life premium per capita for 1990 (Black & Skipper, 1994). In that year, they paid the equivalent of US$1,645.45 per capita in premium to life insurance companies, while the Swiss, who came in second, paid US$1,635.09 per capita. Around ninety percent of Japanese adults owned some form of life insurance. In the United States, about seventy percent of the adults were covered by at least one life policy. In contrast, only about 28% of the population has life insurance protection in Malaysia. Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption. His results indicated that consumers in Islamic country purchase less life insurance than those in non Islamic countries.

The above discussion highlighted many demographic, economic and political factors that have been found to influence the life insurance industry worldwide. In this paper, we will attempt to extend the study by using an instrument of survey used by Norlida et al. (2004) in which we extend the study on the issue of knowledge and understanding of concepts, Arabic and Shariah terms in takaful. Before we proceed with the section of data and methodology, however, it is crucial to discuss the models of takaful so that some of the Arabic and Shariah terms could be abstracted to develop the questions in the questionnaire survey.

Arabic Terms In Takaful

Based on the concepts and models of takaful above, we have pointed out several Arabic terms to be surveyed to test the understanding of people with regard to the following terms:

1. Takaful Islamic insurance provided under the principle of mutual support and help among participants
2. Tabarru’  A gift or sadaqah
3. Gharar    Deception involving deliberate creation of, or exploitation of, or 
uncertainty in the contract of business
4. Maysir   Gambling
5. Riba     An addition or excess in the principal of a loan or exchange of 
ribawi items
6. Mudharabah Profit sharing contract between two parties namely capital 
provider and entrepreneur.
7. Wakalah  Agency
8. Ujahra   Commission
9. Takaful Tijari  Islamic insurance commercial driven

**Methodology**

**Sample**

A sample of 500 Muslim banking customers living in Kuala Lumpur was 
surveyed. Out of 500 questionnaires distributed, 232 were returned. The selection of 
samples was based on convenience and these customers were randomly recruited at 
commercial banks in a Malaysian city. Kuala Lumpur was chosen because it is the 
heart of the financial institution activities and it represents the most competitive 
banking environment compared with other cities.

**Instrument**

The data for this study were collected through self-administered 
questionnaires distributed by assistant researchers. The questionnaire contains six 
sections as follows:

A. Demographic Information
B. Awareness
C. Knowledge and understanding on the concepts of takaful
D. Participation on takaful products
E. Knowledge and understanding of Arabic and shariah terms in takaful
F. Opinion in the use of Arabic terms

Respondents were asked to give their responses, either Yes or No.
Data Analysis

The data were analyzed using the Statistical Package for the Social Sciences (SPSS) version 12.0. The authors used only descriptive analysis to see the distribution pattern and percentage of the major issues in focus.

Results

Awareness

This study found that 86.21 percent respondents were aware of the existence of takaful. The percentage shown in Table 2 indicates that the existence of takaful was very much realized by people after more than 20 years of its existence in Malaysia. Out of all respondents, only 60.34 percent have ever been to takaful companies.

<table>
<thead>
<tr>
<th>Existence of takaful</th>
<th>Have you ever been to takaful companies?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>200</td>
<td>32</td>
</tr>
<tr>
<td>(86.21%)</td>
<td>(13.79%)</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>140</td>
<td>92</td>
</tr>
<tr>
<td>(60.34%)</td>
<td>(39.66%)</td>
</tr>
</tbody>
</table>

Knowledge and Understanding of the Concepts of Takaful

Questions were designed and asked to gauge respondents’ knowledge and understanding on the concepts of takaful. Table 3 shows the mean score of the responses.
Table 3  
Mean Score on the Knowledge and Understanding of the Concepts of Takaful

<table>
<thead>
<tr>
<th>No</th>
<th>Items</th>
<th>Mean Score*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Takaful is free from riba</td>
<td>3.88</td>
</tr>
<tr>
<td>2</td>
<td>Takaful involve maysir element</td>
<td>3.17</td>
</tr>
<tr>
<td>3</td>
<td>Takaful is free from element of gharar</td>
<td>3.51</td>
</tr>
<tr>
<td>4</td>
<td>There is not much difference between takaful and conventional insurance</td>
<td>3.25</td>
</tr>
<tr>
<td>5</td>
<td>Takaful al-Tijari is currently practiced by Malaysian Takaful Companies</td>
<td>3.38</td>
</tr>
<tr>
<td>6</td>
<td>Takaful is a tabarru’ contract</td>
<td>3.53</td>
</tr>
<tr>
<td>7</td>
<td>Takaful contract is a buying and selling contract</td>
<td>3.35</td>
</tr>
<tr>
<td>8</td>
<td>The relationship between takaful participants and takaful company is an insured and insurer relationship</td>
<td>3.46</td>
</tr>
<tr>
<td>9</td>
<td>The premium paid under takaful is known as contribution</td>
<td>3.59</td>
</tr>
<tr>
<td>10</td>
<td>Al-Mudharabah in takaful is a contract of profit sharing.</td>
<td>3.67</td>
</tr>
<tr>
<td>11</td>
<td>Al-Wakalah in takaful is an agency contract</td>
<td>3.04</td>
</tr>
<tr>
<td>12</td>
<td>Al-Ujrah is used in Al-Wakalah contract</td>
<td>3.34</td>
</tr>
<tr>
<td>13</td>
<td>The product is open to Muslims and Non-Muslims</td>
<td>3.72</td>
</tr>
</tbody>
</table>

* 1 = strongly disagree; 5 = strongly agree

The present study found that respondents tended to agree that *takaful was free from riba* with the highest mean score of 3.88. Results revealed that the respondents tended to agree that the takaful products were open to Muslim and non-Muslims and also al-Mudharabah in takaful are a contract of profit sharing with the mean score of 3.72 and 3.67 respectively. However, the overall mean scores in the 13 questions were in the range of 3.00 to 3.50 which indicate that the sample of was not so sure about the concept of takaful. This result shows that a campaign of
takaful knowledge should be planned, organized and done in order to disseminate the information and knowledge about takaful to the public.

Knowledge And Understanding Of Arabic Terms In Takaful

Table 4

Knowledge and Understanding of Arabic Terms in Takaful

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you know what is takaful?</td>
<td>168</td>
<td>64</td>
<td>232</td>
</tr>
<tr>
<td>(72.41%)</td>
<td>(27.59%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what Takaful al-tijari means?</td>
<td>72</td>
<td>160</td>
<td>232</td>
</tr>
<tr>
<td>(31.03%)</td>
<td>(68.97%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is Al-Mudharabah?</td>
<td>136</td>
<td>96</td>
<td>232</td>
</tr>
<tr>
<td>(58.62%)</td>
<td>(41.38%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is tabarru’?</td>
<td>136</td>
<td>96</td>
<td>232</td>
</tr>
<tr>
<td>(58.62%)</td>
<td>(41.38%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is wakalah?</td>
<td>52</td>
<td>180</td>
<td>232</td>
</tr>
<tr>
<td>(22.41%)</td>
<td>(77.58%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is gharar?</td>
<td>88</td>
<td>144</td>
<td>232</td>
</tr>
<tr>
<td>(37.93%)</td>
<td>(62.07%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is maysir?</td>
<td>40</td>
<td>192</td>
<td>232</td>
</tr>
<tr>
<td>(17.24%)</td>
<td>(82.76%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what is ujarah?</td>
<td>208</td>
<td>24</td>
<td>232</td>
</tr>
<tr>
<td>(89.66%)</td>
<td>(10.34%)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Do you know what differences between takaful and conventional insurance?</td>
<td>148</td>
<td>84</td>
<td>232</td>
</tr>
<tr>
<td>(63.79%)</td>
<td>(36.21%)</td>
<td>(100%)</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 shows the percentage of the 10 questions which is related to the knowledge and understanding of Arabic terms in takaful. It shows that there are still 27.59 percent of respondents who do not know and understand what takaful is and about 68.97 percent of the respondents do not know the takaful al-tijari which is commercial takaful that is being practiced in Malaysia.

Surprisingly, the majority of the respondents (67.24%) do not know and understand about tabarru’ which is the main and core feature of takaful that is totally different from conventional insurance. Most of the respondents do not know
and understand about the new concept that is practiced in takaful, that is, *al-ujrah* (commission) and *al-wakalah* (agent).

We have discussed the three elements (gharar, maysir and riba) that make the practice of conventional insurance go against the principles of shariah. Unfortunately, about 68 percent and 62 percent of the respondents do not know and understand about the elements of gharar and maysir respectively. However, about 89 percent of the respondents know and understand about riba.

The last question shows that 63.79% of the respondents know and understand the differences between takaful and conventional insurance. However, the researchers did not explain in detail what the respondents have known and understood about the differences between the two insurance systems.

### Opinion on the Use of Arabic Terms

Table 5

<table>
<thead>
<tr>
<th>Opinion on the Use of Arabic Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Do you agree with the use of Arabic terms in takaful products?</td>
</tr>
<tr>
<td><strong>NO</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Table 5 shows the frequency and percentage of the respondents whether they agree or not with the use of Arabic terms in takaful. Interestingly, the majority of the respondents (74.14%) have agreed with the use of Arabic terms in takaful products.

### Reasons for Accepting the Arabic Terms

Table 6

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To show it’s Islamic finance products</td>
<td>108</td>
<td>36.99</td>
</tr>
<tr>
<td>To differentiate from conventional insurance.</td>
<td>116</td>
<td>39.73</td>
</tr>
<tr>
<td>To attract more Muslim participation</td>
<td>64</td>
<td>21.92</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>1.36</td>
</tr>
</tbody>
</table>

| Total                         | 292       | 100        |
Table 6 shows the frequency of stated reasons for accepting the use of Arabic terms in takaful products among the participants. It is found that the main reason is to differentiate takaful from conventional insurance. The second reason is to show that takaful promotes Islamic finance products.

Table 7

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To avoid misunderstanding towards takaful products</td>
<td>40</td>
<td>43.48</td>
</tr>
<tr>
<td>To attract more Non-Muslim participation</td>
<td>8</td>
<td>8.70</td>
</tr>
<tr>
<td>To attract more participants to takaful products</td>
<td>24</td>
<td>26.08</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>21.74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>92</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 7 shows the frequency of stated reasons for not accepting the use of Arabic terms in takaful products among the participants. It was found that the main reason is to avoid misunderstanding about takaful products and also to attract more participants to takaful products.

**Conclusion**

Specifically, the present study focuses on the respondents’ understanding of concepts and Arabic terms in the contract and operations of takaful. However, awareness and participation in takaful products are also tested to find out respondents’ level of understanding of takaful in general.

The statistics obtained in this study illustrate the level of knowledge and understanding of the respondents toward the Arabic and syariah terms in the Islamic insurance business. Interestingly, the majority of the respondents agreed with the use of Arabic terms in takaful products. The most often cited reason for accepting the use of Arabic terms is to differentiate takaful from conventional insurance. The second reason is to show that takaful promotes Islamic finance products.

Surprisingly, the majority of the respondents do not know and understand about tabarru’ which is the main and core feature of takaful that is totally different from conventional insurance. Moreover, most of the respondents do not know and understand about the concept that is newly practiced in takaful, namely *al-ujrah* (commission) and *al-wakalah* (agent). We have discussed the three elements
(gharar, maysir and riba) that make the practice of conventional insurance contrary to the principle of shariah. Unfortunately, about 68 percent and 62 percent of the respondents do not know and understand about the elements of gharar and maysir respectively.

However, since the data collected were somewhat limited, the findings of this study may not necessarily represent the actual level of understanding and knowledge of people toward the issues concerned in this study. However, the findings would be able to provide some indication of what the people, especially Muslims, think about the use of Arabic terms in takaful. The authors propose to undertake further studies, with larger sets of data in which to extend the survey in other regions of Malaysia in states such as Kelantan, Terengganu and Kedah. These states are considered as the Malay heartland states of the country where the results might be more representative of the issues concerned.
References


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