

Participants' Knowledge and Awareness about Islamic Insurance: A Study on Sammanthurai in Sri Lanka

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Abstract: Takāful (Islamic insurance) is growing rapidly but it is still behind conventional insurance. Most of the researches reveal the fact that general public is unaware about Takāful and Takāful awareness level is low among general public. Hence, the major objective of this study is to explore the awareness level as well as knowledge level of Takāful. For this purpose, a representative sample of 160 respondents which comprise general Muslim public from Sammanthurai division participated in this survey. Random sampling is used to measure the Takāful awareness and Descriptive analysis used to analyze the data collected from via questionnaires. Furthermore, The finding of this study indicated that out of 160 respondents, only 49 of them are aware of Takāful while 45 respondents do not know about Takāful and others majority of respondents are not conformed about it. Although, Takāful is being offered in Sri Lanka since 1999, its awareness seems to be low. It is recommended that Takāful operators should enhance their marketing strategy and simplify the product features to capture the untouched market.

Key Words: Takāful, Awareness, Knowledge, Sammanthurai, Muslims.

I. INTRODUCTION

Interest and interest-based activities are strictly prohibited by Islam in commercial and financial activities. For this reason, contemporary Muslims should have been making efforts to create alternatives to fulfill their financial needs which have been experiencing in commercial life over recent decades. One of the important parts in the financial sector is insurance service (Ustaoglu, 2015).

The basis of insurance is purely consists the element of interest in both life and general insurance. It will be existed when the policy holder can gets greater compensation then the premium. Investing in interest-based instruments is the primary source of income for conventional insurance (Hassan et al., 2018). Moreover Conventional insurance's operators currently have no restrictions on where they can invest regardless of what Shari'ah says, operators can invest anywhere they like (Salman, 2014). Riba is prohibited in Islam as mentioned in many places of Qur'an and Sunnah. "Allah has permitted Trade and prohibited Riba (Interest) (Qur'an 2:275).

Likewise Insurance involves uncertainty when the time of entering into the Insurance contract, the subject matters premium and claim are not known by both parties. This situation creates that, it is unclear for what the policyholders are paying. Usually there is not exact information regarding future losses which creates uncertainty of the substance for which the policyholders are spending their money (Kasim, 2015).

Furthermore, Gambling is the base for conventional insurance because it is a game of gain or loss. If the policy holder eligible to get the claim for the specified loss or accident, it will be the loss for the insurance company, they have not met any accidents, then the insurance company gain profit while the policy holders loss their premium (Salman & Htay, 2014). According to following verse Gambling considered as prohibited in Islam. "O believers, this wine and gambling, these idols, and these arrows you use for divination, are all act of Sathan whereby keep away from them. You may successful" (Qur'an5:90).

With these points the conventional insurance industry is including such prohibited elements are explained above. Due to this, it is a strong need in the world to improve interest – free insurance mechanisms as an alternative to conventional insurance, it will be the Islamic insurance (Takāful). Islamic Insurance is the only insurance product that is free from Uncertainty, Gambling and Interest and is the best alternative that was introduced to conventional Insurance (Hassan et al., 2018).

Takāful is derived from the Arabic root-word 'Kafala' which means guarantee, bail, warrant or an act of securing one's need (Ahmad Salman, 2015). In section 2 of the Malaysian enactment of the Takāful Act 1984, it is defined that: "Takāful is a scheme based on brotherhood, solidarity and mutual assistance which provides for financial aid and assistance to the participants mutually agree to contribute for that purpose"

As we know that, Sammanthurai is a majority of Muslim Division is noted that about 11.0 percent of the population was non-Muslim (by including Sinhalese 0.094% and Tamils 11.65%), which means that about 89.0 percent, majority of the population in Sammanthurai is Muslims. so, it is needed to

investigate the level of awareness of Islamic Insurance among Muslim people in Sammanthurai Area.

Problem Statement

The concept of Takaful is to protect the human being especially, when they are harm. It is nature. When one person falls in danger or harm situation the rest of people will help the person who is suffering the loss. It will be happened based on Takaful system. So it is very important for all individual, society, as well as business people.

In recent years, there are some differences in commercial and financial activities by following Islamic principles and its rules. Islamic banks and Islamic insurance are growing at repaid tendency in Sri Lanka (Islamic finance today, 2019). There was an unparalleled demand of Islamic insurance in the market with full support of the government. It is not confined by the Muslims rather it goes regardless of religion and race (Islamic finance today, 2019). Hence, Muslim consumers are now able to choose Takāful instead of conventional insurance policy due to development and growth as a Shari'ah compliant insurance. Therefore, the Muslim preferences on Takāful should be taken into consideration by investigating the Muslim's level of awareness on Takāful. This gives good opportunity for the researcher, to evaluate the level of awareness of Takāful among Muslim public in Sri Lanka, particularly in Sammanthurai division.

Research Question

Specifically, this study has been undertaken to explore the answers to the following research questions in order to solve the research problem of the study;

RQ1: Are the Muslim people in Sammanthurai aware on Takāful business?

RQ2: Do the Muslim population of Sammanthurai have enough knowledge about Takāful business?

Research Objective

The main research objective of this study is developed, in order to answer to above research questions. Further the research discusses the following objectives,

Primary Research Objective is:

RO1: To measure the level of awareness of Muslim people in Sammanthurai about the operations of Takāful business.

Secondary Objective is:

RO2: To evaluate the level of knowledge of Muslim people in Sammanthurai about Takāful concept.

II. LITERATURE REVIEW

The research was done by Salleh & Laksana (2018). A quantitative method was used with survey of structured questionnaires. It was distributed among 536 flood victims in the east-coast region of Malaysia. This study focused to calculate the level of awareness among them. Demographic

information was collected from flood victims. It was included descriptive and cross tabulation analysis. According to the analysis method the researchers were find out that, the Takaful was not sure among them as uncertain, and the younger generation more aware than elders, the group of married people were less aware than single victims, and also the high level education victims those who followed (diploma, degree, and PhD) they more aware of Takaful existence and the need to have its protection.

Another research was completed by Salman et al. (2017) with the consideration of both parties Muslim and non-Muslim policy holders in India. The findings showed that, non-Muslim insurance policy holders are unaware that insurance practices involve uncertainty, gambling, and interest, thus, the majority of non-Muslims do not believe that, insurance practices are violating their religious teachings and should be prohibited. Majority of Muslim and non-Muslim respondents believed ethics is important in insurance practice. Anyhow the final decision was taken by the researcher based on analysis; the awareness and knowledge of Takāful is very low in India.

Hussain & Rahman (2016), carried out the research to evaluate the consumer's intention to participate in Takaful. The study was conducted among 384 respondents. The finding indicated that awareness, knowledge and exposure have impacts on Takaful participation. The result was discovered that word of mouth and mass media have a huge influence on subjective norm and consequently, the subjective norm can influence the intentions to participate in Takaful.

Another research was done by Iqbal et al. (2016) to evaluate the awareness and preferences of Takāful participants in Pakistan. For the calculation, the 100 respondents were selected from three major cities, Peshawar, Lahore and Karachi. Based on ANOVA analysis method, the findings showed that, that majority of customers have awareness about Takaful and agree that Takaful companies are in compliance with Shari'ah regulations. The reason was found as majority of customers (47%) aware about Takaful for the religious reasons not for the opportunity of saving plane or profitability purpose.

The research was conducted by Younes Soualhi1 & Ahmad Al Razni Al Shammari (2015) to examine the awareness of Takāful among Kuwaitis. The quantitative method was used to collect the data by the way of questionnaire. The analyze method was used such as Descriptive, T-test, ANOVA, and Discriminate. 640 respondents were chosen as sample. The finding showed that, more than 50% respondents don't hear about Takaful while there were 14 Takaful operators in Kuwait. 63% participants are not sure as which way they used to invest their contributions and them also not sure whether it based on Shari'ah compliant or not. In addition majority of them unaware that if any surplus remains in Takaful pool, they are eligible to receive it.

Ayuba (2014), conduct the research to measure the public attitude toward Takaful patronage in Kano metropolis. The

findings were provided by the researcher as awareness of Takaful services among Muslim is essential; because of some of them from Takaful consumers those who are unable to find differences Takaful and conventional Insurance. The reason was reported as the low growth of Takaful product that, the doubt was raised among on the part of Muslim Ummah even non-Muslims those who interest to consume ethical products.

Siti Srikuntanti Bt. Mohamad Askar. (2013), this research was conducted among Malaysian consumers to know the perception on Takaful business Quantitative method is used to conduct the research whereby, 100 sets of questionnaire had been distributed. This study was focused on teachers, students and non-academic staffs on their understanding of Takaful elements and their awareness on the need and the importance of Takaful. Analysis is done in descriptive mode, Pearson Correlation and Analysis Factor; the finding was found that, the awareness of Takaful is based on the knowledge on the Takaful products.

They also give us the results and conclusions of those researches already conducted on the same area for different countries from different aspects. On basis of this research done in different country and this research have developed own methodology for research.

III. RESEARCH DESIGN AND METHODOLOGY

Sampling Area

The researcher has selected Sammanthurai division as sample of this study.

Data Collection Method

The research can be classified as a quantitative research. The researcher conducts the research on the bases of two data sources, namely primary and secondary.

Primary data is collected by distributing self-structure while secondary data will obtain from library research consisting of books, articles, newspapers, magazines and online resources.

Primary Data

Primary data is collected by distributing self-administered questionnaires among 200 general Muslim people in

Sammanthurai. The questionnaire will be categorized and will consist of sets of questions related to knowledge of Takāful as well as awareness of Takāful.

Secondary Data

- Related articles
- Relevant text books
- newspapers, magazines and other online resources

Method of Measurement

For data analysis, descriptive analytical techniques such as column chart, line charts, pie charts, graphical illustration etc. will be used. For the statistical data will be analysis through MS-excel to analyze the primary data was obtained from the questionnaire.

Significance of the Study

Islamic Insurance was first introduced by Amana Takāful in year 1997, at present there are, 27 conventional Insurance companies practicing in Sri Lanka (IBSL 2014), they are competing each other to attract a large number of customers in the society. At the same time Amana Takāful also considered as an insurance company for offering Islamic Insurance services for the community.

Generally, various studies have been carried out by the researchers in related to the awareness on Islamic banking among Muslim people in Sri Lanka. And a large number of researches also based on the particular topic of “awareness on Takāful” conducted all over the world. In Sri Lanka there are few studies only talked about the awareness on Takāful.

Therefore, this research tries out to evaluate the level of awareness on Takāful among Muslim people in Sri Lanka, particularly in Sammanthurai Division.

IV. RESULTS AND ANALYSIS

Objectives of this research are to evaluate the knowledge and awareness of Takāful. Therefore, Questions 1-5 are created to examine the respondents’ knowledge of Takāful. On the way, stage of Takaful awareness in related to knowledge has been shown in the table 1

Qes. No	Questions	No of respondents					Percentage %				
		1	2	3	4	5	1	2	3	4	5
1	I have knowledge about Takāful scheme.	25	21	41	45	28	16%	13%	25%	28%	18%
2	I know that, Takāful scheme is based on Mutual Assistance.	33	18	43	57	9	21%	11%	26%	36%	6%
3	I know that, Takāful scheme is based on Solidarity.	29	18	43	55	15	18%	11%	27%	34%	10%
4	I know that, Takāful scheme is based on Brotherhood.	25	21	42	55	17	16%	13%	26%	34%	11%
5	Risks could be shared by Takāful participants in Takāful scheme.	28	12	52	40	28	18%	8%	32%	25%	18%

(Source: field research, 2020)

Related to Knowledge

Table 1 presents the descriptive statistic results. The questions are related to identify their knowledge on Takāful scheme,

whether they know about Takāful as based on Mutual Assistance, Solidarity, Brotherhood, and Risks could be shared by participants in Takāful scheme

The above table highlights the respondents' knowledge of Takāful out of 160 respondents, around half of them 77 (46%) have knowledge about Takāful while 29% do not know about Takāful. Therefore, the explanation in this part will be based on the findings from 77 respondents For some basic concept of Takāful such as Takāful scheme is based on Mutual Assistance, Solidarity, Brotherhood, and Risks could be shared by participants in Takāful scheme, almost half of the respondents have chosen 'agree' and 'strongly agree' While answering the questions to evaluate their knowledge about Takāful. This might due to most of the respondents are bachelor and diploma holders therefore, they have some possibilities to learn about takāful in their studies. Thus, they

have certain basic knowledge about the concept of Takāful. 66 (42%), 70 (44%), 72 (44%), and 68 (43%) know that Takāful is based on Mutual Assistance, Solidarity, Brotherhood, and Risks could be shared by participants in Takāful scheme.

Related to the Awareness

The Secondary objective of this study is to evaluate the Takāful awareness level. Therefore, questions from 6- 10 have been designed in order to evaluate the awareness level through the information gathered from the respondents by providing questionnaires. On the way, stage of Takāful awareness in related to awareness has been shown in the table 2

Qes. No	Questions	No of respondents					Percentage %				
		1	2	3	4	5	1	2	3	4	5
1	I understand the concept of Takāful.	36	9	66	44	5	23%	6%	40%	28%	3%
2	I am aware of Takāful terminologies (Tabarru, Insured, and Insurer)	35	38	30	40	17	22%	24%	18%	25%	11%
3	I am aware of Takāful products	41	14	38	43	24	26%	9%	23%	27%	15%
4	I am aware of Takāful operation in Sri Lanka	40	27	27	42	24	25%	17%	17%	26%	15%
5	I am aware of the differences between Takāful and insurance	41	20	35	50	14	26%	12%	21%	31%	10%

(Source: field research, 2020)

According to the above table only 31% (28+3) respondents understand the concept of Takāful and 29% respondents disagree for this statement while others (40%) not sure about this. Therefore, the explanation in this part will be based on the findings from 31% respondents. The respondents were being tested on their level of awareness of the Arabic terms used by Takāful companies. Basically, there is lack of understanding of the Arabic terms (Tabarru, Insured, and Insurer). About half of the respondents 73 (46%) disagree this statement while only 36% of them understand about Takāful terminologies.

Takāful products and (35%) do not know about Takāful products.

Based on the analysis 41% know about Takāful operation in Sri Lanka and 42% do not know about it. Also, the respondents were examined further whether they aware of the differences between Takāful and insurance in terms of contract, payment, risk and religious and ethical aspect. Only 41% respondents aware of the difference while 38% not aware and 21% are not conformed.

Related to Religious Perspective

Takāful operators commonly offer two types of products such as general Takāful and family Takāful which are considered as Shari'ah compliant alternatives for general insurance and life insurance. Out of 160 respondents, 67 (42%) are aware of

Questions from 11- 16 are related to religious perspective, a factor that decides the Takāful awareness level. On the way, stage of Takāful awareness level in related to religious perspective has been shown in the table 3

Qes. No	Questions	No of respondents					Percentage %				
		1	2	3	4	5	1	2	3	4	5
1	I prefer the Takāful rather than insurance according to my religious	27	7	48	45	33	17%	4%	30%	28%	21%
2	Takāful is a fair and ethical insurance	23	13	51	57	16	14%	8%	32%	36%	10%
3	Takāful companies comply with shari'ah principles?	29	16	46	52	17	16%	10%	30%	33%	11%
4	Takāful does not involve in any prohibited business activities?	17	18	68	43	14	11%	10%	43%	27%	9%
5	Takāful is free from uncertain (Gharar), interest (Riba), and gambling (Maysir)	32	12	48	51	17	20%	8%	30%	32%	10%
6	Takāful is suitable for anyone regardless of religion	24	16	54	46	20	14%	10%	34%	29%	13%

(Source: field research, 2020)

According to the table the findings show that about 50% of them prefer the Takāful rather than insurance according to their religious while 21% do not agree this statement. Almost half of the respondents are aware of Takaful and 46% know that Takaful is an ethical and fair insurance. Also, 44% know that Takaful complies with Shari’ah and 26% do not know about it. Whereas 36% of them know that Takaful does not involve in any prohibited business activities. Also, 40% know that Takāful is free from prohibited element such as interest, uncertainty, and gambling and 28% do not know about it.

Regarding the suitability of Takaful for anyone regardless of religion, the 42% agree that it is suitable for anyone and 31.2% think it’s unsuitable.

Related to Marketing Strategies

Questions from 17- 22 are related to Marketing strategies, a factor that decides the Takaful awareness level. On the way, stage of Takaful awareness level in related to Marketing strategies has been shown in the table 4

Qes. No	Questions	No of respondents					Percentage %				
		1	2	3	4	5	1	2	3	4	5
1	The Takāful operators conduct workshops on Takāful policies.	30	27	60	34	9	19%	19%	35%	21%	6%
2	Advertising on the website about Takāful and its important.	33	13	64	39	11	21%	8%	40%	24%	7%
3	Available on Roadshow (handbill, poster, banner)	29	58	25	32	16	18%	36%	16%	20%	10%
4	Takaful products Advertising in television channels and radio.	25	31	60	27	17	16%	18%	38%	17%	11%
5	Takaful agents explain Takāful products to the participants.	34	18	70	28	10	21%	11%	44%	18%	6%
6	Display the Takāful products at conferences, education fairs, convocation and in the supermarket.	34	35	60	25	6	20%	22%	38%	16%	4%

(Source: field research, 2020)

Based on above table, out of 160 respondents, 43 respondents (27%) are only agree that Takāful operators conduct workshops on Takāful policies and 57 (38%) don’t agree this. 31% respondents agree that Advertising on the website about Takāful and its important while 29% chosen disagree. More than 50% respondents were disagree the statement that Takaful is available on Road show (handbill, poster, and banner) and only 30% agree this. With majority rated (38%) that they were neutral accept the statement as Takaful products advertising in television channels and radio while others 28% agree and 34% disagree.

Among the participants, 24% indicate that Takaful agents explain Takāful products to the participants. On other hand 32% disagree this statement while others majority percentage 44% respondents are neutral. Almost half of the respondents (42%) disagree the statement that Display the Takāful products at conferences, education fairs, convocation and in the supermarket and only 20% agree it.

V. CONCLUSION AND RECOMMENDATION

This study aimed to explore the awareness level as well as knowledge level of Takāful among general Muslim public in Sammanthurai area. The findings show that out of the 160 respondents, only 49 of them are aware of Takāful while 45 respondents do not know about Takāful and others majority of respondents are not conformed about it. And the respondents were being tested on their level of awareness of the Arabic terms used by Takāful companies. Basically, there is lack of understanding of the Arabic terms (Tabarru, Insured, and Insurer). About half of the respondents 73 (46%) disagree this

statement while only 36% of them understand about Takāful terminologies.

Moreover 32, %, 29%, and 29% do not know that Takāful is based on Mutual Assistance, Solidarity, and Brotherhood respectively. And 41% know about Takāful operation in Sri Lanka and others do not know about it. Although, Takāful is being offered in Sri Lanka since 1999, its awareness seems to be low. Thus, Takāful operators should enhance their marketing strategy and simplify the product features to capture the untouched market. Also some recommendations are given by the researchers as follows:

- Takaful operators often conduct free workshops and courses for the public to make them as known about Takāful concepts and principles as well as citizens about the differences between takāful and conventional insurance since most of them don’t know the clear picture about it.
- Takāful companies can arrange to give motivational talk to schools and higher institutions on what they can offer on Takaful insurance and service that they can offer after leaving the institutions.
- Also might recommended the ministry of education to suggest the schools and universities across the kingdom to increase the number of subjects related to Islamic finance and Islamic commercial jurisprudence.
- Takāful Companies should give more attractive offer or packages on their insurance which can be done quarterly or twice a year in order to attract more customers on their promotion.

- Takāful Companies should improve their customer service in terms of providing Takāful information and products offering due to lack of information were provided from the company itself as shown in the surveys result.

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