



UNIVERSITI TEKNOLOGI MARA

**THE PERCEPTION AND CHALLENGES OF
TAKAFUL IN MALAYSIA: A CASE ON TAMAN
MELEWAR RESIDENTS**

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AUTHOR'S DECLARATION

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ABSTRACT

Economy is a crucial section which can influence and give impact to the society and peoples, therefore a lot of contemporary issues has been discussed by the experts in order to improve the economic system practiced worldwide. The establishment of Takaful scheme is one of the new alternative to promote and improve the economy system. In addition, Takaful also is an alternative to the replacement of previous insurance which mostly was a conventional insurance and not comply with Shariah.

Literally, Takaful is derived from the Arabic word, “*kafala*” which means guarantee. Takaful also can be defined as scheme whereby a group of participants agree to mutually guarantee each other against a defined loss. The history and development of Takaful practice can be seen through the practice of custom *al-‘aqilah* which practised by tribe of ancient Arab. There are many differences between Takaful and conventional insurance. For example, Takaful is not following any prohibition mentioned by Allah such, *gharar*, *riba*, *maysir* and other prohibition elements, whereby the practice of Takaful was actually follow the principle and concepts regulated by the Shariah. Moreover, there are many divine text such, Al Quran and As Sunnah that promote the practice of Takaful and permissible the transaction.

Due to the rapid development of contemporary world, a lot of myths and issues arise which influence the society to distrust the practice of Takaful. Many actions taken by the experts and economic scholars in order to regain the trust of society toward Takaful. Furthermore, there are also many new models and methods implemented in the Takaful in order to enhance the operational system of Takaful, but unluckly the trust from society towards the Takaful is still remain.

Therefore, in this scientific paper, a study will be done in order to determine why and what the challenges faced by society in Malaysia especially in Selangor. Besides that, this scientific paper also will provide good information for a better understanding about Takaful. Lastly, there will also stated in this scientific paper, some of recommendations to improve and create better practice of Takaful in Malaysia.

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