

**UNIVERSITI TEKNOLOGI MARA**

**SOCIO AND ECONOMIC FACTORS AS THE  
DETERMINANTS ON THE DEMAND FOR  
FAMILY TAKAFUL IN MALAYSIA**

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Final Year Project Paper submitted in fulfillment  
of the requirements for the degree of  
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## AUTHOR'S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


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## ABSTRACT

Family Takaful is known as life insurance by conventional insurance. Based on the studies by Berkem (2014) Islamic insurance known as Takaful and it is an alternative model to conventional insurance; which is forbidden in Islam. Takaful is established on the base of mutual assistance, responsibility, mutual protection and assurance, incorporated into the concept of tabarru (donation). According to Yazid, Arifin, Hussin, and Wan Daud (2012), countries that experienced further development of Takaful operation are concentrated in the Far East countries such as Malaysia, Indonesia, Singapore, and Brunei. Based on this scenario, it triggers doubtful question on why the demand of family Takaful is increased. The aim of this study is to examine the factor which can influence the demand of family Takaful in Malaysia. The values of total family contributions as the dependent variable. While used five socioeconomic factors for which data are available that could explain the demand for family Takaful in Malaysia has been identified. Income, inflation rate and real interest rate have been selected as the potential economic determinants whereby education level and total Muslim population have been chosen to explain the social factors. Annual data is gathered over the period 1986 to 2016. The data is gathered from various Central Bank of Malaysia Takaful annual reports and financial stability and payment systems reports and the department of statistics, Malaysia and World Bank data. The paper investigates the significance of the identified socio-demographic and economic factors in determining the consumption of family Takaful. Following Sherif and Azlina Shaa'iri, (2013) the paper using ordinary least square (OLS). The expected finding is income, education level, and Muslim population factors are positively related to Takaful demand. On the other hand, inflation and real interest rate appear to adversely influence the total family Takaful consumption. Sherif and Azlina Shaa'iri (2013).

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