

UNIVERSITI TEKNOLOGI MARA

**ANALYZING THE SELECTION OF TAKAFUL OR INSURANCE: A CASE STUDY
AT HULU TERENGGANU DISTRICT COUNCIL (MDHT)**

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ABSTRACT

Takaful dan insurans merupakan salah satu simpanan untuk melindungi daripada sebarang bahaya atau risiko yang wujud di sekeliling. Kajian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi pemilihan antara Takaful dan insurans dalam kalangan pegawai dan pekerja di Majlis Daerah Hulu Terengganu (MDHT). Dalam konteks ini, kajian ini mengkaji faktor kesedaran, pengetahuan, dan sosio-ekonomi yang memainkan peranan dalam pemilihan produk perlindungan kewangan dalam kalangan individu. Data dikumpul melalui soal selidik yang diedarkan kepada 100 orang responden yang terdiri daripada kakitangan MDHT. Hasil kajian menunjukkan kebanyakan responden lebih cenderung memilih Takaful berbanding insurans konvensional, kerana faktor kepercayaan terhadap prinsip Takaful yang selari dengan ajaran Islam. Namun begitu, ada juga yang masih tidak memahami perbezaan kedua-dua produk ini sehingga menjejaskan keputusan mereka dalam memilih. Kajian ini mencadangkan beberapa pendekatan untuk meningkatkan pemahaman dan kesedaran tentang Takaful dan insurans, termasuk melalui program pendidikan dan kempen maklumat yang lebih berkesan. Di samping itu, kajian ini memberikan cadangan kepada MDHT untuk mempertimbangkan faktor-faktor ini dalam merancang faedah perlindungan kewangan untuk pekerja mereka pada masa hadapan.

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CHAPTER ONE

INTRODUCTION

1.1 Research Background

Financial protection is crucial for risk management and personal well-being in the current day. Among the most common protection instruments are takaful and insurance. Takaful, rooted in Islamic principles, operates on the concepts of *ta'awun* (cooperation) and *tabarru'* (risk-sharing) where participants contribute to a shared pool to support members in need. This concept aims to ensure justice and mutual welfare, by Islamic teachings. (Noor Aimi et al., 2023) In contrast, insurance is a traditional financial protection system that functions through contracts between individuals and businesses to assume certain risks in exchange for the payment of premiums. Both systems provide nearly identical advantages in terms of risk protection, but the variations in their operational principles and architecture make them an important subject of comparison. In the context of public sector employees such as in the Hulu Terengganu District Council (MDHT), the choice between takaful and insurance is an important issue that needs to be studied in depth.

Takaful means mutual guarantee, derived from the Arabic word - *kafala*. (Anis Nadhirah et al., 2023) The concept of takaful aims to promote mutual help and unity among participants in line with the concept of *ta'awun*. In Islam, helping or providing assistance is highly encouraged. Takaful is properly defined as zero-interest banking with a fundraising business strategy. (Hassan et al., 2008) Understanding this concept forms a fundamental part of the takaful sector. Participants in takaful actively commit to ensuring and supporting one another during times of hardship. The Quran in Surah al-Maaidah, verse 2, clearly states that Allah encourages humans to practice mutual help:

وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ ۖ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ

Meaning: And help one another in doing good and piety, and do not help one another in sin and transgression.

This verse emphasizes that to receive blessings from Allah SWT, Muslims must support one another in times of need. Similarly, Christians are obligated to assist each other in acting with morality and piety for the benefit of their well-being and to please Allah. Believers must