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PROJECT PAPER PROPOSAL
A STUDY ON THE FACTORS INFLUENCING
PEOPLE PARTICIPATING TAKAFUL

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ABSTRACT

Islamic Insurance (Takaful) is an alternative form of conventional insurance based on the concept of trusteeship and cooperation inspired by the beliefs of the followers of Islamic teaching. Muslim societies in different parts of the world are now practicing Takaful scheme as their own way of sharing financial responsibilities to assist each other. The main purpose of this study is to determine factors influencing people participating in Takaful at Johor Bahru. For this purpose, I am considering knowledge, awareness, promotion of Takaful company, benefits and attitude as the factors to people on Takaful participation. A self-administered questionnaire will be distributed to respondents to collect the raw data. The research sample involves 150 who are randomly selected among people that have a Takaful scheme at area Johor Bahru. The data from this survey will be analyzed using SPSS tools. Multiple regression and correlation analyses are employed in order to measure the relationship of independent variable toward dependent variable. The expected findings on this research that influence people participating in Takaful are knowledge, promotion, benefit and attitude. Therefore, the contribution of this study is useful for Takaful industry in enhancing their marketing strategy as well as product innovation.

CHAPTER 1

INTRODUCTION

Today there are more than 200 registered Takaful companies worldwide, operating either through writing Takaful directly or placing it through Islamic windows or marketing agencies. According to the Ernst & Young World Takaful Report 2011 the Takaful market was worth US\$12 billion in 2011, an increase of 31% from the US\$9.15 billion figure posted the previous year. Regionally, the growth rates between 2010-2011 are shown in Table 1.

Table 1: Takaful Growth Rates, by Region (2010-2011)	
Region	Growth Rate Increase (%)
Indian Subcontinent	85
Middle East	40
Gulf Cooperation Council (GCC)	31
Southeast Asia	29
Africa	26

(Sources: Islamic Finance News, 2012)

Based on the 2010-2011 statistics, in terms of individual countries Indonesia recorded the largest Takaful market growth rate of 67%, followed by Bangladesh with 58% and Saudi Arabia with 34%.

According to Milliman's Global Family Takaful Report 2010, global Family Takaful gross contributions in 2010 were estimated to be US\$1.7 billion: 29% higher than 2009. Between 2007 until 2010, global Family Takaful gross contributions increased at a compound annual growth rate of 36%. In fact in 2010, Southeast Asia's share of global Family Takaful contributions was 73%, followed by the Middle East with 25% and South Asia with 2%. In short, while most of the General Takaful market is centered in the Middle East and Gulf region, the Family Takaful business is focused in the Southeast Asia region, especially in Malaysia. Family Takaful in Malaysia was estimated to contribute 77% of net Takaful contributions in the country in 2010.

According to a recent Takaful annual report and statistic from Bank Negara Malaysia, net contributions between 2007-2010 for Family Takaful has increased from RM1.99 billion (US\$657.8 million) to RM3.39 billion (US\$1.12 billion), an increase of 70.45% or an average growth rate of 17.61%. On the other hand the General Takaful operating profit (including underwriting profit and net investment income) increased dramatically from RM37.6 million (US\$12.4 million) in 2007 to RM202.5 million (US\$66.9 million) in 2010 (Islamic Finance News, 2012).

1.1. Background of study

This area discuss about the development of Takaful in Malaysia.

1.1.1. Development of Takaful in Malaysia

In Malaysia, on the 15th June 1982, the Majlis Fatwa Kebangsaan (National Fatwa Council) considered on the question of life insurance. By consensus, the members of the Council decided that life insurance as practiced by insurance companies is a 'Fasid' (defective) transaction as it is contrary to the Shariah principles of contract. Subsequently in 1982, the working committee (Badan Petugas Khas) set up an Islamic Consultative body to study the formation of an Islamic insurance company in Malaysia and recommended the formation of Islamic insurance institutions which are now known as Takaful companies (Islamic Finance News, 2012).

The Takaful industry in Malaysia has its inception in Malaysia to complement the services of the first Islamic Bank set up in 1984. There was a revival of Islam in Malaysia in the 1970's and as result there was a sudden surge in the number of Muslims who wanted to lead their lives in accordance to the Shariah, including in the area of banking and finance (Bank Negara Malaysia, 1999). From a single Takaful operator in 1984, the Central Bank of Malaysia has further awarded Takaful licenses to conventional financial institutions, thus, by 2012 there were a total of 12 Takaful operators. By any standards, 20 or so years in the business is relatively new but nevertheless, the Takaful business in