

UNIVERSITI TEKNOLOGI MARA

**EXPLORING INTENTION OF
COLLEGE STUDENTS TO
SUBSCRIBE TAKAFUL OR
INSURANCE SCHEME IN
SELANGOR**

NURUL AFIQAH BINTI NOR RIZAL

Academic writing submitted in partial fulfilment of the
requirements for the degree of
Diploma in Muamalat

Academy of Contemporary Islamic Studies

January 2022

ABSTRACT

Takaful is a form of Islamic insurance in which members donate money to a pool system in order to protect each other from loss or injury. It is founded on Sharia, or Islamic religious law, which describes how individuals are responsible for cooperating and protecting one another. Takaful policies address health, life, and general insurance requirements. Nowadays, the majority of Muslims feel that conventional insurance is prohibited to them in terms of its legality (uncertainty) due to the presence of several prohibitions, such as Riba (usury), Maysir (betting), and Gharar. As a result, there is a need for alternative protection that fits the needs and desires of Muslims engaged in Islamic Shari'ah-compliant financial transactions. In that case, this study is conducted to investigate the college students' understanding and knowledge of takaful. It is also done to assess students' level of awareness as well as to discover their intention to subscribe between Islamic insurance and conventional insurance in the future. This study is based on the results from the data collected through surveys that have been distributed to random college students in Selangor. Moreover, the results also collected by an interview and previous researches. The questions arise about this issue is what is the level of understanding of college students in Selangor about insurance or takaful, can college students in Selangor differentiate between takaful and conventional insurance and do college students in Selangor intend to subscribe takaful or conventional insurance scheme in the future. Following the successful collection of data and information, the data will be evaluated and determined.

ACKNOWLEDGEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

السلام عليكم ورحمة الله وبركاته

First and foremost, I would like to express my outmost gratitude to Allah SWT for the opportunity to embark on my Diploma and to complete my final year journey successfully by His blessings and guidance. I would like to express my gratefulness to Him for given me the courage and patience for completing this huge task, without him this could never have been fulfilled.

I take this opportunity to express my heartfelt thanks and indebtedness to my respected guide, Dr. Mohd Ariff Bin Mohd Daud, my supervisor for Academic Paper (IMU304) subject who constantly giving ideas, assists, encourages and guide me. His invaluable guidance and continuous help in every aspect enabled me to complete my final year research, and without his assistance, I would not have presented this dissertation successfully.

Moreover, my deepest gratitude to the college students in Selangor that has participated in my research as a respondent. Their cooperation in filling out the survey and lent their time for the interview really gave the huge impact for my research. Without their respond to my survey, it is almost impossible to finalize this study.

Finally, special thanks to my colleagues and friends for helping me with this study. I would like to thank you to everyone who had contributed and involved directly or indirectly in my study as they have been shown their effort and initiative until I am able to complete this final report successfully.

TABLE OF CONTENTS

Table of Contents	Page
AUTHOR'S DECLARATION	2
ABSTRAK	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	9
LIST OF FIGURES	10
LIST OF ABBREVIATIONS/NOMENCLATURE	11
CHAPTER ONE: INTRODUCTION	1
1.1 Research Background	1
1.2 Problem Statement	2
1.3 Research Objectives	3
1.4 Research Questions	3
1.5 Scope of The Study	4
1.6 Significance of the Study	4
CHAPTER TWO: LITERATURE REVIEW	5
2.1 Introduction to Takaful	5
2.2 Concept of Takaful	6
2.3 History of Takaful Establishment	7
2.4 Development of Takaful Industry in Malaysia	8
2.5 Conventional Insurance	9
CHAPTER THREE: RESEARCH METHODOLOGY	10
3.1 Introduction	10
3.2 Research Instruments	10
3.3 Research Participants	11

3.4	Data Collection	11
3.4.1	Quantitative Method	12
3.4.2	Qualitative Method	13
3.5	Data Analysis	14
CHAPTER FOUR: RESULTS AND DISCUSSIONS		16
4.1	Introduction	16
4.2	Quantitative Analysis: Questionnaire	16
4.2.1	Reliability Analysis (Cronbach Alpha)	16
4.2.2	Demographic Profile	18
4.2.3	Comprehension Level of College Students in Selangor about Takaful and Insurance	21
4.2.4	The Intention of College Students Preference between Subscription on Takaful or Insurance in Selangor	26
4.2.5	Mean Score and Standard Deviation	31
4.3	Qualitative Analysis: Interview	33
4.3.1	Demographic Profile	34
4.3.2	Comprehension Level of College Students in Selangor about Takaful and Insurance	35
4.3.3	The Intention of College Students Preference between Subscription on Takaful or Insurance in Selangor	37
4.4	Conclusion	40
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS		41
5.1	Introduction	41
5.2	Discussion of Results	41
5.2.1	Quantitative Analysis	41
5.2.3	Qualitative Analysis	42
5.3	Recommendations	42
5.4	Limitations of Study	43