



USING ARABIC WORDS IN MALAYSIA TAKAFUL INDUSTRY AND IMPACT ON UNTAPPED MALAY MARKET

Shamsir Azlan Ahmad, Mahmoud Khalid Almsafir
and Rusinah Siron

Graduate Business School, College Of Graduate Studies,
Universiti Tenaga Nasional, Jalan IKRAM – UNITEN,
43000 Kajang, Selangor, Malaysia
shamsir.azlan.ahmad@gmail.com
mahmoud@uniten.edu.my
rusinah@uniten.edu.my

Article Info

Received:19.09.2013
Accepted:28.09.2013
Published online:01.10.2013

Printed ISSN: 2314-7113
Online ISSN: 2231-8968

ABSTRACT

Takaful in Malaysia has managed to penetrate the untapped market. However, the penetration rate is still low. The purpose of this research is to find out the factors that can influence the untapped market. This research would explain why the industry is moving forward by using Arabic words to replace the English words as industrial marketing tool. The Arabic words are now widely accepted by the people. It is believed that Muslim country would consist of huge Muslim population. This huge Muslim population is known as untapped market. The marketing realizes that the Muslim population would be more comfortable with Islamic Financial Tool which is known as Takaful instead of Insurance. As these Takaful and Insurance have the same objective in helping people as financial disaster solution, the untapped market will see the Takaful as a trusted financial tool. This trend has resulted many Insurance companies to set up a new subsidiary which would offer Islamic Financial tool. This subsidiary company is known as Takaful operator. Besides, the job opportunity has also expanded to untapped market due to the establishment of many Takaful operators. Indirectly, the education's system has also got the same impact as more courses that related to the Islamic Financial Tool are introduced. It seems to replace the existing courses such as Diploma In Insurance to Diploma In Takaful. Looking at the Malaysian Economics, it will enhance the growth of taxable income where it derived from the Takaful's business.

Keywords: Takaful, Fatwa, 'Aqad Tabarru', Riba', Wakalah

1. Introduction

1.1 Background

According to Qamus Al-Marbawi, *Takaful* comes from Arabic word. It seemed to replace the English word *Insurance*. It derives from word “Kafala . It brings meaning as suretyship. Hence, suretyship literally means collective assurance and mutual undertaking which reflects a reciprocal agreement of mutual help among members in a particular group.

Ibrahim (2012) explained that positive and continuous growth over the last five years, *Insurance* and *Takaful* sectors have been seen with the total premiums transacted. An average of 4.9% annual growth, with annual growth peaking at 13% in year 2010. In terms of penetration, in year 2011, 67 out of 100 Malaysians had some form of the coverages compared to only 59 out of 100 Malaysians in 2006. This means there remains a large untapped segment of the population with no *Insurance* or *Takaful* protection that the profession can further develop.

According to Takaful Act of Malaysia 1984, *Takaful* is defined as a scheme based on brotherhood, solidarity and mutual assistance which provides for mutual financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose.

Despite having advantages that make takaful as Islamic Insurance in the eyes of consumers, the customers seem to perceive the *Takaful* to be closely similar to not Islamic in respect of getting protection, but hardly understand the nature of contract and relationship among the parties. A segment of them would prefer *Takaful* due to religious reasons, but the majority of them still consider the service quality as the most important patronage factor (International Shari’ah Research Academy For Islamic Finance, 2012).

1.2 Problem Statements

As at 2012, Malays set up of 14,771,800 populations in Malaysia. Meanwhile, the Chinese and Indians have shown as 6,517,400 and 1,959,900 respectively. The rapid growth of private hospitals in Malaysia makes the demand of Health Insurance increases years over the years. Lack of preparation among Malays towards the financial planning will make them suffer in the future compared to the other 2 major races in Malaysia which are Chinese and Indian respectively.

Low acceptance of Insurance among Malays in Malaysia has resulted the existence of takaful. Takaful is a very important tool for Islamic Financial Planning in Malaysia. It helps to enhance the Untapped Malay market rate in Malaysia for takaful. From the observation, it found that most of the Malays are not willing to open up their mindset to accept the insurance as the important financial tool. However, their mindset would be slightly relaxed when the word *Takaful* replaces the word *Insurance*.

This research would create the better understanding and encourage the Untapped Malay Market to have better financial tool solution especially the medical expenses preparation.

1.3 Research Objectives

The objectives of this research are as below:

- (a) To find out the factors that influence the Untapped Malay Market's decision making in having the personal *Takaful* plan.
- (b) To find out the ways to educate and encourage more Untapped Malay Market to have their own personal *Takaful* plan.

1.4 Research Questions

- (i) What are the factors can influence the decision making?
- (ii) What are the ways to educate and encourage this type of potential market?

2.0 LITERATURE REVIEWS

2.1 Advertising Language

Vasiloaia (2009) states that the style of the advertising language can be either bizarre and controversial or simple and straightforward. Based on Ibrahim (2013), she found that Vasiloaia (2009) has proven the language style could be descriptive, expressive, narrative and poetic. Under her research findings, she has agreed that most businesses are likely to use element of surprise to attract consumers' attraction.

Ibrahim (2013) quotes that Duncan (1979) has introduced a basic decision process model that would prove attention could lead to purchase intention. The model is illustrated in the figure below.

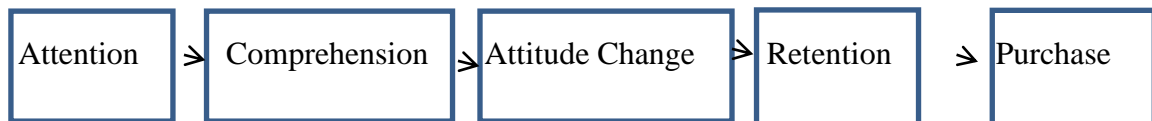


Figure 2.1

In a journal entitled "Linguistic Features of the Language of Advertising", Vasiloaia (2009) explained the key element in an advertisement would be using art of languages. The first element that an advertisement should have is attention value. An advertisement should attract attention and arouse curiosity. To achieve readability, an advertisement must use simple and familiar vocabularies, informal styles, colloquial expression and lack of politeness markers.

Hill (2007) has mentioned that persuasion brings benefits to personal relations, community activities and career aspirations. Vasiloaia (2009) described that memorability which consists of

the use of repetition, alliteration, metrical rhythm and rhyme, grammatical parallelism, semantic and syntactic repetition to enhance memorability.

Persuasion is very important, especially in the business world. Therefore, O'keefe (2008), defined persuasion as a communicative function that can be pursued in many different settings, ranging from face-to-face interaction to mass communication. According to Ibrahim (2012), language usage in business marketing can influence prospect customers in purchasing decision. Researcher has found that generally, people will jump to conclusion that Arabic words will have element of Islamic practice.

2.2 Takaful

Takaful is an Arabic word. The term *Takaful* as written by Mahmud (1992) states that Takaful is providing sincere assistance from the rich to the poor, from a cluster of strong to weak groups, from people who have knowledge to the ignorant. In other hand, the word *Takaful* itself brings the meaning of "mutual guarantee". Schoon (2008) has managed to relate the concept of *Takaful* with Islamic practice. By looking back to the second century of the Islamic era's history, it found that Muslim Arab started to expand their trade to India, the far east and other countries in Asia. There were joint guarantees by a group of individuals to help each other in times of disasters or misfortunes. Muslims from Ottoman Empire used similar mutual help practices in their trade relationship with Spanish merchants.

According to Sadeghi (2010), *Takaful* is similar to insurance. He described that the concept of *Takaful* is based on "joint guarantee". The purpose of this mutual endeavor is not the profit but to uphold the principle of "bear ye one another's burden". Majid and Othman (2009) investigated the reason for the low market share of *Takaful* compared with Insurance in Malaysia, despite the existence of *Takaful* since year 1984. They found the low level of knowledge and understanding of Muslims to be the most important factors accounting for the low market penetration of *Takaful* in Malaysia.

Redzuan (2009) and Dusuki (2011) found that insurance as practiced refers to financial protection system. It serves the risks as risk management to reduce uncertainty risks that distribute losses. They have also described that *Takaful* would be shown as a concept of mutual cooperation and donation, where all the risks would be shared collectively and voluntarily by the group of participants to guarantee mutual protection of the members.

2.3 Riba' and Tabarru'

As previously mentioned by Rahman and Mohamad (2010), under the Islamic Law, *Insurance* is prohibited due to Riba'. Marhaini (2008) has given an example of the issue pertaining to the Riba'. Purchasing an *Insurance* plan that provides a RM50, 000 cover, paying a monthly premium of RM50 for a period of 20 years, but dies after a year, as a result, the family will receive RM50, 000 in compensation. The RM50, 000 received by the family contains Riba'.

under Islamic Law. Any money-for-money exchange which involves any delay period or excess quantity in return would be considered as Riba’.

As such, in order to provide Shariah-Compliant, Al-Qaradawi (1985) and Rabiah and Odierno (2008) indicated that the key modification that needs to be made on the *Insurance* policy is the substitution of the sales and purchases contracts with a donation-based contract with a condition of compensation. In the Arabic, the word Tabarru’, which means donation, is also used to refer to the donation-based contracts.

Researcher has drawn two diagrams to show the flow of the transactions as per described by Marhaini (2008).

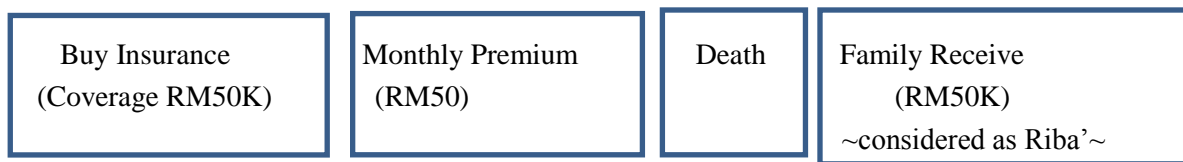


Figure 2.3 (1)

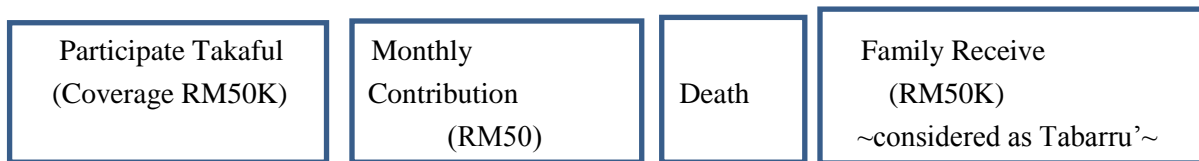


Figure 2.3 (2)

Percentage of the participants’ contribution will be considered as Tabarru’ and thus can’t be taken back, as it is the principle of the joint guarantee to help other participants (Billah, 2007). Saiful and Marhaini (2003) explained that the utilization of Tabarru’ contracts made the transaction permissible. It is valid according to Islamic Law. Tabarru’ means a donation, charity or gift which can’t be taken back. Billah (2007) explained that a portion of the contribution will be allocated through Tabarru’ principle to help all other participants from unexpected but defined risks.

2.4 Wakalah

Wakalah is derived from Arabic. According to Bashir (2011), Wakalah model is a form of relationship between participants and Takaful operators. In other words, it acts as a middle man who distributes Takaful products that approved by Islamic Jurisprudence. In Insurance practice, it will be known as agency. However, in order to conform to the Islamic Law, the word agency has been replaced with word Wakalah.

Hamid (2010), defined that *Takaful* operator acts as the participant’s agent. Fees will be paid to agents for the services provided. The fees are charged as a fixed amount or percentage or would

be based on agreed ratio from the investment profits. Meanwhile, Noor (2009) found that Wakalah is a process of assigning or entrusting to another person a certain task.

The funds are managed on Wakalah basis. Furthermore, Noor (2009) added that the management fees are specified for the agent as a fixed amount. It could be also as a percentage of the amount underwritten, which eventually becomes a lump sum or a percentage of the net asset value accordingly. He explained that the fees given are permissible by some jurists. It is analogous to sales agency fee which is based on a percentage of the price.

2.5 Gharar

In Milliman Research Report entitled “Takaful (Islamic Insurance): Concept, Challenges, And Opportunities”, Jaffer (2010) highlighted the meaning of Gharar. Gharar means uncertainty. Gharar derives from Arabic word. This term is seen to describe that Insurance in context of Malaysian understanding would refer to unlawful practice and forbidden. In Malaysia, people will say that *Insurance* is haram but *Takaful* is halal.

Jaffer (2010) has mentioned that in *Insurance* will have an element of Gharar. It is uncertainty. The trading in risks is classed as Gharar, It is forbidden in Islamic Law. The law is to protect participants from hazardous or unjust transactions. *Insurance* is designed around the transfer of risk in return for a premium, timing, severity and/or frequency of insured events are each subject to varying degrees of the uncertainties .In other perception, it commonly contains unclear contract terms. High level of uncertainty pervades all aspects of *Insurance*.

Ismail (2010) explained that there is a further focus in Takaful around the importance of moral values and ethics. Business is meant to be conducted openly in accordance with the utmost good faith, honesty, full disclosure, truthfulness, and fairness in all dealings. Pooling will eliminate the Gharar, as the uncertainty about future claim events .It certainly still exists but now is acceptable as Tabarru'. Tabarru' defined as donation and meant for mutual assistance. The mutual assistance is not for profit taking or gambling.

Al-Qarafi (2001) stated 7 aspects of Gharar that could possibly affect business transactions. They are Gharar in existence of the subject matter of a contract, Gharar in genus, Gharar in type, Gharar in amount and Gharar in the identification of the subject matter.

It found that Al-Qarafi (2001) described Gharar in *Insurance* may occur in at least 3 of 7 categories. First is Gharar in existence. It is the existence of the obligation of the company to pay for the claim. It is not certain as it depends on the occurrence of the risk specified. Second is Gharar in acquisition. The policy holder is not certain at the time of the contract whether he will acquire the consideration for which he is paying the premium as the consideration again depends upon occurrence of the insured risks. The last is Gharar in amount. Both the company and the policyholders are not certain about the amount of the premium that must be paid by the policyholders.

Fisher (2000) added that *Takaful* must specify how the capital would be invested. The capital invested must be clearly declared how the results are shared. All reserves and excess or surplus must be returned to participants. However, consensus opinion prefers donation to charity.

The existence of Gharar in the contract as explained above has led to the existence of gambling in the contract. Hamid et al. (2010) explained that majority of Ulama said there would have a certain element of speculation or gambling in the contract. A certain stake is paid for a certain unknown outcome considered as gambling. That is also similar in an *Insurance* contract. The uncertainty compensation is linked to a certain unknown outcome. It is a contract of exchange. It has an element of Gharar. Therefore, it is assumed to be speculative or gambling in nature.

Both Omar and Dawood (2000) determined the difference between *Takaful* and *Insurance*. Risk in *Takaful* is not exchanged by way of the contribution payment made. *Takaful* is not selling and participant is not buying any risk coverage. *Takaful* Operator is playing the role of fund manager on behalf of the participant. Yusof (1996), Billah (2003) and Mayasami and Kwon (1999) defined that *Takaful* operator is not undertaking any risk. The risk is however, distributed among the participants who agreed to jointly assume the risk.

However, according to Khan (2011), in *Insurance*, the insured makes a bet on the loss occurrence. The loss is uncertainty. Houston (1964) believed that *Insurance* is acquiring wealth on luck or by chance at the cost of others. The luck could not be predicted and it is uncertainty event. Hussain and Pasha (2011) discovered that profit and loss to insurer very much depends on chances which is closely associated with the claims level. However the rule of large number also plays its role i.e., uncertain with regards to an individual. It is also uncertain with regards to a very large number of individuals.

2.6 ‘Aqad Tabarru’

According to Aziz (2010), *Takaful* can eliminate the element of Gharar in *Insurance* for two reasons: First, it has ‘Aqad Tabarru’. Al-Qarafi (2001) explained that *Takaful* must be a gratuity contract and not an exchange contract or sales contract. This is the opinion of the Maliki jurists. However, according to Shafii jurists, there is no difference between the two types of contracts in the sense that both of them can be invalidated due to Gharar. Second, even according to Shafii jurists, Gharar can also exist in a contract of Tabarru’. In the case of *Takaful*, the element of Gharar can be eliminated. Gharar in existence, acquisition and amount are not present in *Takaful*, as the participants are certain that they will acquire the *Takaful* benefits in proportion to their contribution plus the surplus fund, if any.

In the event of a participant wants to surrender the *Takaful* plan, the participant shall be entitled to the surrender benefit. After the ‘Aqad has been made between the intended participant and the *Takaful* company, all the important clauses of the contract are recorded in the *Takaful* certificate.

Ulama’ have agreed that the basis of *Insurance* contract which is an exchange contract (buy and sell) must be changed to another type of contract in order to eliminate the above all 3 objectionable elements. Shariff (1998) mentioned that the *Takaful* concepts can replace the concept of *Insurance*. The *Takaful*’s concepts are based on cooperation, protection and mutual responsibility.

2.7 Fatwa

Kabbani (2013) found that Fatwa is an Arabic word. Fatwa is an Islamic legal pronouncement, issued by an expert in religious law who called as Mufti, pertaining to a specific issue, usually at the request of an individual or judge to resolve an issue where Islamic jurisprudence is unclear.

In Malaysia, a fatwa will be made by the Fatwa Committee of the National Council for Islamic Religious Affairs Malaysia, at its meeting on 15 June 1972 which discussed and deliberated on the issue of life insurance. Rahman et al. (2010) found that insurance is a business transaction which is not valid because it contradicts the Islamic business principle. The *Insurance's* contract contains the elements of Gharar, Maisir and Riba.

3.0 Research Methodology And Designs

This research has been conducted with objectives to see the effect of using Arabic words in Malaysia Takaful Industry on untapped Malay market. This is also to find out the factors that influence the acceptance of *Takaful* among Malays in Malaysia. In this Research Methodology And Designs, the methods used in collecting data and information while conducting the research will be explained in detail by researcher.

3.1 The Data To Be Used

In preparing this research, the researcher has used questionnaires and also conducting interview session to explore all the information in hand that the researcher can reach the research objectives. The methods used in collecting and gathering information for this research are based on primary data and secondary sources.

3.1.1 Primary Data

The primary data was gathered and collected by the researcher through questionnaires conducted from the selected public people in Klang Valley. The researcher himself has conducted the questionnaires personally. Individual interview for selected public people will be done for the relevant information.

The telephone call was carried out to get public people that the researcher has not known each other before. The name listing was obtained by referrals. Each of the correspondents was asked to recommend at least 10 people with their contact numbers to researcher. Researcher believed that through referrals would be so easy to get connection between researcher and correspondents who never met before. This telephone call has been done and the researcher had the respond immediately whether the public people agreed or declined to have appointment with researcher. The researcher also distributed the questionnaires to them and some interview session will be made with them.

3.1.2 Secondary Sources

The secondary data will be used in this researcher's research for the researcher to get an additional information and better understanding of the study undertaken.

Most of the secondary sources were available at :

- Universiti Teknologi MARA, Shah Alam - Library
- Bank Negara Malaysia, Kuala Lumpur – Resource Centre
- Malaysian Insurance Institute, Kuala Lumpur – Resource Centre
- American International Assurance Berhad, Kuala Lumpur – Training and Education Department
- National Library, Kuala Lumpur
- On Line Information – Internet Websites.

3.2 Treatment Of Data

3.2.1 Sampling Techniques

Simple Sampling Techniques (SST) was used to conduct this researchers's research. By looking to Malaysia itself, Malays have a big population. Therefore, the sample will be narrowed to Malays population in Klang Valley.

3.2.2 Sampling Size

The sampling size consists of 400 respondents only.

→200 male respondents

→200 female respondents

3.2.3 Measurement And Instrument

From the data gathered and collected , the researcher analyzed, edited and prepared them with table. It would be also presented in pictorial, illustration and tabular form. Percentage will be used to measure the data.

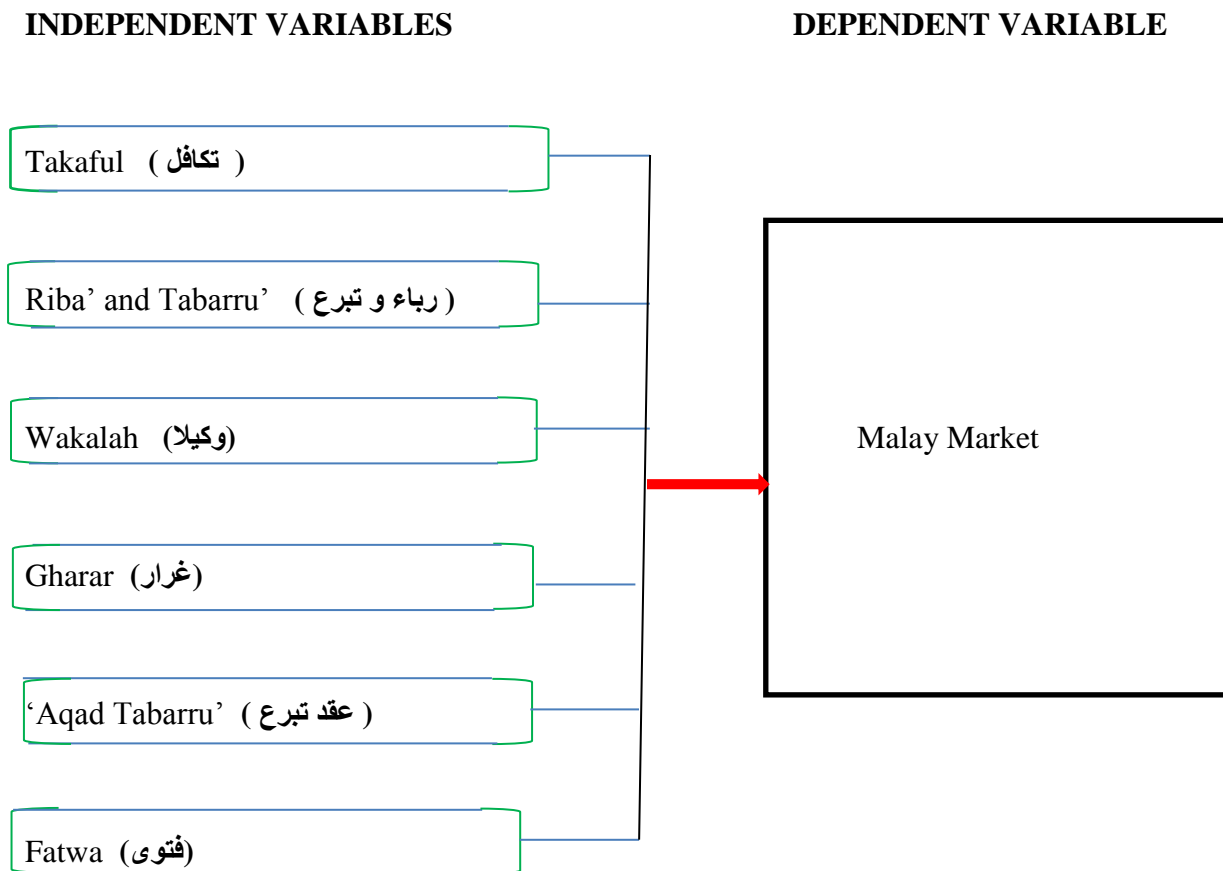
3.2.4 Data Screening

Data collected was keyed in to and statistically analyzed by the Statistical Package Social Science (SPSS) Version 16.0 for Windows. The regularity and linearity evaluated using the Skewness and Kurtosis test. Normality is assumes when the coefficient of skewness approximates to zero (Tan, 2007). Therefore, the universe normality of the research variable is based on the standards of (± 1) for Skewness and (± 2) for Kurtosis (Hair et al., 1998).

Reliability reflects on how consistent a measuring device is as if used repeatedly in similar circumstances (Kan, 2005). Cronbach Alpha is a coefficient of reliability and used as a measure of the internal consistency (Cronbach, L.J. 1951).

Using multiple regressions is one way to predict the relationship between dependent variable and independent variables. It is basically a statistical technique that shows how well set of variables is able to predict particular outcome (Pallant, 2007).

3.3 Theoretical Framework



3.4 Hypothesis

H1 : There is a relationship between Arabic word :Takaful and Untapped Malay Market in having Takaful services.

H2: There is a relationship between Arabic words: Riba' and Tabarru' and Untapped Malay Market in having Takaful services.

H3 : There is a relationship between Arabic word :Wakalah and Untapped Malay Market in having Takaful services.

H4 : There is a relationship between Arabic word : Gharar and Untapped Malay Market in having Takaful services.

H5 : There is a relationship between Arabic word : ‘Aqad Tabarru’ and Untapped Malay Market in having Takaful services.

H6 : There is a relationship between Arabic word : Fatwa and Untapped Malay Market in having Takaful services.

4.0 Findings

The sample size was 400 correspondents. The ratio of males and females were equally distributed. However, 39% of the correspondents were in age band 39-49 years old. This rate of percentage recorded as the highest correspondents among of the sample size. Researcher found that many respondents from this group of age band were females.

The word of Takaful is widely known as a Malaysia Islamic Financial Instrument. Many companies which provide insurance services have aggressively set up their new subsidiary in order to be a Takaful Operator. This scenario was reflected from the consumers’ behavior who believe that insurance can’t be bought as it is against with Islamic Law. This type of consumers’ behavior is majority from Malay market. They prefer to have *Takaful* instead of *Insurance* as the alternative.

4.1 Arabic Words

4.1.1 Word: Takaful (تكاful)

Descriptive Statistics

Correlations

		WordTakaful	DVariable
WordTakaful	Pearson Correlation	1	.047
	Sig. (2-tailed)		.353
	N	400	400
DVariable	Pearson Correlation	.047	1

Sig. (2-tailed)	.353	
N	400	400

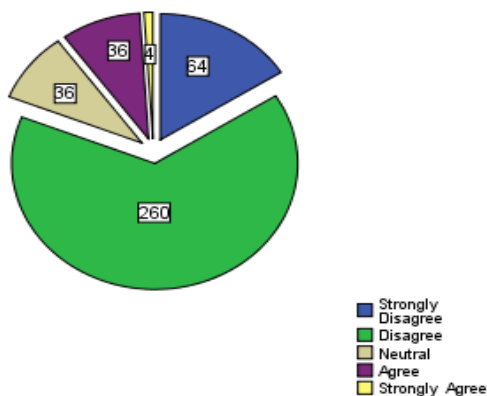
Researcher has tried to explore whether the assumption of using Arabic word *Takaful* will be the top factor among 6 Arabic words. Using word *Takaful* does not give strong impact on untapped Malay market. By looking at Pearson Correlation, its value has indicated 0.047.

The Two-tailed test at the 5% level of significance showed 0.353 which it was greater than the suggested value 0.05.

Hence, 0.353 is greater than the suggested value 0.05 which meaning to say that this hypothesis should be rejected. In other words, Untapped Malay Market did not care whether the services

Researcher discovered that 260 correspondents do not believe that using word *Takaful* will picture them as the Islamic product. It may indicate that the decision making to have the *Takaful* services are influenced by other factors.

Takaful Is Islamic, Insurance Is Not Islamic



Since the word *Takaful* is not significant, researcher has decided to make further investigation between word *Takaful* with Takaful agents' race.

Researcher was surprised that most of the correspondents did not agree the word *Takaful* considered as Islamic or the word *Insurance* considered as non-Islamic. Researcher's perception regarding this statement was to have as many as pro statements from correspondents. However, it discovered that 50.25% correspondents who did not agree the statement was actually the people wanted to have Malay agents as their *Takaful* agents. Meaning to say that, the word *Takaful* would not play any decision making to persuade them in having *Takaful* product. It might be that this type of Malay market will buy the *Takaful* or *Insurance* based on race determination – Malays. If the *Takaful* agent is Malay, probably this type of Malay will buy it. Meanwhile, if the *Insurance* agent is also Malay, probably this type of Malay will also buy it. It refers to first come first serve. This is a very fierce and healthy competition among both *Takaful* and *Insurance* agents.

4.1.2 Words : Riba' And Tabarru' (ربا و تبرع)

Descriptive Statistics

Correlations

		WordRibaTabarru	DVariable
WordRibaTabarru	Pearson Correlation	1	.099*
	Sig. (2-tailed)		.048
	N	400	400
DVariable	Pearson Correlation	.099*	1
	Sig. (2-tailed)	.048	
	N	400	400

*. Correlation is significant at the 0.05 level (2-tailed).

Researcher has tried to explore whether the assumption of using Arabic word *Riba' & Tabarru'* will be the top factor among 6 Arabic words. Using words *Riba' & Tabarru'* have given impact to the Untapped Malay Market. Its Pearson Correlation value was 0.099.

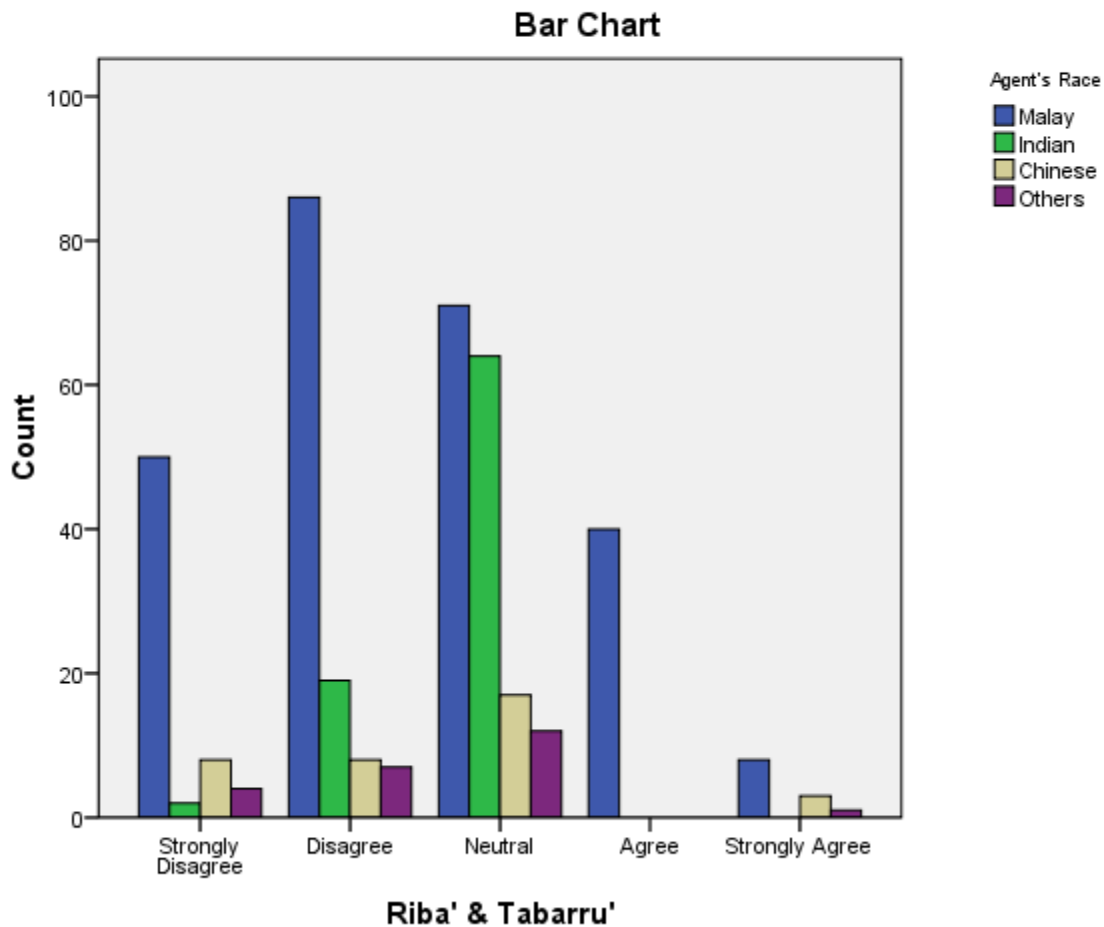
The two-tailed test at the level 5% level of significance is 0.048

Malays made decision to have their *Takaful* services due to words *Riba' & Tabarru'*. Most correspondents were very sensitive with these words. They believe that in *Takaful* services do not have *Riba'* but the excess in payments or penalty due to late payments would be considered as *Tabarru'*. In English word, *Riba'* is *Interest*. Therefore, Malays, neither give nor accept *Riba'* in their financial transaction. However, the word *Tabarru'* seemed to replace the word *Interest*. When the word *Tabarru'* was used in convincing Malays to have their *Takaful* services, they were confident that the element of *Interest* was eliminated and the charity activity was done as a donation.

Therefore, there is a relationship between Arabic Word *Riba' & Tabarru'* and Untapped Malay Market in having *Takaful* services.

Hence , 0.048 is smaller than the suggested value 0.05 which meaning to say that this hypothesis should be accepted.

Statement Vs Agent's Race



Researcher has realized that the Arabic words *Riba' & Tabarru'* have given impact to Malays' perception towards the acceptance of *Takaful*. Most of the correspondents voted Malay agent as their *Takaful* agent. Meaning to say that if the *Takaful* agent was other than Malay, they would not trust with the agent's explanation especially the word *Riba' & Tabarru'*. In other hand, this result might be a bias and racism. Another investigation was done to investigate whether they were really understand or not the concept of *Riba' & Tabarru'*.

78% of the correspondents claimed that any late charges fee due to late payment or reinstatement due to lapsation by *Takaful Companies* would not be considered as *Tabarru'*. It would be totally called as *Riba'*. This analysis might be a contradiction with *Takaful* agents' race who convinced Malays to have the *Takaful* plans. Researcher found that Malays trusted their own race as their *Takaful* agents. Therefore, Malays would depend on the words which came out from Malay agents. If these agents explained that *Takaful* plans are *Riba'* free products, the Malays will trust

them. This phenomenon was not explaining that Malays understood the concept and meaning of the *Riba'* themselves.

Without mentioning any company's name, researcher has illustrated a simple illustration to correspondents in order them identifying whether the plan was a *Takaful* plan or *Insurance* plan.

Illustration 1: Takaful or Insurance?

Monthly payment	RM150.00		
Projected rate	9% p.a	Projected fund@20 years	RM100,376.20

Surprisingly, 65% of the correspondents claimed that this illustration was *Insurance* plan and it was not *Takaful* plan. Researcher found this operational system was same in both *Takaful* plan and *Insurance* plan. It was clearly stated in both *Insurance* policy contract and *Takaful* certificate. Both of them stated the projected fund with their projected rate. Neither *Insurance* nor *Takaful* guaranteed the fund projection. The amount may be lower or higher than the projected fund. The projected rate (%) has been used respectively to represent the range of possible returns on the respective fund. This result was a hint that *Riba'* was actually a taboo for Malays. They believed that any fund projection was *Riba'* but when this element was *Takafulization*, the *Riba'* would be disappeared. The *Riba'* word replaced with *Tabarru'* which brought meaning as a donation.

Illustration 2: Takaful or Insurance?

Monthly payment	RM150.00	Facility	Medical Card
Projected rate	9% p.a	Projected fund@20 years	RM73,333.00

It found that 37% of the correspondents claimed that this was *Takaful* plan. Meanwhile the rest 30% claimed this was referring to *Insurance* plan and the other 33% claimed this was referring to both *Insurance* and *Takaful*. Comparing to the result (illustration 1), 65% of the correspondents believed that projected rate (%) was the element of *Riba'*. However, when the medical card facility has been added on the plan, many Malays believed that this was *Takaful* plan. Through researcher's observation during the questionnaires collection, most of the correspondents highlighted their opinion that *Takaful* would bring the meaning of mutual assistance. Medical card facility which added on the plan would be described as mutual

assistance among them. Furthermore, the *Riba* ' would be eliminated from the plan by giving the monetary help to people who suffered fund in paying medical expenses. They believed that this assistance considered as *Tabarru* '. Researcher believed that these two words *Riba* ' and *Tabarru* ' were explained by *Takaful* agents to the Malay markets as the Malay market would depend on the trust basis whatever the Arabic terms came out from *Takaful* agents' mouth. In the real practice, both *Takaful* and *Insurance* applied the same system framework.

4.1.3 Word: *Wakalah* (وكيل)

It seen that Word *Wakalah* was not significant at all. The Pearson Correlation has shown the value of negative 0.070 with significant (2 tailed) value 0.164. Most of the correspondents totally did not understand the meaning of *Wakalah*. They assumed that *Wakalah* fee was not same as *agent's commission*. In their mind, *Takaful* would not pay commission to agents. Futhermore, 74% believed that if they bought *Insurance*, there would be a portion from the payment as agents' commission. Therefore, they rejected *Insurance* because of the agents' commission issue. However, the research shown that this Arabic word had no correlation at all. Researcher has tried to explore why word *Wakalah* was not significant. It found that most of the correspondents put their stand side as "Neutral" in answering the questionnaires. It indicated that they themselves had no clear picture regarding *Wakalah*.

4.1.4 Word: *Gharar* (غرار)

Word *Gharar* was found as strong significant. The Pearson Correlation was negative 0.149 with Significant (2 tailed) 0.003. It explained 54% of the correspondents were in their mind that *Gharar* was not only in *Insurance* but also in *Takaful*. They did not know where their money being invested. 74% did not know that their payment to *Takaful* was actually put into pool of fund. This pool of fund has been created as claims' reservoir. The claims' reservoir would pay the death benefits, hospitalizations expenses especially the medical card expenses, maturity fund etc among the *Takaful* participants. Only 19% of the correspondents knew that their payment to *Takaful* would be put into pool of fund as participants' claims reservoir. Therefore, researcher, found that this 19% correspondents understood the concept of having *Takaful* plan. They wanted their risks to be shared among participants. In other words, the participants agreed that their money would be used to help other people .

4.1.5 Words: 'Aqad Tabarru' (عقد تبرع)

The research has shown around 74% of the correspondents were approached by *Takaful* agents and explained them that 'Aqad Tabarru' existed in *Takaful*. Furthermore, they were explained that *Insurance* binded with contract compared to *Takaful*. Researcher found that correspondents did not understand the meaning of 'Aqad Tabarru' and *Contract*. Referring to previous IV – *Gharar*, it could be inter-related. It was because most of the correspondents agreed their risks to be shared among participants. That was why they had to have *Takaful* by subscribing medical card plan. *Contract* and 'Aqad Tabarru' were only the matter of different languages with the same meaning in industrial practice.

4.1.6 Word: Fatwa (فتوى)

Fatwa was the last IV used to determine whether there would be any correlation with the DV. Fatwa seemed to be of no significance at all. Many of smokers claimed that they adhere to Fatwa in regard to Insurance but the same treatment was not significant to them when it came to smoking even though the Fatwa already prohibited smoking. It found that 91 of 400 correspondents were smokers. 100% of these correspondents claimed that they adhere to Fatwa. They depended on Fatwa in regard to Insurance but the other round way they were still smokers. In addition, they rely on Fatwa regardless of the *Takaful* business operations comply or not to Syariah Compliance.

4.2 The Impact on Untapped Malay Market

The research has seen 32% of the correspondents were willing to have *Takaful* products. It indicated the remaining of 68% were not willing to have *Takaful* products. Part of the 68%'s group, it was found that 70.22% of them had no *Insurance* or *Takaful* at all. This figure represented 191 of 272 correspondents without any coverage of *Insurance* or *Takaful*. The Arabic words have played their roles persuading Malays to buy *Takaful* instead of *Insurance*. They were so comfortable with Arabic terms. They believed that Arabic terms seemed to be more Islamic rather than other languages especially English words.

Out 30 correspondents who had already *Takaful*, 66.67% of them would stick with *Takaful* and they did not want to convert *Takaful* plan to *Insurance* plan. This is one evidence of the big impacts on Untapped Malay Market by using Arabic words in Malaysia *Takaful* Industry. The

correspondents who were willing to convert their *Takaful* plan to *Insurance* plan came out from people who previously had both *Takaful* plan and *Insurance* plan respectively. Arabic words had no impact on them and seemed that they needed the services regardless of any terms given. However, among from this group, whoever had only *Takaful* plan would not comfortable to convert *Takaful* Plan to *Insurance* plan. It has not indicated that *Takaful* plan much more Islamic features but they totally trusted their *Takaful* agent as well as the agent's race has been the same race – Malay.

Takaful's medical card plan was found as the most preferable plan. 191 of 272 correspondents without had any coverage of *Insurance* or *Takaful* prefer to subscribe *Takaful* medical card plan. Researcher predicted that these correspondents will be the potential market for *Takaful* industry. Many of them seemed to be observers to the market's trend. They would be easily to tap provided that the quality of the *Takaful* plan could fulfill their wants and needs accordingly.

Based on this research, they would prefer *Takaful*'s medical plan rather than *Takaful*'s education plan or *Takaful* retirement plan. *Riba*' & *Tabarru*' and *Gharar* issues were the reasons why they would prefer *Takaful*'s medical plan. As *Takaful*'s education plan and *Takaful*'s retirement plan would project the projected fund with projected rate, they believed that it would be *Riba* and *Gharar*. Subscribing *Takaful*'s medical plan would picture them that it would be classified as donation.

As Arabic words played their roles in the industry, moving forwards, more Malays would like to consider to have their own *Takaful* plan. Therefore, in penetrating Untapped Malay Market, only Malays could convince their own race to buy *Takaful*. The impact would not only a rising numbers of Malays as *Takaful* agents, but it also would increase the numbers of Malays' *Takaful* agency in the nationwide. More and more Malays will learn about Islamic Financial Planning to be *Takaful* trainers and lecturers as well as the increasing of undergraduates and postgraduates candidates in nationwide's higher learning institution.

5.0 Conclusion and Recommendation

This research has found that there is a relationship between Arabic words and Untapped Malay Market in having *Takaful* services.

Malays have been seen so comfortable with Arabic words. They have been trying to accept the existence of *Takaful*. This is a very good impact to Malays. More of the Malays are now having

Takaful Medical Card Plan. This would help them to have a very good health care in private hospitals. It is also can reduce the number of waiting list in government hospital for critical illness treatments.

Furthermore, the numbers of Malay agents will keep increasing and it can help to penetrate the Takaful to the other rest of untapped Malays. They trust Takaful instead of Insurance as it is considered as Islamic Financial Tool.

It is recommended to the next potential researchers to explore more on this research.

References

- Abdullah, A., & Yaacob, H., (2012). Legal And Shariah Issues In The Application Of Wakalah-Waqf Model In Takaful Industry: An Analysis. International Congress On Interdisciplinary Business And Social Science. 1040-1045
- Alan C. Elliot & Wayne A. Woodward. (2007). Statistical Analysis: Quick Reference Guidebook With SPSS examples. U.S.A.: Sage Publications, Inc.
- Andy Field (2009). Discovering Statistics Using SPSS. Third Edition. Dubai, India: Sage Publication Pvt. Ltd.
- Aris, Y. B. W., Sahak, S. Z., & Shaadan, N., (2009). A Relook Into Awareness, Perceptions, Barriers And Future Insurance Needs: A Case Study Of Takaful And The Malays. Conference Of The International Journal Of Arts And Sciences.
- Arifin, J., Yazid, A. S., & Sulong, S., (2013). A Conceptual Model Of Literature Review For Family Takaful (Islamic Life Insurance) Demand In Malaysia. International Business Research, Vol. 6 (3), 210-215
- Aziz, A. B. A., (2010). Al-Dhara'i And Maqasid Al-Shari'ah: Case Study Of Islamic Insurance. Intellectual Discourse, Vol. 18 (2). 261-281
- Billah, M. M., (2003). Islamic And Modern Insurance (Principles and Practices). Ilmiah Publishers. 51-57
- Brenson M.L., Levine, D.M. & Krehbiel, T.C. 2006. Basic Business Statistics: Concepts and Application. New Jersey: Pearson Prentice Hall.
- Cochran, L., & Quester, P., (2004). Product Involvement And Humour In Advertising : An Australian Empirical Study. Journal Of Asia Pacific Marketing. 68-74
- Cooper, D. R., & Schindler, P. S., (2011). Business Research Methods, Eleventh Edition, The McGraw-Hill Education (Asia).
- Cronbach, L. J. (1951). Coefficient Alpha and the Internal Structure of Tests. Psychometrica, 16, 297-334.
- Dali, N. R. S.M. , Yousafzai, S. & Hamid, H. A. , (2013). The Development Of Islamic Banking & Finance.Underpinning Theory Affecting Islamic Banking Consumers Post Purchase Behavior. 2nd International On ASEAN Economics Development,Thailand, 1-15

- Hussain, M. M., & Pasha, A. T., (2011). Conceptual And Operational Differences Between General Takaful And Conventional Insurance. *Australian Journal Of Business And Management Research*, Vol. 1(8), 23-28
- Doole, I., & Lowe, R., (1999). *International Marketing Strategy: Analysis, Development And Implementation*. Second Edition. International Thomson Publishing.
- Dusuki, A. W., et al. (2012). *Islamic Financial System. Principle & Operations*. International Shari'ah Research Academy For Islamic Finance (ISRA). Malaysia
- Frederick J. Gravetter and Larry B. Wallnau (2007). *Statistics for Behavioral Science*. Canada. Thomson Wadsworth Higher Education.
- Fox, W. & Bayat, M.S. (2007). *A Guide to Managing Research*. Cape Town: Juta
- Gupta, V., (1999). *SPSS for Beginners*. U.S.A.: VJBooks Inc.
- Hair, J.F. Jr. , Anderson, R.E., Tatham, R.L., & Black, W.C. (1998). *Multivariate Data Analysis*, (5th Edition). Upper Saddle River, NJ: Prentice Hall.
- Hamid, M. A., (2009). A Study On The Level Of Knowledge And Understanding Among Muslims To The Concepts, Arabic And Shariah Terms In Islamic Insurance (Takaful). *European Journal Of Social Science*. 468-478
- Sadeghi, M., (2010). The Evolution Of Islamic Insurance – Takaful: A Literature Survey. *Insurance Markets And Companies: Analysis And Actuarial Computations*, Vol. 1 (2). 100-107
- Hamid, M. A., Osman, J., & Nordin, B. A. A., (2009). Determinants Of Corporate Demand For Islamic Insurance In Malaysia. *International Journal Of Economics And Management*. 278-296
- Hashim, A. B. M., (2007). The Collection Of Waqf Through Insurance Companies: A Critical Analysis Of The Malaysian Experience. *Review Of Islamic Economics*. 63-74
- Hong, T. J., (2008). *Statistical Techniques in Business Research – A Practical Approach* (2nd Edition). Malaysia: Pearson Malaysia.
- Haque, A., (2010). Islamic Banking In Malaysia : A Study Of Attitudinal Differences Of Malaysian Customers. *European Journal Of Economics, Finance And Administrative Sciences*, 7-18
- Ibrahim, F. S., (2012). The Use Of Puns In Malaysia Advertising. *English For Professional Communication*. 1-20, 40-51
- Jaffer, S., Ismail, F., Noor, J., Unwin, L., & Ajayi, D., (2010). *Takaful (Islamic Insurance): Concept, Challenges, And Opportunities*. Miliman Research Report
- Kamil, B. A. M., & Salleh, M. C. M., (2013). The Need For Effectiveness Talent Management Practices Among Islamic Financial Institution In Malaysia. *4th International Conference On Business And Economic Research*, 296-305
- Kawangit, R. M., et al., (2012). The Management Of Takaful Business Models In Malaysia. *Advance In Natural And Applied Sciences*. 561-564

- Mansor and Bhatti, 2011. Islamic Mutual Funds Performance for Emerging Market, During Bullish And Bearish: The case of Malaysia. 2nd International Conference on Business and Economic Research (2nd ICBER 2011) proceeding, 770-789
- Mohamad, S., Abdullah. M., Amanbayev.Y., Omer, G. S., & Elobied. A., (2012). An Overview Of Takaful In Malaysia. INCIEF.
- Noor, A. M., (2009). A Shari'ah Compliance Review On Investment Linked Takaful In Malaysia. Islamic Economic Studies, Vol. 17 (1).
- Omer, A. S. M., (2011). Takaful And Actuaries Practices : Issues And Challenges Facing By Takaful Industry In Dual System. International Centre For Education In Islamic Finance, Chartered Islamic Finance Professional.
- Rahman, A. A., & Mohamad, S., (2010). Analysis Of Tabarru' Principle In Takaful Contract : Malaysian Experience. International Conference On Humanities, Historical And Social Science.
- Rahman, A. A. R., Ahmad, W. M. W., Mohamad, S., & Muhamad, R., (2012). Insurability And Suicide: Shariah Issues In Underwriting. International Congress On Interdisciplinary Business And Social Science. 593-601
- Rahman, Z. A., (2009). Takaful: Potential Demand And Growth. J.KAU: Islamic Econ., Vol. 22 (1), 55-72.
- Redzuan, H., Rahman, Z. A., & Aidid, S. S. S. H., (2009). Economic Determinants Of Family Takaful Consumption : Evidence From Malaysia. International Review Of Business Research Papers, Vol. 5 (5), 193-211
- Render, B., & Jr, R. M. S. J., (2000). Quantitative Analysis For Management, Seventh Edition. Prentice Hall International, Inc
- Sekaran, U. 2003. Research Methods for Business A Skill Building Approach. 4th Edition. New York: John Wiley & Sons, Inc
- Taylor, D., & Fisher, O. C., (2000). Prospects For The Evolution Of Takaful In The 21st Century. 5th Harvard University Forum On Islamic Finance : Islamic Finance: Dynamics And Development Cambridge. 237-254
- Toncar, M. F., & Munch, J.M., (2003). The Influence Of Simple And Complex Tropes On Believability, Importance And Memory. Journal Of Marketing Theory And Practice. 39-42
- Vasiloaia, M., (2009). Linguistic Features Of The Language Of Advertising. Economy Transdisciplinarity Cognition. 294-298
- Weinberg, S.L & Goldberg, K.P. 1994. Statistics for the Behavioral Sciences. New York: Cambridge University Press.
- Wheelen, T.L. and Hunger, J.D. (2012), Strategic Management and Business Policy, 13th ed., Pearson
- Yusof, M. F., (1996). The Concept And Operational System Of Takaful Business. New Horizon, No. 5, May-June. 10-14

- Zaman, M. R., & Movassaghi, H., (2001). Islamic Banking : Performance Analysis. The Journal Global Business. 31-38
- Zaman, N., & Asutay, M. (2009). Divergence Between Aspirations And Realities Of Islamic Economics: A Political Economy Approach To Bridging The Divide. IIUM Journal Of Economics And Management, Vol. 17 (1). 73-96
- , (2012). Private Retirement Scheme. Securities Commission Malaysia.
- , (2013). Insurance. Bank Negara Malaysia. Retrieved from <http://www.bnm.gov.my/index.php?ch=174&pg=469&ac=385>
- , (2012). Bank Negara Malaysia Annual Report. Bank Negara Malaysia. Retrieved from <http://www.bnm.gov.my>
- , (2011). Bank Negara Malaysia Annual Report. Bank Negara Malaysia. Retrieved from <http://www.bnm.gov.my>
- , (2010). Bank Negara Malaysia Annual Report. Bank Negara Malaysia. Retrieved from <http://www.bnm.gov.my>
- , (2009). Bank Negara Malaysia Annual Report. Bank Negara Malaysia. Retrieved from <http://www.bnm.gov.my>
- , (2008). AIA Gets Malaysian Islamic Insurance Licence. Association Of Islamic Banking Institutions Malaysia. Retrieved from http://aibim.com/index2.php?option=com_task=view&cont...
- , (2007). Takaful Funds- An Overview. EurekaHedge Pte. Ltd. Retrieved from http://www.eurekaHedge.com/news/07_feb_IFN_TakafulFunds.asp