

## THE INTENTION TO PURCHASE LIFE INSURANCE FROM ISLAMIC PERSPECTIVE: A CASE STUDY AMONG DIPLOMA MUAMALAT STUDENTS IN UITM DUNGUN

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### ABSTRACT

Takaful, commonly referred to as Islamic insurance, is a form of Islamic insurance in which participants make investments into a pooling scheme to indemnify one another against loss or harm. In simple terms, Takaful is an agreement among a group of individuals who agree to jointly compensate damages or losses from a fund they collectively give to. The main premise for takaful-branded insurance is to safeguard each other. This research objective is to identify the understanding of the life insurance concept from an Islamic perspective, to analyse the factors of intentions in purchasing life insurance, and to identify the awareness of purchasing life insurance among Diploma Muamalat Students in UiTM Dungun. The researcher gathers information used on this subject utilising quantitative methods. Participants are required to fill out a google form that the author distributed to the Muamalat students at UiTM Dungun as part of the quantitative method approach. Based on the results of the study, it is possible to conclude that the target demographic is familiar with the fundamentals of Islamic insurance. The goal of this research is to raise awareness of the intention of purchasing life insurance based on Islamic perspective.

**Keywords:** intention to purchase insurance, life insurance, Islamic perspective

## 1.0 INTRODUCTION

Life Insurance can be simply understood as an agreement between an insurance policy holder and an insurance agency, where the insurer agrees to pay an amount of money in lieu of a premium, upon the death of an insured person or after a duration (Jason Metz, 2022). The three most prevalent forms of life insurance include term life insurance, whole life insurance, and universal life insurance. Conversely, Islam, has its own insurance system known as takaful. In a form of Islamic insurance known as takaful, participants invest heavily into a pool system to insure one another. Health, life, and general insurance requirements are covered by takaful-branded insurance, which is based on sharia, or Islamic religious law. Participants' claims are reimbursed out of the takaful fund. Understanding the present issue that we face regarding it, it is necessary to comprehend the relevance of acquiring life insurance from an Islamic perspective. According to National Health Morbidity Survey (NHSM) statistics published in 2019, up to 45.5% of Malaysians, including over 71% of the country's impoverished 20%, do not acquire any other or additional financial resources for medical care beyond the government's established tax-funded health insurance programme (CodeBlue, 2020).

This is due to the fact that the majority of them don't actually grasp and understand the concept of having insurance coverage and disregard its importance as many believe it's a government ploy to generate more revenue. In a data recorded by Zurich, it is stated that more than a third of Malaysians, or around 38% of the population, still do not have any personal insurance protection and are not well acquainted with the reason as to why they should have it. Concurrently, another data also recorded a total of 23% of Malaysians, or virtually one in every four that are proven to be unable to afford any type of insurance (Murugiah. S, 2021). The failure of obtaining an insurance or takaful plan was due to a variety of factors, including a lack of knowledge and information as well as a bad impression of the insurance business. The proportion shown of people who still don't have or are not aware of the importance of possessing life insurance is concerning since it's the only asset that will help to cover a family's financial needs in the event of a death or income loss brought on by a breadwinner's permanent disability. According to information gathered from the National Health Morbidity Survey (2019) which included 19 959 participants, 56.6% of the sample population lacked insurance. The majority of those without insurance, expressed an intention to become acquainted with its relevance sooner. Consequently, the purpose of this study is to spread awareness of the intention to purchase life insurance in the UiTM Dungun students. Additionally, it serves to promote awareness of the purpose for acquiring life insurance. This study is essential in ensuring that the Diploma Muamalat in UiTM Campus Dungun students can comprehend the intentions of purchasing life insurance based on Islamic perspective. The need to establish financial stability for oneself, family, and successors in the event of death or illness should slowly begin to sink in along with people.

## 2.0 METHOD

This study uses quantitative research and is descriptive in design. This study produced a total of 62 findings among UiTM Terengganu Diploma muamalat students with google form survey as the instrument. Data analysis will involve identifying common patterns among the responses and critically evaluating them in order to meet the aims and objectives of the statistical descriptive percentage taken via the Google Forms. For the purpose of conducting an in-depth analysis of the data, the mean and standard deviation are computed utilising Statistical Package for the Social Sciences (SPSS).

## 3.0 FINDINGS AND ARGUMENTS

### 3.1 Descriptive Statistic of Statement

In this subsection, the results of the respondents' responses will be displayed as a mean score. The term "mean," which is also known as "average," is used to better explain the average value of a grouping of statistics. As was noted in the previous chapter, both the dependent and independent variables were rated on a scale of 1 to 5, with 1 denoting strong disagreement, 2 disagreement, 3 neutrality, and 4 agreement and 5, the most agreeable. The work is then divided into three levels—high, medium, and low—in this section. This classification is founded on a modified Oxford interpretation that indicates that mean scores between 3.5 and 5.0 are high. Thus, a moderate score is defined as one with a mean between 3.49 and 2.5. Low is characterised as 2.49 to 1.0 (Izham, Mohd & Juraime, Faridah & Mansor, Azlin, 2016).

**Table 1:** Level Mean Score Interpretation

Mean Score	Mean Score Interpretation
1.00 - 2.33	Low
2.34 - 3.66	Moderate
3.67 - 5.00	High

### 3.2 Identifying the Understanding of The Life Insurance Concept from an Islamic Perspective among Muamalat Students in UiTM Dungun.

According to data obtained from the attached Google Form, the majority of Muamalat students in the UiTM Dungun community may be reasonably categorised as individuals who possess a solid understanding of what life insurance is. Even so, several of them are still unfamiliar with the concept of life insurance. The findings of this study, which were distributed via the Telegram and WhatsApp applications, show unequivocally that the majority of Muamalat students at UiTM Dungun do have a decent understanding of life insurance. Furthermore, a significant part of

these students would be familiar with the idea as it is presented in the syllabus for the Muamalat course. The responses of the respondents are supported by the mean scores and standard deviations for each question in the following table.

**Table 2:** Mean Score and Standard Deviation for Part B Questions

Descriptive Statistics				
Questions	N	Mean	Standard Deviation (SD)	Interpretation
I know what life insurance is	60	3.93	0.83	High
I understand what life insurance is from an Islamic perspective	60	3.75	0.89	High
I know what is Takaful	60	4.07	0.85	High
I know that insurance in Islamic perspective is a concept of pooling money that will be used as resources to handle any potential risk	60	3.89	0.78	High
I have an Islamic insurance subscribed	60	3.07	1.39	Moderate
<b>Average</b>		<b>3.74</b>	<b>0.95</b>	<b>High</b>

For the purpose of analysing the constructed mean score table above, it can be observed that according to table 4 above, the author questioned the respondents about their fundamental understanding of life insurance. This section's response average value is 3.74, which is high by interpretive standards. The results demonstrate how, from an Islamic perspective, common understanding about life insurance affects a person's objective to purchase it. Additionally, for question 1, results imply that the author's conclusion to the high calculation for question 1 mean (M=3.93), is that Muamalat students in the UiTM Dungun community generally understood the basics of life insurance. This is demonstrated by the fact that Malaysia is acknowledged as the continent's market leader in the takaful sector. It does seem inevitable that the populace would be acquainted with the fundamentals of what it is (Husin, M. M., 2019).

Regarding query number two, the author enquired of the respondents their familiarity with life insurance from an Islamic perspective. The findings (M=3.5) demonstrate that the majority of respondents approve of the statement. This is understandable considering how accessible it is to acquire healthcare in Malaysia. As a result, the respondents' demonstrated awareness and the statistics are consistent. The fact that they were cognizant of it also stands to reason since Malaysian law mandates that all drivers obtain third-party auto insurance (Ab Rahman A., 2008). Therefore, previous to education or syllabuses, there must have been a general understanding of what insurance is. In the meantime, the author poses

a similar remark for the third question using the term "takaful," which is a separate phrase. According to the findings from these respondents, which are shown in Table 4, the data calculated yielded a mean of (M=4.07). Even when analysing the mean level, it is clear that these respondents' understanding of the idea of life insurance from an Islamic perspective is rather strong.

The author's mean calculation for question 4 is (M=3.89). According to data analysis, the majority of those surveyed also comprehended the idea of money pooling in Takaful. Most of their answers to this question is to agree or strongly agree. Surprisingly, the mean determined for Question 5's inquiry on the purchase of Islamic insurance is (M=3.07), which is a moderate mean. This issue received a relatively high response of neutrality and considerable disagreement, which led to the result. The results could have various possible interpretations since this mass of the sample population is still in university and therefore cannot afford healthcare or insurance on their own due to their being unemployed and having no wage. Broadly speaking, the outcomes of this study's findings are consistent with those presented in an academic article titled "Awareness and Knowledge of Takaful in Malaysia: A Survey of Malaysian Consumers," which found that the majority of participants understood exactly what takaful was and that it was a product that complied with Shari'ah and was devoid of prohibited substances (Hassan, R., Salman, S. A., Kassim, S., & Majdi, H. 2018). It is evidently proved that the majority of Malaysians have a thorough understanding of what Islamic insurance is. In conclusion, even though the majority of the target respondents were aware of the fundamental principles behind Islamic insurance, they still haven't signed up for a subscription.

### 3.3 The factors of intentions in purchasing life insurance among Muamalat students in UiTM Dungun.

The author's observations, information, and justifications with regard to the third portion of the distributed form are presented in the results displayed below. This section of the research attempts to understand the factors influencing the target population's decision to purchase life insurance. The detailed results are all discussed here.

**Table 3:** Mean Score and Standard Deviation for Part C Questions

Descriptive Statistics				
Questions	N	Mean	Standard Deviation (SD)	Interpretation
I know that the intention of purchasing life insurance in Islamic perspective is different from the intention of purchasing it in a conventional perspective	60	3.80	0.85	High

I agree that Risk Aversion is one of the main factors that influence the intention of purchasing life insurance in Islamic perspective	60	3.85	0.75	High
I agree that one of the intentions of purchasing life insurance in Islamic perspective is to help each other in times of needs	60	4.08	0.7	High
I think I know the distinctions between Diyat vs Islamic insurance	60	3.30	0.95	Moderate
I agree that Diyat and Islamic Insurance are vastly different	60	3.54	0.89	Moderate
<b>Average</b>		<b>3.71</b>	<b>0.83</b>	<b>High</b>

It should be noted that the determinants for buying life insurance from an Islamic perspective and the distinction between Diyat and takaful are specified in this portion of the questionnaire, which is the part that corresponds to table 5. The average score determined for this section of the survey is 3.71, which is a high value score to begin with. This demonstrates that the target audience understood the differences between diyat and takaful and that they concur with the elements that the writer believes are influencing people's decisions to purchase life insurance. Furthermore, the mean computed was a high mean (M=3.80) for the initial question in this part when the author asked the audience if they recognised the distinction between the goal of acquiring life insurance based on a conventional and an Islamic perspective. The takaful system years ago included the systems of *Aqilah* (mutual assurance among tribes) and *Diyat* (blood money to the heirs of victims) (Saidon, R., Ramly, A., Ishak, A. H., & Razaly, M. Z., 2019). As the modern century approaches, it is a relief that most individuals and especially the target respondents, are aware that the Takaful and Diyat systems are independent.

The factors of the purpose to acquire life insurance from an Islamic perspective is the subject of the second and third questions in this area of the work. The responses appear to coincide with the author's assessment that risk aversion and assisting each other during times of need are the primary considerations for buying life insurance. The high computed means (M=3.85 and (M=4.08) for the two questions served as additional confirmation. The idea is consistent with the goals of the majority of Takaful operators who have created micro-takaful plans to make sure that those with modest incomes and the poor could acquire takaful protection (Bangaan Abdullah, H. S., Yakob, R., Yakob, S., & Sharif, N. S. (2022).

The fourth and last question in this section is already accessible. It has to do with the variations between Diyat and takaful. This is to verify if the responders truly comprehend the elements involved in purchasing life insurance from an Islamic perspective. The estimated means equal (M=3.30) and (M=3.54), both of which are moderate means. This demonstrates that the target demographic is still not quite clear on the distinctions between Diyat and takaful, and as a result, they are

likely to be perplexed by the variables as they frequently conflate the rationale for owning life insurance.

### 3.4 An awareness of purchasing life insurance among students of Muamalat in UiTM Dungun.

The calculated findings and clarifications in this section of the research are intended to analyse the Muamalat students at UiTM Dungun's perception of their intention to really get Islamic life insurance. The author's mission is to evaluate the responses and explore the reasoning behind them. For the sake of comparability and practicality, the majority of the author's opinions will be substantiated by relevant scholastic literature. The author's comprehensive material and analysis are displayed in the following section beneath.

**Table 4:** Mean Score and Standard Deviation for Part D Questions

Descriptive Statistics				
Questions	N	Mean	Standard Deviation (SD)	Interpretation
I am fully aware of the intentions of purchasing life insurance from an Islamic perspective	60	3.95	0.83	High
I am aware that the intention of purchasing life insurance from a conventional perspective is mostly profit-based	60	3.87	0.83	High
I realise that the awareness of the intention in purchasing life insurance from Islamic perspective among Diploma Muamalat students in UiTM Dungun is low	60	3.72	0.66	High
I believe that everyone should be aware of the intention of purchasing life insurance from an Islamic perspective before subscribing to any insurance	60	4.10	0.65	High
I am aware of the intention of purchasing life insurance from an Islamic perspective and will be subscribing to one for my own benefits	60	4.05	0.64	High
<b>Average</b>		<b>Average</b>	<b>3.94</b>	<b>0.72</b>

The questions posed in the final section of this study about the awareness of the intention to purchase life insurance from an Islamic perspective are outlined in the table above. A high mean, (M=3.94) is the determined average mean value for this component. It is logical to assume that these students are aware of how Takaful transfers the burden of paying for healthcare coverage and other expenditures originating from disability and chronic sickness to the insurer (Mustafa, N., Salleh, F., Afthanorhan, A., Daud, W. N. W., Yazid, A. S., & Rashid, N. (2019). This shows how well-versed the Muamalat students are regarding the importance of acquiring life insurance from an Islamic standpoint. Similarly, the gathered means for the first and second questions, which examine general knowledge of the intention to purchase life insurance from both an Islamic and conventional perspective, are (M=3.95) and (M=3.87), respectively. This validates the claim made by Hasan and Kasule in 2012 that insurance has paradoxical impacts depending on education level. Perceptions have the potential to either stimulate or dissuade customer intentions to buy life insurance (Hasan & Kasule, 2012). This indicates that the respondents are aware of their intention to buy life insurance Islamically and are aware about the conventional, profit-based life insurance policy as well as their unwillingness to have it.

The following table outlines a statement-like question on the poor knowledge of obtaining life insurance among Muamalat students in the third question of this section, where the mean gathered is (M=3.72). The replies appear to agree with the question's implied stance. This is relevant to the facts that suggest education has a positive linkage with healthcare coverage since it is the major determinant of health insurance purchasing decisions (Mustafa, N., Salleh, F., Afthanorhan, A., Daud, W. N. W., Yazid, A. S., & Rashid, N. (2019). The respondents believe that, despite having some broad information about life insurance, self-awareness could still be increased. The fourth and concluding question requires the participants to state their view about both other people's and their own intentions to buy life insurance. The last query focuses more on the agreement to own said Islamic life insurance. These two questions' means, (M=4.10) and (M=4.05), indicate a high level of interpretation for the bottom subject. It is reasonable to say that education has the strongest impact on Muamalat students at UiTM Dungun's awareness of and intent to purchase life insurance based on an Islamic perspective. It equally demonstrates that enrolling in an Islamic life insurance policy is advised provided that one is properly informed about the objectives and deciding criteria while buying life insurance.

#### **4.0 CONCLUSIONS**

The first piece of guidance that can be offered to society is to be well informed about the life insurance that is being intended before committing to it. A smart starting point is by having a sufficient understanding of the company's history, the product that is being sold, and the advantages of the insurance being offered. Along with efforts to boost awareness, the community may grow into a generation of educated purchasers and citizens. From an Islamic perspective, the purchase of Islamic insurance can be implemented properly if the targeted population is conscious of the correct objective. It is additionally advised that the community educate themselves on the factors from an Islamic perspective before making the



decision to purchase life insurance. Islamic and traditional insurance may not differ much in terms of their products and services, but they do vary in how and where the money is gathered. The strict adherence to Sharia law is stressed from an Islamic perspective, while conventional insurance relies on fundamental contracts from a variety of dubious sources.

### Author Contributions

Muhammad, F.S., Data curation, editing and validation. Mustafa, Y.U., has been a co-author and has analyzed the research findings in this manuscript.

### Conflicts of Interest

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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