

AWARENESS AND KNOWLEDGE OF INSURANCE AND TAKAFUL IN INDIA: A SURVEY ON INDIAN INSURANCE POLICY HOLDERS

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Abstract: India is a country with the second highest Muslim population after Indonesia and the second largest populated country in the world after China. Since 1818 during the colonization period, insurance was introduced in India. Nowadays, the Indian insurance industry is growing fast. Despite being the second largest Muslim populated country, there is no *Takaful* (Islamic insurance) products offered in India. Thus, this paper aims to examine the insurance policy holders' awareness and knowledge of insurance and *Takaful* in India. The findings show that the non-Muslim insurance policy holders are not aware that insurance practice involves interest, uncertainty and gambling. Similarly, the majority of non-Muslims do not think that insurance practice should be prohibited based on their religious teachings. Interestingly, the majority of respondents have not heard about *Takaful*. On the contrary, the majority of Muslim know that insurance practices have interest, uncertainty and gambling, and at the same time they think that conventional insurance should be prohibited based on religious teachings. The majority of both Muslims and non-Muslim respondents believe that ethics is important in the insurance practice. It can be concluded that awareness and knowledge of *Takaful* in India is very low. It might be the main reason why *Takaful* has not been introduced in India yet.

Keywords: Awareness, Knowledge, Insurance, Takaful, Policy holder and India.

INTRODUCTION

Insurance is well-known as a risk mitigating tool both in our personal life as well as in the business environment. Having insurance helps policy holders financially in the case of any misfortune encountered by them according to the terms and conditions of their insurance policy. Its usefulness is undeniable and its importance is recognized widely. Regulatory requirement makes insurance more demanded by the public. For instance, to renew the road tax, insurance must be bought by car owners. Nowadays, almost everyone has insurance either due to compulsion (i.e. due to employment requirements or government regulations) or on a voluntary basis. The concept and idea of insurance is not new, since it has been in India since 1818. However, there is limited research which examines the awareness and knowledge related to insurance and *Takaful*.

In addition, India is the second largest Muslim populated country and the second largest populated country in the world. *Takaful* has been offered widely all over the world, including both Muslim and non-Muslim countries. Currently,

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there are more than 174 *Takaful* operators in the world (Salman, 2014). However, it is surprising that *Takaful* (Islamic insurance) has not been offered in India. The research finds no literatures on the reason(s) for the absence of *Takaful* operations in India. Therefore, the objective of this paper is to examine the insurance policy holders' awareness and knowledge of insurance as well as of *Takaful* in India.

This paper is organized into five sections. Section two discusses the literature review on Insurance and *Takaful*. Section three gives a brief picture of the research methodology, whereas section four explains the findings of insurance policy holders' knowledge of insurance and *Takaful*. Section five concludes the paper.

LITERATURE REVIEW

Insurance in India

The practice of insurance in India is far from being a recent phenomenon. Rather, the birth of insurance in India started in 1818 when the Oriental Life Insurance was founded. Only five years later in 1823 another insurance company called the Bombay Assurance Company was established, followed six years later by the Madras Equitable Life Insurance Society. Bombay Mutual, Oriental, and Empire of India are three more Bombay-based insurance companies that were founded following the British Insurance Act of 1870, in 1871, 1874, and 1879 respectively. Despite these local insurance companies, at the time they all faced many hurdles to flourish in the insurance market in the face of strong competition by foreign companies such as Liverpool and London Globe Insurance, Royal Assurance, and Albert Life Assurance (Insurance Regulatory and Development Authority, 2012- 13).

Indian Life Insurance Companies Act of 1912 stood as the first ever statutory measure in India to regulate life insurance. Later both life and general insurance companies were legally regulated by the Indian Insurance Companies Act of 1928. Ten years later legislation on insurance was amended and further strengthened with comprehensive provisions for effective control over the activities of insurance providers by the Insurance Act of 1938. Despite these legal measures unfair trade practices were reported to exist in the market in the midst of high competition between myriads of insurance companies. To solve these occurrences, measures were taken by the Indian government to the insurance sector. The first to become nationalized was the Indian life insurance sector on 19th January 1956, leading to the merging of all the existing insurance companies (16 non-Indian insurers, 154 local Indian insurers, and 75 provident societies) into the newly-established Life Insurance Corporation (LIC). Until the late 1990s the monopoliser of the market was undisputedly the LIC, after which the private sector was once again allowed to operate in the insurance sector (Insurance Regulatory and Development Authority, 2012-13).

General insurance, on the other hand, dates back to the 17th century when maritime trade and commerce witnessed growth in the midst of the European industrial revolution (Insurance Regulatory and Development Authority, 2012-13). The first general insurance company to operate in India was the Triton Insurance Company Ltd. in Calcutta in 1850. It took over a century to nationalize all the general insurance companies in India with the General Insurance Business Act of 1972. This took effect on 01st January 1973 when 107 insurance providers were aggregated into four companies. These companies were: the Oriental Insurance Company Ltd., the National Insurance Company Ltd., the United India Insurance Company Ltd, and the New India Assurance Company Ltd. This was parallel with the incorporation of another company called the General Insurance Corporation of India in 1971 whose insurance activities began on 01st January 1973. Recognising the need for further reform of the insurance industry, the Malhotra Committee Report of 1993 was the result of the Indian government's effort in drawing up expert recommendations to reform the insurance industry. As a result of its recommendations, an autonomous body was founded to develop and regulate the insurance industry under the name of the Insurance Regulatory and Development Authority (IRDA), serving the purpose of promoting competition to enhance customer satisfaction through lower premiums and increased consumer choice, while ensuring the financial security of the insurance market. It is worth noting that in April 2000 the IRDA became a statutory body. (Insurance Regulatory and Development Authority, 2012-13).

Privately owned companies were welcomed into the insurance industry in August 2000 by applying for registration under the IRDA and in 2015 allowing a share of ownership up to 49% for foreign insurance companies. As of date, 28 non-life insurance companies and 24 life insurance companies operate in India. On the global scale, in 2014 life insurance took up 55.55 percent of the total premium industry (The Annual Report of Insurance Regulatory and Development Authority India, 2014-15), whereas life insurance in India takes up an even bigger percentage of the total premium at 79.12 percent. During the same year, 2.08 percent constituted India's share in the global life insurance market. During the same year, global life insurance premium increased by 4.3 percent whereas in the case of India alone the life insurance premium increased by 1.0 percent (inflation adjusted), placing India in the 11th place in terms of global life insurance markets. As for the general insurance business, it occupied 44.45 percent of the total premium worldwide. The total premium in India consisted of 20.88 percent of general insurance businesses. During 2014 a growth of 4.8 percent (inflation adjusted) was witnessed by the Indian general insurance sector, whereas on the global arena it was a 0.69 percent growth for non-life premiums. India comes in 20th place in terms of the global general insurance markets. Based on these statistics the insurance market in India can be regarded as successful. Precaution becomes a must in the midst of the complicated business activities of today's life style, as it is needed to be on the safe side should

unfavourable outcomes occur deemed as being an acceptable end in all religious teachings.

Takaful

Takaful is not something novice but rather it goes back to the time of the Prophet (Peace be upon him). Nevertheless, a different term known as '*Aqīlah*' was used to refer to this concept, where it was practiced as a payment by a murderer's kin to the heir of the victim. There were many instances where the Arab tribes, the Prophet and his companions implemented '*Aqīlah*' (Salman and Htay, 2014; Arifin et al, 2013; Alhabshi et al, 2012; Archer, Karim, & Nienhaus, 2011; Jaffer et al., 2010; Othman & Abdul Hamid, 2009).

In an attempt to offer a contemporary understanding of *Takaful*, various definitions have been put forth, such as the following:

Islamic Insurance is an agreement of some persons facing certain types of risk, to remedy the losses raised from those risks, by paying subscriptions on the basis of commitment for donation, with this amount will be established an insurance fund, that will have its own juristic personality, and with separate financial liability, from this fund the compensation will be done for the losses that affect any subscriber due to insured risks took place, and it will be done according to bylaws and documents. This fund will be managed by a committee selected among the documents holders, or by a stock company with certain charges, that will carry out the management of insurance related works and the investment of stocks of the fund. (Accounting, Auditing and Governance Standards for Islamic Financial Institutions, 2014).

"Takaful is the Islamic counterpart of conventional insurance, and exists in both Family (or "Life") and General forms. Takaful is derived from an Arabic word that means joint guarantee, whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks. In a Takaful arrangement the participants contribute a sum of money as a Tabarru' commitment into a common fund that will be used mutually to assist the members against a specified type of loss or damage. The underwriting in a Takaful is thus undertaken on a mutual basis, similar in some respects to conventional mutual insurance. A typical Takaful undertaking consists of a two-tier structure that is a hybrid of a mutual and a commercial form of company – which is the Takaful operator (TO) – although in principle it could be a pure mutual structure." (Islamic Financial Services Board, 2009).

According to Salman et al., (2015) "*the contemporary concept of Takaful can be explained as the concept of providing financial assistance to the participants*

as a basis of mutual help, brotherhood and solidarity if the participants face misfortune”.

Based on the aforementioned, *Takaful* serves as a strong alternative to conventional insurance. This is because the primary objective of *Takaful* is not seeking to maximize personal profit, rather protecting participants based on moral and ethical foundations.

As mentioned earlier, the concept of '*Aqīlah*' formed the basis from which the concept of *Takaful* stemmed. This dates back to the times of Prophet peace be upon him up until the present day. The companions of the Prophet (Peace be upon him) applied and sustained the concept of '*Aqīlah*'. For instance, Sayyedana 'Umar (may Allah be pleased with him) established a committee of collectors in 634, whose task was to offer mutual contribution towards blood money for any manslaughter committed by somebody from their own society.

Later from the 14th to 17th centuries, marine trade was the main focus of *Takaful* practices, with the Hanafī jurist Ibn 'Abidīn (1784-1836) being the primeval Islamic thinker who stated the importance, general idea, and legal basis of an insurance contract (Klingmuller, 1969). Following his pioneering works where he characterised insurance as a licensed organisation, insurance practices were no longer based on customary practice, rather on legal institutions. When conventional insurance grew during the 20th century, scholars of Islamic jurisprudence issued *fatwās* deeming this form of insurance as being impermissible, while proposing *Takaful* as the clear alternative to conventional insurance (Billah, 2003; Kassar, 2008; Ezamshah, 2011; Alhabshi et al, 2012; Salman & Htay, 2014; Salman, 2014; Salman & Htay, 2014).

Compared to conventional insurance in the contemporary economic environment, the modern-day *Takaful* industry is in its infancy. One *Takaful* company in Sudan was founded in 1974, regarded as the first of its kind worldwide. Saudi Arabia, Malaysia, and the UAE are three countries that witnessed a positive boom in *Takaful* services since the 1970s. It has been forecasted that by 2017 the global *Takaful* industry will hit the US\$20 billion mark, with Malaysia proving to be the largest family *Takaful* market in world (Ernst & Young, 2014).

The number of *Takaful* operators in vital *Takaful* market centres is stated in a report entitled Ernst & Young Global *Takaful* Insights (2013), with a total of 174 *Takaful* operators existing in key markets, namely 43 in the GCC countries (excluding Saudi Arabia), 34 in Saudi Arabia alone, 29 in ASEAN (excluding Malaysia), 12 in South Asia, 11 in Malaysia alone, 9 in the Levant region, and 36 in Africa. The *Takaful* market is dominated by family and medical *Takaful*, with 47 percent in MENA, 50 percent in ASEAN, and 80 percent in South Asia.

In 2014, US\$14 billion was the total global gross contribution of *Takaful* compared to US\$12.3 billion in 2013 (Global *Takaful* Insights, 2014), duly to

continuously moderating of *Takaful* growth since 2007. Saudi Arabian *Takaful* establishments constitute almost half of global gross *Takaful* contributions at 48 percent. Excluding Saudi Arabia, the GCC countries recorded a 12 percent progress, compared to the 22% CAGR of the ASEAN countries, namely Malaysia, Brunei, Singapore, Indonesia, and Thailand. It is worth noting that a third (30 percent) of entire gross *Takaful* contributions are made by ASEAN countries, particularly Malaysia and Indonesia, followed by a 15 percent contribution by other GCC countries, and an aggregated 7 percent global *Takaful* contributions by South Asia, the Levant region, and Africa.

RESEARCH METHODOLOGY

Both primary and secondary data have been used. Primary data was collected by distributing the questionnaire and the secondary data was obtained from books, articles and online resources. Library research was used for the literature review. The snow ball sampling method was adopted to collect the questionnaire data. In order to know the respondents' awareness and knowledge on Insurance and *Takaful*, seven questions related to insurance and eight questions related to *Takaful* were asked. Descriptive statistics was used in this study. Since the nature of the research is exploratory, the questionnaire was the most suitable method.

FINDINGS

Profile of the Respondents

The total number of respondents was 909. Out of that, 50.27% are Muslims and the rest are non-Muslims. 61.28% are male and 38.72% are female. The majority of the respondents are aged between 26-30 years, followed by the age ranges of 46-50, 36-40, 31-35, 21-25 and 51-60. The rest of the age ranges are not significant since their percentages are low. All the respondents are insurance policy holders.

Awareness and Knowledge of Conventional Insurance

In order to examine the awareness and knowledge of the respondents, nine questions are created (Refer to Table 1). The majority of the respondents bought insurance on a voluntary basis since 54% represents the voluntary basis and 46% is for the compulsory reason. However, there is no significant difference in percentages between voluntary and compulsory reason since the difference is only 8%. Among the compulsory insurance policy holders, government plays a significant role in influencing the respondents to buy insurance since 77% of the respondents bought insurance because of the government. It is followed by the employers (21%) and financier (2 %). In the case of voluntary insurance policy holders, the main reason for buying the insurance is to get compensation for losses since 31% of the respondents

TABLE 1: AWARENESS AND KNOWLEDGE OF INSURANCE

No.	Description	Muslims		Non-Muslims		Overall (Muslims & Non-Muslims)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
1.	<i>What makes you engage with insurance policy?</i>						
a.	Compulsory	264	46.56	275	45.53	539	46.03
b.	Voluntary	303	53.44	329	54.47	632	53.97
	Total	567	100.00	604	100.00	1171	100.00
1.(a)	<i>If compulsory, you engage with insurance policy because of:</i>						
a.	Employer	67	21.34	60	19.80	127	20.58
b.	Government	243	77.39	232	76.57	475	76.99
c.	Financer	4	1.27	11	3.63	15	2.43
	Total	314	100.00	303	100.00	617	100.00
1.(b)	<i>If voluntary, you engage with insurance policy because of:</i>						
a.	To get compensation for losses from certain events	168	27.72	214	33.13	382	30.51
b.	Influenced by friends, peers and family members	154	25.41	174	26.93	328	26.20
c.	To secure from the misfortune	183	30.20	186	28.79	369	29.47
d.	Advertisement	98	16.17	70	10.84	168	13.42
e.	Others	3	0.50	2	0.31	5	0.40
	Total	606	100.00	646	100.00	1252	100.00
2.	<i>Why do you need insurance?</i>						
a.	Weather	74	4.96	78	5.97	152	5.43
b.	Accidents	260	17.41	259	19.83	519	18.54
c.	Theft/ burglary	136	9.11	113	8.65	249	8.90
d.	Physical disability	86	5.76	85	6.51	171	6.11
e.	Illness or health	308	20.63	259	19.83	567	20.26
f.	Education	188	12.59	115	8.81	303	10.83
g.	Death	70	4.69	99	7.58	169	6.04
h.	Investment	189	12.66	167	12.79	356	12.72
i.	Tax benefit	166	11.12	123	9.42	289	10.33
j.	Others	16	1.07	8	0.61	24	0.86
	Total	1493	100.00	1306	100.00	2799	100.00

No.	Description	Muslims		Non-Muslims		Overall (Muslims & Non-Muslims)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
3.	<i>In your opinion, which class of people should have insurance?</i>						
	Only for rich	11	2.41	25	5.53	36	3.96
	Only for middle class	21	4.60	32	7.08	53	5.83
	Only for poor class	6	1.31	13	2.88	19	2.09
	For all classes	419	91.68	382	84.51	801	88.12
	Total	457	100.00	452	100.00	909	100.00
4.	<i>What are the advantages of having the insurance products?</i>						
	a. Less financial burden	348	44.62	324	43.14	672	43.89
	b. Less worry for kids' education fee	177	22.69	187	24.90	364	23.78
	c. Getting sufficient financial support after retirement	251	32.18	233	31.03	484	31.61
	d. Others	4	0.51	7	0.93	11	0.72
	Total	780	100.00	751	100.00	1531	100.00
5.	<i>Do you think that based on your religious understanding, should the conventional insurance be prohibited?</i>						
	Yes	282	61.71	134	29.65	416	45.76
	No	175	38.29	318	70.35	493	54.24
	Total	457	100.00	452	100.00	909	100.00
6.	<i>Do you know the practice of conventional insurance involves the elements such as interest, uncertainty and gambling?</i>						
	Yes	283	61.93	152	33.63	435	47.85
	No	174	38.07	300	66.37	474	52.15
	Total	457	100.00	452	100.00	909	100.00
7.	<i>Do you agree that the practice of insurance should consider ethical value?</i>						
	Yes	397	86.87	341	75.44	738	81.19
	No	60	13.13	111	24.56	171	18.81
	Total	457	100.00	452	100.00	909	100.00

choose that option. In addition, there are two other factors which are almost equally important as compensation. They are seeking security from misfortune (29%) and influence by friends, peers and family (26%). Advertising can influence 13% of the respondents to buy insurance. Around 1% of the respondents bought insurance because of investment purpose and future plan.

When the respondents are examined to know why they need insurance, there are four major concerns by them. The main concern is illness or health (20%) and it is followed by accidents (19%), the purpose of investment (13%) investment in education (11%), and tax benefit (10%). Almost all the respondents (88%) believe that insurance is necessary for all classes of people. They expect that lessening financial burden (44%) is the main advantage of having insurance. In addition, getting the sufficient financial support after retirement (32%) and less worry for kids' education fee (24%) are other expected benefits by the respondents from buying insurance.

Among the Muslim respondents, 62% of them believe that conventional insurance should be prohibited based on the teaching of Islam and 62% of them are aware that conventional insurance involves the elements such as interest, uncertainty and gambling. Hence, regarding the prohibition of insurance, the majority of the Muslims respondents (62%) believe that it should be prohibited due to their religious understanding. However, when the perceptions of Non-Muslims are examined, 70% do not think that conventional insurance should be prohibited based on their religious understanding. When overall respondents are examined, the majority (54%) think that it should not be prohibited; on the contrary, 46% think that it should be prohibited. However, there is no significant difference since percentage difference is less than 10. The majority of the Muslim respondents (62%) are aware that the practice of conventional insurance has interest, uncertainty and gambling while the majority of the non-Muslim respondents (66%) not aware of it. Overall, the majority of respondents (52%) are not aware while 48% are aware of it. Majority respondents give ethical value attention since 81% of overall respondents believe that insurance companies should consider it. Based on the descriptive statistics result, it can generally be concluded that majority of the insurance policy holders are the voluntary basis and the main important factors that make them buy the insurance is a financial factor such as getting compensation and lesser financial burden for illness and health. However, for the compulsory insurance policy holders, the government plays the crucial role to buy insurance. The majority of the respondents believe that insurance is necessary for anyone. Although the respondents concerned with the ethical value, overall, the awareness and knowledge of why conventional insurance should be prohibited is low.

This section focused on the respondents' awareness and knowledge of insurance and the next section will discuss their awareness and knowledge of *Takaful*.

Awareness and Knowledge of Takaful (Islamic Insurance)

Eight questions are created to examine the respondents' awareness and knowledge of Takaful. Table 2 presents the descriptive statistics results. The questions are related to whether they have heard about Takaful, how they know about Takaful,

**TABLE 2: AWARENESS AND KNOWLEDGE OF TAKAFUL
(ISLAMIC INSURANCE)**

No.	Description	Muslims		Non-Muslims		Overall (Muslims & Non-Muslims)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
1.	<i>Have you heard about Takaful (Islamic Insurance)?</i>						
	Yes	192	42.01	69	15.27	261	28.71
	No	265	57.99	383	84.73	648	71.29
	Total	457	100.00	452	100.00	909	100.00
2.	<i>How did you hear Takaful?</i>						
	a. Television	1	0.26	2	1.56	3	0.58
	b. Newspaper	30	7.69	8	6.25	38	7.34
	c. Internet	146	37.44	54	42.19	200	38.61
	d. Radio	4	1.03	2	1.56	6	1.16
	e. Magazine	19	4.87	15	11.72	34	6.56
	f. Market or local people	15	3.85	1	0.78	16	3.09
	g. Relatives, friends or neighbors	117	30.00	38	29.69	155	29.92
	h. Banners	9	2.31	0	0.00	9	1.74
	i. Agents	23	5.90	6	4.69	29	5.60
	j. Corporate publicity	18	4.62	0	0.00	18	3.47
	k. Others	8	2.05	2	1.56	10	1.93
	Total	390	100.00	128	100.00	518	100.00
3.	<i>Do you know the following differences between conventional and Islamic Insurance?</i>						
	<i>a. Contract (Mutual contribution vs. Sale of exchange)</i>						
	Yes	116	60.42	34	49.28	150	57.47
	No	76	39.58	35	50.72	111	42.53
	Total	192	100.00	69	100.00	261	100.00
	<i>b. Payment (Contribution belongs to the participants and Takaful operators depending on the Takaful model adopted. vs. Premium belongs to the insurance companies.)</i>						
	Yes	91	47.40	20	28.99	111	42.53
	No	101	52.60	49	71.01	150	57.47
	Total	192	100.00	69	100.00	261	100.00
	<i>c. Risk (Risk sharing vs. Risk transfer)</i>						
	Yes	111	57.81	34	49.28	145	55.56
	No	81	42.19	35	50.72	116	44.44
	Total	192	100.00	69	100.00	261	100.00

No.	Description	Muslims		Non-Muslims		Overall (Muslims & Non-Muslims)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<i>d. Religious and ethical aspect (Acceptable under any religion vs. Prohibited under the religious and ethical teaching)</i>							
	Yes	143	74	48	69.57	191	73.18
	No	49	26	21	30.43	70	26.82
	Total	192	100	69	100.00	261	100.00
4.	<i>Do you know the Takaful as ethical insurance?</i>						
	Yes	144	75.00	38	55.07	182	69.73
	No	48	25.00	31	44.93	79	30.27
	Total	192	100.00	69	100.00	261	100.00
5.	<i>Do you know that Takaful is suitable for anyone regardless of religion?</i>						
	Yes	146	76.04	53	76.81	199	76.25
	No	46	23.96	16	23.19	62	23.75
	Total	192	100.00	69	100.00	261	100.00
6.	<i>Do you know that Takaful is free from interest, uncertainty, gambling and investing in prohibited business activities?</i>						
	Yes	147	76.56	43	62.32	190	72.80
	No	45	23.44	26	37.68	71	27.20
	Total	192	100.00	69	100.00	261	100.00
7.	<i>Do you know that Takaful can provide the coverage and benefit similar to the conventional insurance?</i>						
	Yes	146	76.04	44	63.77	190	72.80
	No	46	23.96	25	36.23	71	27.20
	Total	192	100.00	69	100.00	261	100.00
8.	<i>Do you know that Takaful has been offered in many countries all over the world?</i>						
	Yes	161	83.85	50	72.46	211	80.84
	No	31	16.15	19	27.54	50	19.16
	Total	192	100.00	69	100.00	261	100.00

differences between insurance and Takaful, nature of Takaful (ethicality and free from prohibited items and suitability regardless of the religion) and coverage of Takaful and its global market.

Almost half of the Muslim respondents (42%) have heard about Takaful while 85% of Non-Muslims never heard about Takaful. Overall, only 29% of the respondents are aware of the existence of Takaful. Overall, among the respondents who have heard about Takaful, the internet (39%) is the main contributor of their awareness. It is followed by the information received from neighbours, friends

and relatives. Similarly, when the individual groups, i.e. Muslims and Non-Muslims are examined separately, these sources of information such as internet, neighbours, friends and relatives are still significant contributors to stimulate their awareness.

The respondents are examined further whether they know the differences between Takaful and insurance in terms of the contract, payment, risk and religious and ethical aspect. In the contractual relationship, the Takaful contract is based on the concept of mutual contribution while in insurance; it is based on the concept of sales of exchange. In terms of payment, the contribution belongs to the participants and Takaful operators depending on the Takaful model adopted while in insurance, all the payment belongs to the insurance companies only. Concerning the concept of risk, Takaful adopts the risk sharing concept, whereby the participants share the risks faced by them, while insurance adopts risk transfer concept, whereby the policy holders transfer their risks to the insurance companies. When religious and ethical aspects are examined, Takaful is acceptable under any religion and it is not against with the teachings of any religion, on the contrary, insurance is not. The majority of Muslim respondents know that they are different in terms of contractual relationship (60%), risk (58%) and acceptability of Takaful under any religious teaching (74%). However, in terms of payment, only 47% of the Muslim respondents are aware of the difference. The majority of non-Muslim respondents (70%) are aware of the acceptability of Takaful under any religion and non-acceptability of insurance. However, for the rest of the differences, the majority are not aware, i.e. contract (51%), payment (71%) and risk (51%). Overall, the descriptive statistics results show that 57% of all the respondents are aware of differences in the contract and similarly, 43% of payment, 56% in risk and 73% in acceptability of Takaful under any religion and ethical aspects.

The majority of the respondents (75% of Muslims, 55% of Non-Muslims and 70% of overall) know that Takaful is an ethical insurance. Regarding the suitability of Takaful for anyone regardless of religion, the majority (76% of Muslims, 77% of non-Muslims and 76% of overall) agree that it is suitable for anyone. The majority of the respondents (77% of Muslims, 62% of non-Muslims and 73% of overall) agree that Takaful is free from interest, uncertainty, gambling and investing in prohibited business activities. The coverage and the benefits are concerned, the majority (76% of Muslims, 64% of non-Muslims and 73% of overall) know that Takaful can offer similar to conventional insurance. Takaful is offered in many countries with decent awareness by the majority of the respondents, i.e. 84% Muslims, 72% of non-Muslims and 81% of overall.

Based on the descriptive statistics result, overall, the awareness and knowledge of Takaful are very low since only 29% of the respondents are aware of the existence of Takaful. However, among the respondents who have heard about Takaful, the

main sources of information come from internet, relatives, friends and neighbours. Regarding knowledge of the differences between *Takaful* and insurance, the majority of the total respondents are aware of differences in contract and acceptability of *Takaful*. Also, the majority of all the respondents accept that *Takaful* is an ethical insurance; it is free from the prohibited elements; it can provide coverage similar to insurance, and they are also aware that it is a growing industry.

CONCLUSION

This paper aimed to explore the insurance policy holders' awareness and knowledge of insurance and *Takaful* in India. The majority of the Muslims (61.93%) were aware that insurance practice involves interest, uncertainty and gambling. However, the majority of non-Muslims were not aware about it. The majority of the Muslims (61.71%) thought that conventional insurance should be prohibited based on the religious teachings; however, the majority of non-Muslims (70.35%) did not think that way. The majority of both Muslims (86.87%) and non-Muslim respondents (75.44%) believed that the ethical value should be considered in the insurance business. Regarding the awareness of *Takaful*, the majority of both Muslims and non-Muslims (71.29%) have not heard about *Takaful*. Thus, it can be concluded that the awareness and knowledge on *Takaful* in India is very low. The findings of this paper will be of interest to the industry players who want to offer *Takaful* because this paper provides a hint to them about the current market situation.

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