ADMAS UNIVERSITY

FACULTY OF ACCOUNTING DEPARTMENT

THE IMPACT OF TAKAFUL ON COMMUNITY AND ITS CONTRIBUTION ON DEVELOPMENT

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&

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Chapter One

1.0. Background of the study.

Most of the cases in Africa or around the globe in underdeveloped countries do not exist Islamic insurance. The United States in 1999, the world is estimated to be around 6 billion as per the Global Population. The data on Muslim Population is not readily available. It was estimated by using information contained in a publication entitled Islamic Beliefs and Teachings from India. Accordingly, there may be around 1.5 billion population in 1999. As we look around it is quite evident that people have not taken life insurance in the same way as in most other countries. Muslim population is around one sixth of the total population of the world. For any economic policy this major group can’t be ignored. India is no exception to the Muslim population, which is around 20 percent of the total population of over 100 crore. After liberalization of the Indian economy and first generation reforms and second generation reforms led to the opening of various sectors for the private entrepreneurs and Islamic insurance. One of the such sectors which opened after much consideration and much reluctance from the policy makers was the Insurance Industry, which was also considered as of strategic importance for the growth of the Indian economy and development of the industry. Finally, the insurance sector was unshackled in the year 2000 with the formation of a regulatory body for the smooth running and growth of the insurance industry “The Insurance Regulatory and Development Authority, by the Insurance contract Act 1999.”

Malaysia is a country with an international population, but with a Muslim majority. The major races are Malays, Indians and Chinese, with the Malays comprising almost 60% of the population (Malaysian Department of Statistics). In the past, many Malays being Muslims rejected having life insurance because of the haram status associated with insurance (Bank Negara Malaysia, 2004). Life Insurance was associated with interest and gambling and it is the Muslims’ belief that one should not put a price for one’s life and to leave the matter of life and death in the hands of the enormous. Nevertheless, not having life insurance protection especially in the event of unfortunate death or a misfortune can cause financial burden to the
dependents as well as to the society. With the introduction of Takaful as an Islamic Insurance, it was the hope of the Malaysian government that the Malays would undertake a standard move and choose Takaful as their financial protection. Takaful is a derive from the Arabic root word ‘Kafalah’ which means to jointly guarantee among them, against loss or damage that may be inflicted leading any of them as defined in the pact. Should any member or contributor suffer a catastrophe or loss, he/she would receive a certain sum of money or financial benefit from a fund in order to help him/her reduce the difficulties. Section of Malaysian Takaful Act 1984 defines Takaful 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 of development”. In short term, it refers to a group of people, pooling their efforts and support the neediest among them. It is similar to the very concept of insurance i.e. the fortunate many helps the unfortunate few. It refers to the very concept of mutual help and mutual benefit - everyone is expected to help everyone else in virtue and good deeds. This social cooperation stems from the religious duty by virtue of a celebrated Quranic teaching and the practice of the Holy Prophet (saw)

Help every one another in righteousness and piety but help ye not one another in sin and rancour the relationship between the believers to another believer is just like a body, if one part suffers from illness, the other will equally feel the same” (Hadith narrated by Al-Bukhari and Muslim) in order to minimize or reduce the risk will have in life.

In Takaful, one interesting feature is that the fellow participants/policyholders are acting both as insurer and insured as they are mutually contributing to and mutually benefit from the fund. the contract governing.

The Government Islamic Insurance plays an important economic and social role through its ability to transfer risk through risk pooling and its overall role in risk individuals from dependence on families or communities in case of a difficult event. More importantly, poor families or communities may lack means for ‘self-insurance, business insurance thus provides an efficient mechanism to protect people from falling into poverty as a consequence of an unfavorable event. Further protecting individuals, by providing essential coverage to businesses, insurance promotes trade and economic activity. Insurers also contribute to capital formation by collecting premiums from a large number of policyholders and building capital to back risk.
Insurance can therefore play an important role in helping to save from harm and reduce poverty unemployment risk on business and region to address its central challenges.

The importance of having insurance becomes a common practice and it is necessary by human being nowadays due to the complex nature of business transactions and life styles. However the participation of prohibited elements in insurance makes the Muslim scholars think to introduce Takaful as an alternative to insurance. Takaful products are designed to meet the needs of the society at large, including Muslim and non-Muslims. The objective of this paper is to highlight that Takaful can be an alternative to insurance and how Takaful can bring benefits for the betterment of the society. This paper discusses problems of conditional insurance from the Islamic perspective. In addition Takaful concepts and its features.

In Somaliland the main of Islamic insurance just for protect against unforeseen financial loss and investment provided through Islamic insurance Shariah for community organization weather government and non-government. However as researcher supervised the most of Somaliland community are not aware the important of Takaful Islamic insurance and there are no government policy of Islamic insurance implement in country such as Takaful Islamic insurance growth at high rate in many country.

Compare to other countries as Sudan, Malaysia, Egypt. Jordan Saudi Arabia, Nigeria even in Kenya the Takaful Islamic insurance and bank Islamic insurance and investment on it are highly increasing, because it related in their development of Islamic financial institutions and those countries are in completion are increases the number of Islamic insurance made. In Somaliland there is problem challenge confronting the country because there is no conventions government insurance as there is private Islamic insurance as Takaful insurance

1.1. Problem statement
Somaliland has been without any form of insurance since the collapse of the Somali democratic Republic of Somalia in 1991, Though, currently Somaliland was officially opened a Takaful an Islamic insurance which is confronting a three main challenges; inadequate technical human resource, lack of regulatory frameworks and insufficient needed insurance related institutions. On this case this research is to study and tries to observe how Islamic insurance on come and its impact on development. In developing countries there is
large number of economic problems particularly social services, task of insurance, and credit facilities and other related problems.

One of the issues rise by the researcher is that, it has not local critically evaluated the role of insurance to meet the community needs. In this research the researcher would find and studying the important gaps between insurances and their contribution for the development of the country; specifically takaful insurance company for their input to the community of Somaliland, and the impacts of the Takaful for Somaliland society for the contribution on development.

1.2. Research Objectives

1.2.1. General objective

The general objective of the study is to realize the impact of Takaful on community and its contribution on development in Somaliland.

1.2.2. Specific Objectives.

1. To identify the impact of Takaful insurance on community.
2. To identify the contribution of Takaful to development and to the community
3. To generate new information based on study
4. To understand the role of government policy on Islamic insurance.

1.2.3. Research Questions

1. How to identify the impact of Takaful on community?
2. Which level will the study identify the contribution of Takaful for the development?
3. What kind of information will this study provide?
4. To understand the role government policy on Islamic insurance?

1.3. Scope of the Study.

The scope of this study is focused the invaluable contributions that Islamic insurance (Takaful) can make to the goal of economic reforms for the Somaliland government and also for the developing countries. And to study the contribution of Takaful insurance in the developing countries; especially in Somaliland, and to differentiate the Islamic insurance and the commercial insurance. Also, the scope of the study is conducted to primary data and secondary source, in order to find the study.
1.4. Geographical Scope.

The study will be conducted as a primary source data to the community living in Hargeisa Somaliland, interviewing staff and the managers of Takaful insurance Company and also to the ministry of finance in Somaliland.

1.5. Significance of the Study.

governmental: will benefit to finds of the study, they will use it for projects to generate Islamic insurance in Somaliland government especially the ministry of Somaliland national planning, and ministry of finance to promote and awareness of the importance of Islamic insurance company to establish insurance and reduce poverty and loss of property and unsaved life and unemployment also local community will benefit to generate more Islamic insurance and awareness of the Islamic insurance to stop and reduce lost property and poverty .the Future researcher’s finds of this study will benefit by the researchers who are willing to write about the Takaful Islamic insurance company.

Private Business/ local Business: will benefit to understand the importance of Islamic insurance and use in future

Takaful: the study will important for Takaful Islamic insurance company in order to made decision to maintained and recommended the study and that’s researcher will conducted it.

Organization/ non organization: this study wills significances to identify the impact of the Takaful insurance on community, organization and private business

1.6. Definition of key words:

Takaful: the world Takaful is derived from Arabic verb which simply mean to take care of one’s need and the pact between parties agreeing to jointly guarantee one another in event of loss as consequent of being affricated. Takaful translate in practice operation in the from the business or commercial transaction within save “Tijari” or private sector as one of the Islamic financial players in market economy
Community: According to “business dictionary” “Group of self-organized network of people with common agenda cause or interest, who collaborate by sharing ideas, information, and rules and resource virtual communities consist of participants in another discussions.

Development: According to “business dictionary” development means the systematic use of scientific and technical knowledge to meet specific objectives or requirements.

1.7. Limitation of the study

The major limitation of study

- Most of the people are not well educated in the Islamic insurance or Takaful Islamic insurance
- Lack of knowledge about the importance of the research for society
- No data founded in Somaliland carried on the similar of study of Islamic insurance.
- In addition our society have not institutional based on this field which support the searchers
Chapter two

LITERATURE REVIEW

2.0. Introduction

This chapter will presents the literature review of the study of importance of insurance and Takaful Islamic insurance and it summarizes the information from other researchers who have approved out their research in the same field of study in line with the study objectives.

2.1. Definition

Takaful is an Arabic noun derived from the root verb kafala, which means to guarantee, secure, ensure or be liable for. Base comes the derived stem Takaful, which means to guarantee each other, to promise for each other, or to be mutually liable or responsible. Takaful, which is the verbal noun of the latter, literally means mutual or joint responsibility, solidarity or mutual agreement.

According to the Oxford Dictionary of English, Takaful means a type of insurance system devised to comply with Shari ‘laws this rather technical definition tends to show that the term Takāful’ has already been acknowledged by Western scholars to represent the idea of Islamic insurance. Ruhi perhaps one of the most established and authoritative technical definitions of Takaful could be found in the Malaysian Takaful Act 1984. According to Section 2 of the Act, Takaful is defined as follows, Takaful means a scheme based on brotherhood, solidarity and mutual assistance which provides for common financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose. As the first statutory definition of Takaful, this definition seems to be very general and rather imprecise. Firstly, it appears as if the participants are entitled to receive financial aid or compensation from the Takaful Fund in any situation of need, not necessarily subjected to the occurrence of certain risks or perils, as Takaful is supposed to mean. Secondly, it tends to signify that Takaful is a pure mutual undertaking in which no involvement from outside or a third party is expected. Nevertheless, the latter inconsistency is perhaps resolved by the succeeding.

Islamic insurance is a process of agreement among a group of persons to handle the injuries resulting from specific risks to which all of them are vulnerable … involves payment of
contributions as donations and leads to the establishment of an insurance fund that enjoys the status of a legal entity. The resources of this fund are used to indemnify any participant who encounters injury.

The fund is managed by either a selected group of policyholders, or a joint stock companies that manages the insurance operations and invests the assets of the fund, against a specific fee.

2.2. Concept of Takaful

The concept of Takaful is very wide and clear. The concept of Takaful is to protect the human being especially, when they are harm. It is nature, when one person is harm or in danger, the rest of people will help that person who suffering the loss. Besides, it seems that every person take care about others. (EngukuRabiahAdawiahEngku Ali, Hassan Socot p.Odierno, Essential Guide)

Such a feeling of responsibility is being reinforced by the Islamic teachings as found in the following injunctions Allah (SWT) precisely explains in the Qur’an the human being should help each other when they are in danger or need help. And there are a lot of verse in Qur’an that encourages human being to help each other, these verse are, Surah Al-Maidah, Surah Al-Maidah

Essentially Takaful is a cooperative insurance where members are those who face the same risk or danger of incurring losses and who willingly contribute a certain sum of money which will be used to compensate those members of the group who incur such losses. As in the case of ancient Arab tribal custom, every member of the tribe faces the same danger of being inflicted harm by another tribe which is at war with them Takaful is not only concern to protect individual or one’s own life, it is based on to protect and help in whole society especially, those who are suffering from financial problems. It is one of the means of providing a material safeguard for offspring and is thus in line with the saying of the holy prophet SAW. He (SAW) spoke to this effect: "it is better for you to leave your off -spring wealth than to leave them poor, asking others for help". The Holy Prophet (SAW) also encouraged the providing of security for the widows and poor persons as he highlighted in one of his traditions: "The one who looks after and works for a widow and for a poor person (dependent), is like a warrior fighting for The Cause of Allah (SWT), or like a person who fasts during day brays throughout the night.(ibid p.n. 16)
2.3. Types of Islamic insurance or Takaful

There are two types of Islamic insurance or Takaful like general Takaful & family Takaful

**General Takaful** based on the concept of compensation, deals with risks covered by property insurance. Its participants can be both individuals and corporations, and the installments are accumulated in the so-called general Takaful fund, or simply takaful fund, which is used by the insurer to pay compensations to the insured on the occurrence of a peril. The takaful operator manages the fund as a trustee. If the installments it has collected are not sufficient to cover the costs, the takaful operator may raise the premium rate. But, if a peril occurs to one of the participants, and he receives the corresponding compensation from the company, he usually loses the right to receive his share of profit from the takaful fund. This fund is also used to pay installments to the re-insurer, and to create reserves for unforeseen losses. After deducting these amounts, the profit generated by the investments of the takaful fund is shared between the participants and the company on pre-agreed terms (for instance, on a 50-50 % basis). Commonly, the profit is shared upon termination of the policy. In General Takaful, it is common to make short-term contracts that need to be renewed annually. The pricing is the same as in conventional insurance. The main criteria determining premium rates in General takaful are the value of the insurable interest, and the estimate of possible loss. An Islamic insurance contract may provide special benefits to the participant. The as in the case of compulsory automobile liability insurance, the participant is offered a discount if he has not had any car accidents during the term of the policy.

**Family Takaful** offers various types of policies that usually have their counterparts in conventional insurance. However, given Shariah’s mixed attitude toward life insurance, some Muslim scholars insist that Family Takaful does not actually involve the insurance of anybody’s life, but is, rather, a financial transaction aimed at protecting the dependents of the insured from various risks. This ignores the fact that the same can also be said of conventional life insurance. The author believes that it is important to understand that the difference between conventional life insurance and Family Takaful is not in terminology but in the way the profit is shared between the operator and the participants (the insured’s). The installments paid on a regular basis by the participants are accumulated in the Family Takaful fund (or simply, takaful fund), divided in two parts:
Participant of Individual account. Where most of the instalments are accumulated, and which entitles the participant to a share of the profit; and in this respect, it is interesting

Special relation or Collective Account, where the other part of the instalments is accumulated, and which is used to pay the agreed amounts to the heirs of the participant or to the participant himself if he is still alive by the time of the policy’s termination.

Family Takaful is greatly influenced by the rules of inheritance prescribed by Islamic law. In accordance with the principles of mirath and wasiyah, the appointed beneficiary in Family Takaful acts as a trustee (as this institution is understood in Common law) rather than an absolute beneficiary, as in conventional life insurance. Consequently, the insurable interest in conventional life insurance belongs to the insured himself, and consists of staying alive until the policy’s expiration. After the death of the insured, the insurable interest is transferred to his or her spouse, parents, children, business partners, etc. In Takaful, the insurable interest is transferred after the death of the insured to a limited number of his heirs, in Accordance with the inheritance rules of Islamic law. When studying the characteristics of Takaful, the question arises if Islamic insurance is commercial or mutual in its nature. The choice between these two forms of insurance should be made on the basis of such criteria as economic efficiency, correspondence to public interests (including complying with religious principles), etc. The above-mentioned rulings of Muslim scholars in Saudi Arabia, as well as in Sudan, designate the mutual (cooperative) form as the basis of Islamic insurance. At the same time, the ASEAN countries have adopted the commercial form of Islamic insurance business. In the opinion of the author, it would not be quite appropriate to regard mutual insurance solely as a form of cooperation between people, and any commercial insurance as one aimed at material gain that is unlawful from the point of view of Shari’ah. The majority of scholars discussing Islamic insurance believe that Takaful basically serves the same function as conventional insurance, with the only difference that it is compliant with the teachings of Islam. Consequently, since Islamic insurance is called to provide the same services as the conventional one, it is quite acceptable that it may exist both in commercial and in mutual form, representing, in fact, an independent alternative insurance system.
In other words, Islamic insurance cannot be characterized as an Islamic counterpart of only mutual or of only commercial insurance, as each of these two forms of insurance are reflected in the concept of Takaful, through the prism of Islamic values.


2.4. Different between Takaful and conventional insurance

Takaful, the Islamic alternative to conventional insurance is based on the idea of social solidarity, cooperation and joint indemnification of losses of the members. It is an agreement among a group of persons who agree to jointly share responsible it of loss or damage that may inflict upon any of them, out of the fund donate collectively but in conventional setup loss is indemnified by the insurance company according to the terms and condition of the policy (May Sami et al., 1997). It is an Islamic model of insurance policy which is based on the fundamental principle of mutual cooperation and solidarity, as ordained by Allah (SWT) mentioned to this effect in the Holy Quran (May Sami and Kwon, 1999).

On the other hand, insurance is a device for the reduction of risk of one party, called the insured through the transfer of particular risks to another party, called the insurer, who offers a restoration, at least in part of economic losses suffered by the insured (Pfeiffer, 1956). There is no religious boundary under conventional insurance. The main purpose of insurance is just for commercial in the sense of protecting risk-averse from suffering the full cost of those actions on the part of nature which affect them unfavorably. Daud Bakar (2000) asserts that, Takaful is differs from conventional insurance in the sense that the company is not the insurer insuring the participants. The persons participating in the scheme mutually insure one another and this is the very essence of the word Takaful in Arabic. The operational framework of conventional insurance is based on “risk assumption” but Takaful operate under mutual co-operation basis. It means that, Takaful is a scheme or asocial program for the collection of funds for the aid of participants in contingent future. Furthermore, the conceptual difference between Takaful and conventional insurance is that the risk in Takaful is not exchanged by way of contribution payments made to operator which means operator is not selling and participant is not buying any risk coverage (Omar and Dawood, 2000). Operator is playing the role of fund
manager on behalf of the participant. So operator is not undertaking risk, the risk is however, distributed among the participants who agreed to jointly assume the risk (Yusof, 1996)

In essence, Islam does not reject the concepts of insurance. Many Muslim jurists agree that insurance which is based on the concept of pooling of losses does not contradict with the Shari’ah. Compensation to an unfortunate member and group responsibility is not only accepted but encouraged in Islam. Although the models operation of Takaful must comply with the Shari’ah, the basic elements of a contract as well as insurance principles (utmost good faith, proximate cause, indemnity and insurable interest) also apply (Salman Fahad, 2005) According to Muhammad Nejatullah Siddiqi (1985), there are three elements present in conventional insurance that do not conform to the requirements of the Shari’ah Law.

2.2.4. Association between the conventional insurance and Takaful

**Takaful:** - It is based on mutuality; hence the risk is not transferred but shared by the participants who form a common pool. The Company acts only as the manager of the pool (Takaful Operator)

**Conventional:** - It is a risk transfer mechanism whereby risk is transferred from the policy holder (the insured) to the insurance company (the insurer) in consideration of ‘premium’ paid by the insured.

**Takaful:** - The element of ‘uncertainty’ i.e. ‘Gharar’ is brought down to acceptable levels under Shari’ah by making contributions as “Conditional Contributions” (Tabarru’) for a good cause, i.e. to mitigate the loss suffered by one of the participants.

**Conventional:** - It contains the element of uncertainty, i.e. “Gharar” which is forbidden in Islam. There is an uncertainty in as to when any loss would occur ad how much compensation would be payable.

**Takaful:** - The participant pays the contribution (Tabarru’) in the spirit of Ne’aa (purity) and brotherhood. Hence, it obviates the element of Maisir (gambling) while at the same time without losing the benefit of Takaful in the same way as conventional insurance.
Conventional: - It contains an element of gambling (Maisir) in that the insured pays an amount in (premium) in the expectation of gain (compensation/payment against claims). If the anticipated loss (claim) does not occur, the insured loses the amount paid as premium. If the loss does occur, the insurer loses a far larger amount than collected as premium and the insured gains by the same.

Takaful: - Funds are only invested in non-interest bearing, i.e., Riba-free instruments

Conventional: - Funds are mostly invested in fixed interest bearing instruments like bonds, TFC, Securities, etc. Hence, this contains the element of Riba (interest) forbidden in Islam.

Takaful: - Surplus belongs to the participants and is accordingly returned to them (in proportion to their respective shares of contribution) at the end of their accounting period.

Conventional: - Surplus or profits belong to the shareholders. The insured is covered during the policy period but is not entitled to any return at any of the period


2.5. Difference between Takaful & Insurance

The fundamental difference lies in the fact that in the Takaful concept, the premium is paid on the basis of Tabarru’. This changes the contract because with Tabarru’, it is the participants themselves who are carrying the risk and not the insurance company. The Takaful operator is clearly not the owner of the fund but truly its custodian. As such, the Takaful operator cannot use the contributions except as intended by the donors i.e. for mutual help. By including the concept of Tabarru’, the element of Gharar would be Eliminated, which consequently eradicate Maisir from the transaction. This is because with Tabarru’, the contract is no longer that of exchange, thus eliminating the problem of deliverability. In addition, the Tabarru’ factor also inculcates the spirit of solidarity, brotherhood and mutual help. Takaful companies invest their funds in financial instruments, which are not forbidden by Islam. General Takaful companies maintain two separate and distinct accounts -one known as the Participants Fund and other Shareholders
Fund. Takaful companies must have Shariah Supervisory Council to monitor their operation to make sure they do not engage in illegal practices such as riba; these as follow.

**Takaful:** It is a co-operative institution based on the principles of contract for mutual cooperation (Ta’awun)

**Insurance:** - It is a business institutions operated based on the principles of contract

**Takaful:** - In Takaful which is based on the principle of mutuality member are insured and insurers themselves. All the losses are shared by the members themselves and as such to transfer of risk is involved.

**Insurance:** - The basic service offered by the conventional insurance to the community is the transfer of the indeterminate fortuitous economic losses associated with the stipulated risks in return for a pre-determined payment known as premium. Thus it has been said and recognized that through the mechanism of conventional insurance, the insured substitutes certainly for uncertainty.

**Takaful:** - In Takaful shareholders of the company, if any, are not entitled to participate in the profits generated by the insurance operators.

**Insurance:** - In the case of conventional insurance the primary motivation is to earn profit from the insurance transactions for the shareholders.

**Takaful:** - In Islamic insurance companies these facilities are available to all members who pay a certain stipulated amount of premiums.

**Insurance:** - The policy holder in a conventional insurance company have no right to vote in the elections of the directors of the company or to see the annual accounts of the company. (Ahmad Ali Khan 2003)
2.6. General in Takaful (non-life insurance)

In non-life insurance, Takaful insurers commonly offer coverage on an annual renewal basis, for everything from fire insurance and allied lines, automobile insurance, liability insurance, Marine insurance, workers’ compensation, fidelity insurance and even crop insurance. In Takaful life insurance, the Mudarabah mode of financing is employed in General Takaful. Premiums are pooled into a Takaful fund managed by each insurer.

2.7. Re-Takaful (Re-insurance)

In terms of risk-sharing and pricing, Maysami, Ramin has stated that reinsurance. Transfers are commonly classified into proportional and non-proportional arrangements. In Takaful reinsurance also known as (Retakaful), non-proportional arrangements such as excess of loss, or stop-loss arrangements, may not be suitable because uncertainty exists with respect to the assessment of losses in those arrangements, where Islamic principles demand clearly Defined joint responsibility throughout the coverage period. Hence, Takaful reinsurance is likely to be arranged on a pro-rata basis, e.g., quota share or surplus reinsurance, where the reinsurer technically becomes a co-insurer of the original risks. Maysami, Ramin added that if, however, a non-proportional reinsurance arrangement is selected, and it could be based on a strict profit commission plan or on a mutual basis. In this case, it matters little whether the reinsurance transfer is on a facultative or treaty basis. Due to the fact that only a few Takaful reinsurers are currently operating, the capacity of the Takaful reinsurance market would not be large enough to accommodate the demands from Takaful insurers. As such, Takaful insurers often create and operate a pool, pursuant to Islamic principles in order to minimize their exposure to certain, catastrophic risks. They can also be allowed to enter into contractual agreements with conventional re-insurers. In fact, a number of conventional reinsurers have provided reinsurance protection to insurers, Takaful or not, throughout several Islamic countries.

2.8. Why Conventional Insurance is prohibited

In modern secular economic systems interest plays a very important role. In fact, in the Western world people cannot think of any economic system without interest. From a Theoretical standpoint, interest has been a debatable subject among economic and political theorists. Abu Saud defines interest as the excess of money paid by the borrower to the lender over and above
the principal for the use of the lender’s liquid money over a certain period of time”. Economists have presented different interpretations of interest. Samuelson states that “Interest is the price of rental for the use of money” . Don Patenning gives the following definition: “Interest is one of the forms of income from property, the other forms being dividends, rent and profit” . However, J.M. Keynes did not define interest but mentioned the rate of interest as “The percentage of excess of a sum of units of money contracted for forward units of time over the spot or cash price of the sum thus contracted for forward delivery” However, Muslim, socialist and a number of capitalist economists have questioned these explanations on both theoretical and technical grounds. They often stress the point that money capital cannot be treated as capital good on the same basis as productive factors. It is pertinent to remark here that lending of money for interest was abhorred and, in most cases, prohibited by all the monotheistic religions. An eminent Western economist, Roy Harrods, regards the abolition of interest is the only way to avert a collapse of Capitalism. Not only this, but he speaks with great admiration for an interest-less society. In his work on Economic Dynamics. Harrods clearly recognizes that, “It is not the profit itself, earned by services, by assiduity, by imagination, or by courage, but the continued Interest accruing from the accumulation that makes that profit taker eventually appear Parasitical” and he further states that an interest-less society which will be a totally. New kind of society” would be the correct and final answer to all that is justly advanced .By the critics of capitalism (The forbidden Money Terms. Dr. Abbas Ahmad Mohammad Al Baz, Dar AlNafaes (Jordan)1st Publication 1418 H. – 1998)

2.10. Challenges facing Takaful and re-Takaful services

The Takaful industry confronts a number of critical challenges that need to be addressed without delay. These are:

The development of human resources that have competencies in both Shari’ah and actuarial sciences. The particular most important challenge faced by the takaful sector is the non-existence of a supportive legal and regulatory framework. In countries other than Bahrain, Malaysia and Sudan, Takaful is regulated within the regulatory framework of conventional insurance services. Furthermore, the existing legal framework usually treats takaful like conventional insurance. As a result, takaful services providers face difficulty in competing with conventional insurance providers. Therefore, globally, no significant development of takaful has taken place outside the
areas that have a predominantly Muslim community. For jurisdictions with a distinctive regulatory and legal framework, updating takaful-related laws could pose a challenge. The establishment of institutions such as the Islamic Bank of Britain can encourage the regulators, as it helps to put in place a Shari’ah supervisory infrastructure to increase their understanding of Islamic finance. In this regard, it is reassuring to note that the joint IAIS/IFSB working group on Takaful has drafted a paper identifying four main themes for future work:

(a) corporate governance; (b) financial and prudential regulation; (c) transparency, reporting and market conduct; and (d) supervisory review process. Of these, corporate governance, in its widest sense, is the first priority, because without a view of both the structural and the financial relationships between shareholder sand policyholders, including the location of the various financial risks, it is difficult to make progress in other areas. The possibility of utilizing participants’ or policyholders’ funds in a way that contradicts good corporate governance within the Takaful segment is a very real threat going into the future.

The non-existence of uniform terminologies and the degree of unresolved Fiqhi issues is much more serious in the Takaful segment than in any other segment of the IFSI. There are no Shari’ah guidelines on even very basic issues. The fiqhi views differ widely, often challenging even the basic concept of Takaful. Moreover, the lack of a uniform corporate governance standard and Shari’ah audit guidelines that the industry can follow leaves the industry open to criticism when Takaful operators themselves fail or fail to protect their policyholders.

For Takaful to succeed, it is essential that the segment provides services that are clear and transparent. Long-term contracts in life Takaful need to deal with transactions over the lifetime of a contract, which can be as long as 40 years. Such facilities can only be assured where the level of technology implemented by the operator can provide the participant with assurances that his or her long-term interests are protected. Technology has driven conventional insurance development and there is no reason for it not to drive Takaful development forward. Many of the markets still to be developed by Takaful operators are not technology-driven environments. The speed of technological development in the Takaful segment must be matched by such developments in the general marketplace.
Long-dated sovereign and corporate Islamic financial products, in which funds collected by takaful companies can be invested, are in short supply. The success of Takaful depends on the availability of financial assets that can match the long-term nature of the risks of takaful contracts.

The non-existence of highly rated re-takaful companies causes concern both inside and outside of the Takaful segment. Even with Shari’ah dispensation in supporting the use of conventional reinsurance, reliance upon the latter means that the takaful segment is, in practice, a hybrid of Islamic and conventional institutions. Re-Takaful facilities themselves depend on a sufficient pool of underlying takaful business, as well as on the availability of acceptable assets for investment.

Awareness campaigns and marketing of takaful and re-takaful services and products are still lacking.

The Takaful and re-Takaful segment is open to criticism and credibility challenge if the roots of the Takaful concept as being mutual risk protection under Shari’ah rules and principles are not recognized. For example, the very essence of takaful is mutual risk protection between members on a cooperative basis, under Shari’ah-compliant principles. The adoption of a savings element for individual participants is laudable but, as in conventional insurance, such funds are not mutual or cooperative but belong exclusively to the member making the contribution. Therefore, these investment products are offered with little or no takaful coverage. Furthermore, to move away from the very essence of takaful is to lean too far towards a conventional insurance model, mimicking the tax advantages of products that are significantly more in the nature of investment and tax avoidance vehicles than they are protection or takaful products.

2.11. The Emergency of Insurance

Established in 1750 BC, Hammurabi’s Code pioneered the processes and technical aspects of insuring goods and protecting citizens by applying ‘just and fair’ practices. One thousand years later, the population of Rhodes developed the concept of general averages. Merchants whose goods were shipped together, en masse, would pay a proportionally divided first-rate

Proposed to return any trade whose goods were jettisoned during storm or remains.
The Achaemenian sovereigns of Ancient Persia, were first to insure citizens in an official capacity by registering the insurance process in governmental brief offices. Insurance observance was performed each year in Norouz where the heads of different ethnic groups willingly presented contributions to the ruler. The most important contribution was presented during a Special meeting.

When a contributions value exceeded 10,000 Derik (Achaemenian gold coins) the contribution was registered with an assigned office. This system was advantageous to those who presented costly contributions. For others, less expensive contributions were impartially assessed by Confidants of the court, these assessments were then registered via selected offices. In short, this early of an inventory system meant that those registered as having presented gifts at court, would be assisted by both the monarch, and the court itself, in times of need. Further, wherever the registered amount exceeded 10,000 Derik, donors.

2.12. The Origins and Development of Insurance

In c. 600 AD, Greek and Roman citizens fanned the origins of health and life insurance via forming guilds known as benevolent societies. These guilds provided care for families, and paid funeral expenses for subscribing members upon death. Further to this, Macpherson observed that in the year “51”, of the first century, Claudius, the Roman sovereign, invented ship insurance by encouraging import merchants to buy corn. Important to Roman survival, all year round including the winter months. The emperor stated that this would protect against losses and accidents which might arise from “the inclemency of the season, and he also made the importers could be sure of a certain rate of profit. Nevertheless, commons claimed that insurance was wholly unknown’ to the ancient world, insisting that there is little to warm “the smallest profits of the existence of such a custom have not come down to the present times”. Park undertook an exploration of the history of the insurance contract and examined the laws of Rhodes, Romans, Amalfi, Oleron and Wisbuy, yet found no evidence of these practices. However, in Holdsworth’s ‘History of English Law, the author unearthed a number of contracts modeled on insurances, presenting various samples of stipulations that Greek and Roman traders would include in contracts of carriage. These stipulations were designed to adapt the risk of damage to cargo carried out on either the consignees’, or the carriers A range of legitimate Islamic insurance provisions have been issued throughout both recent, and far-away, history. The first of which is
in the form of a quotation from Ashhab, one of the Maliki scholars who lived during the second half of Hijra in the year. stated that “A guarantee should not centre on a certain price, but must instead involve agreement, from one man to another, to assure a commodity for a certain length of time. If not, paying guarantor money for a matter other than sale or purchase, essentially represents uncertainty and gambling.

2.13. Principles of commercial insurance

Insurance is deemed to be one of the most important financial tools and one of the main supports of the global economy. This is due to the financial liquidity provided by these companies, which enhances the state economy and supports its indicators. Established principles of insurance give confidence to the investor, particularly when aspects of danger are multiplied over sea and air and, in addition, the ratio of crime has risen in economic countries. However, the mechanisms involved in applying these Principles have, in the past, been met with religious opposition from the global Christian church. What is more, this rejection was consolidated by Muslim scientists following the emergence of Islam. More significantly, in order to form the foundations, and to develop the shape, of insurance, Holds worth argued that, in the 14th century, insurance was modeled on maritime loans, developed into Bottomry contracts. With the maritime loan, “the debtor declares that he has received an advanced sum, and promises to restore an equivalent sum upon the safe arrival of the ship and/or goods, as compensation. In this instance, the insurer plays the part of the debtor, declaring that he has received the amount for which the ship and/or goods are insured, and promises to repay this sum in the event of the ship and/or goods failing to arrive Holds worth further stated that, “It was only natural … the earliest insurers should be ship owners”, since these merchants could “charge a smaller premium because they were better placed to guarantee a safe arrival”. Therefore, the author concluded, it was inevitable that those who drew up the earliest agreements should be the same people drawing up contracts of loan based on Bottomry”. Hence, it was from the latter contract that much of the most important, technical terms were originally taken, such as "policy" and "premium" for instance. These terms remain applicable to the present day. Thus, Holds worth approved two principles of insurance law based on this concept. The first was the principle of insurable interest. This meant that the insured must be the owner, or at least have some interest in the property insured”. “A man cannot transfer to another, what he does not own Therefore, Holds worth inferred, from the outset, the insurance agreement was a true convention of insurance, as
opposed to a mere wager on the safe arrival of a ship or its merchandise”. The second principle upheld that, “if a ship or goods did not arrive safely, and the Resolute Condition failed, the insurers were entitled to as much of the insured property as could be recovered. Both recently, and formerly, the Principle of insurance has been met with support regarding the concepts of joint responsibility, solidarity and the decrease and/or removal of risk.


According to (World Bank 2000) Over the last few years Islamic insurance is increasingly becoming recognized as an important component in poverty alleviation strategies. Poor households face difficulty in generating regular and substantial income and are extremely vulnerable to economic, political and physical downturns. For the poor and for those just above the poverty line, a drop in income or increase in expense can have a disastrous effect on their already low standard of living. Death, sickness or accident may force the disposal of productive assets or household consumables, which in turn decreases future income and current livelihood. The frequency of losses is also greater for the poor; many are exposed regularly to insensitive weather, natural disasters, fire and theft with limited means of recovery. To provide protection against risks the poor have developed informal insurance mechanisms such as selling assets, exchanging gifts, cash transfers and diversifying crops. Since the 1970s pro-poor microfinance institutions have been established in the semi-formal sector. Their success has led to the recognition that the poor people can save and want to save. While both savings and credit facilities are integral in assisting the poor overcome unforeseen losses their benefits are limited to the capacity of the individual to save or make repayments. When bad conditions there and their persist for several years such as drought and flooding, then the use of savings as protection is constrained. In addition, high risks of illnesses, death and disability of the breadwinner means outstanding loans become difficult to pay. It can be concluded that insurance is an effective mechanism for reducing the vulnerability of the poor from the impacts of disease, theft, disability and other hazards as well as safeguarding the productive use of savings and credit Facilities. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical growth form of protection.
Policyholders only pay the standard loss suffered by the group rather than the actual costs of an individual event; insurance replaces the uncertain prospect of large losses with the certainty of making small, regular, reasonable premium Payments. The primary function of insurance is to act as a risk transfer mechanism, to provide peace of mind and protect against losses. Risk can be handled by either: assumption, combination, transfer or loss prevention activities. Insurance schemes utilize the combination method by persuading a large number of individuals to pool their risks into a large group to minimize overall risk. (Brown & McCord 2000, Brown & Churchill 1999).

According to Ali (2000). In the developed world, Islamic insurance is part of society, such that some forms of cover are required by law. In developing countries the need for such a safety net is much greater, particular at the poorest levels where vulnerability to risks is much greater and there are fewer opportunities available to recover from a large loss.

2.15. Insurance in Muslim Countries.

Whilst conventional insurance companies do operate in Islamic countries these are limited to commercial needs and to the more comfortable sector of the population. While population sizes indicate a large potential market, insurance penetration in Muslim countries is low, mainly due to underdeveloped financial systems, weak contract enforcement, consumer disbelief, corruption, lack of understanding of the benefits and necessity of insurance, limited technical expertise and low GDP per capita. Another major reason for low insurance penetration is that conventional Insurance contains elements contradictory to Islamic principles namely (Ibid p.n 6)

2.16. Islamic Insurance Takaful.

Takaful is the second most important social institution in the Islamic community to counter poverty and deprivation. Islamic insurance in Islam has existed since the early second century of the Islamic period when Muslim Arabs expanding trade into Asia mutually agreed to contribute to a fund to cover mishaps or robberies along the recurrent sea voyages. Muslim jurists fulfilled that insurance in Islam should be based on principles of mutuality and cooperation and encompass the elements of shared responsibility, joint protection, common interest and solidarity. (Yusof 1999, Shakir 1999).
2.17. Income levels in the Muslim World

Worldwide the Muslim population in 2006 stood at 1.6 billion or 27% of the total Population, of which 1,385.45 million are based in Asia and Africa. Muslims Account for 54% of the population in Africa, 31% in Asia, 7% in Europe, 2% in North America, 1% in South America and 2% in Oceania (www.islamicpopulation.com, www.cia.gov).

There is a comparatively very low ratio of Muslims in developed countries, the Majority reside in medium to low human development countries. From the 30 ow human development countries as defined by the Human Development Report 2006, 18 have a majority Muslim population and a further five have a Muslim population of over 20%. Muslims around the world are commonly faced with low income levels, and lack access to social security systems, healthcare, education, sanitation and employment opportunities The UNDP 2005 Arab Human Development Report covers 22 countries from the Magreb to the Gulf. It states that over the last three decades improvements have been made: life expectancy has increased by 15 years, mortality rates for children fewer than five has decreased by two-thirds and adult literacy has doubled. However there are still over 65 million adults who are illiterate and 10 million children.

2.18. Takaful In Development Countries

The development of a cooperative form of insurance in this region probably dates reverse to the pre-Islamic period when each clan tried to protect the life and property of its members. For example, if one member killed another, then the family of the perpetrator was expected to pay "blood money" to the current family of the deceased. It is also well known that, around 1500 BC, Syrian rulers accumulated funds from public taxation to pay for fire, flood or draught losses suffered by community members. At present, there are numerous Islamic insurers and three Re-insurers domiciling in the Middle East and the North Africa region. The principal of these re-insurers is the Jeddah-based Islamic Insurance and Reinsurance Company. The other two re-insurers are the Islamic Takaful & ReTakaful Company in Jeddah and the BEST Re in Tunisia founded in 1985. The latter company is fully owned by Salama Group (Dubai – UAE), which also comprises 7 other direct Takaful companies. However, Alpen Capital expects the Gulf Cooperating Council’s (GCC) Takaful market to continue to grow faster than the Gross Domestic Product (GDP) (non-oil). Based on both the
Current macroeconomic viewpoint, and a set of assumption detailed below, Alpen Capital expects the market to grow at an around supposed and real complex Annual Growth Rate (CAGR) of 20.7% and 16.1% respectively (From 2009 to 2012).

The performance of the industry in the first nine months of 2009, with double digit top-line

❖ UAE

In the UAE, Insurance regulation is presently minimal and undergoing adjustment. Indeed, a new Insurance law came into force in August 2007 thereby establishing the Insurance commission, a new regulatory body for locally included companies. However, requirements for Takaful Companies have not yet been decided. On the different, the Dubai International Financial Services Centre (DIFC), an offshore financial centre, requires Takaful firms operating within The DIFC to operate outside the Prudential Insurance Rule book followed by conventional Insurers and to fulfill the requirements of the Islamic Financial Services Rulebook (IFS).

There are now more than 16 Takaful and Re-Takaful companies in the UAE.

However, the insurance market in many other countries in the region has recently shown a Considerable growth rate, although the insurance penetration ratio and the insurance density in those countries are relatively lower than those in more economically mature countries.

The Lebanese insurance market enjoys a high level of awareness among the general public, who tend to be well educated. Its non-life insurance accounts for nearly 80% percent of total premiums but, unfortunately, there is no Takaful operation in existence here. Alternatively, in Egypt, legislation was passed in the early 1990s to allow the eventual establishment of a free market system, but the first Takaful operation came latterly in form of the National Takaful Insurance Co (2008).out of school (which is envisaged to increase by 40% by 2015. High population growth is adding six million labour force entrants every year but with average unemployment across Arab countries at 15%, job creation is not matching the growth of the work force. While Arab countries do not have the lowest levels of dire poverty it is estimated that one in every five person is still living on less than USD 2 per day. Real GDP per capita of the average Arab citizen fell to 13.9% in 1998, one-seventh of the average OECD citizen. Income poverty and inequality as well as a certain level of income poverty, the less well off in Arab countries have poor or unavailable healthcare, low quality education, poor living conditions, and weak social safety nets with per capita healthcare ranging from USD 11 to USD
1,105 between countries. The Human Development Index (HDI) value for Arab countries was lower than the global average between 1980 and 1999, better than Sub-Saharan Africa and South Asia but lower than Latin America and Caribbean countries.

According (UAE 2008) to recent reports, in the GCC, the United Arab Emirates (UAE) has the best depth and breadth of products, and offers the most diversified suite of family and general takaful products. The report noted that since 2008 the GCC region recorded a stable insurance and takaful industry growth with optimistic performance in some countries like the UAE (CAGR of 11.75% and 18.5% for the insurance and takaful sectors respectively with the takaful business witnessing a faster growth rate in the period 2008-2012. This is majorly attributed to the implementation of new regulations with compulsory health and motor insurance schemes. The global takaful insurance market has exhibited impressive double digit growth with gross takaful contributions reaching US$18.3 billion in the first half of 2013. A major challenge facing the Takaful industry going forward will be to boost top line growth levels while also focusing on technical profitability. The evolving regulatory landscape, pricing dynamics and technical profitability will be explanation factors that will shape the direction of the industry at this important juncture in 2015 and beyond.

A critical factor that will determine success in taking the industry to the next level of development will be the readiness of industry players to formulate and execute successful strategies in response to new market conditions and rapidly adapt to capture new emerging opportunities that will reignite growth levels. As the industry becomes increasingly competitive, leading operators are now working on how they can overcome the challenge of maintaining the exciting growth rate of the past few years while also becoming increasingly focused on the imperative of boosting profitability from their core business. A key challenge for leading Takaful players will be to create a stronger value proposition and better differentiate Takaful products (www.http://meglobaladvisors.com/wtc-2015/).
2.19. Role of Takaful in Islamic Economic system

In the recent past, the Muslim world is being stimulated with a continuous enthusiasm and movement to occupy its real place among the community of nations and contribute its due share and to its duties to humanity. Takaful is a service to Muslim Ummah community as a welfare scheme. Introduction of Takful is an example as to how the principles of Islamic Shariah can help to create new socio-economic mechanism based on equity, justice and fair play. The objective of Islamic Economy is to create an exploitation free society and upliftmen of the entire society as a whole. The Takaful system, which has been working for the welfare of the mankind, is not in contradiction with Islam. The objective of Islamic Economic development system is the promotion of welfare of people which lies in safeguarding their faith, their life, their posterity and their property. By ensuring and safeguard these elements of the people, Takaful serves public interest and, therefore, can play the most important role. A developed free society as Islam envisaged has provision for adequate capital formation. The Prophet of Islam disapproved begging and encouraged capital formation. He advised a poor companion to sell all his belongings for purchasing an. Axe for collecting firewood and sell those in the market. The Takaful system will facilitate capital formation of individual households. This will motivate every individual for saving under Family Takaful (Islamic Life Insurance) and the collective surplus funds will be invested in the capital market. This will facilitate further utilization of resource and greater employments.

Islam is the second largest religion in the world with one and quarter billion supporters. In all, Muslims form a majority of the population in over forty countries. Muslims live in 184 countries comprising about 20% of world population. Islamic countries and other countries with an important Muslim population in the recent past have encouraged the condition of financial services, including insurance, under Islamic principles. As a result, more than seventy Takaful/Islamic Insurance companies have been established for providing insurance coverage both in life and non-life sectors these insurers generally known as Takaful operators are found not only in Islamic countries but also in Europe, North America and Australia. This type of modified insurance mechanism is expected to further influence the supply of and demand for Insurance in the Muslim community. Takaful has grown not only as an innovative financial instrument, but also on religious principles. The purpose of religion is the wellbeing of
mankind. Islam as are legion seeks to order human life so as to make it actualize the model intentional for it by its Creator. Islam is not only a religion but an ideology in the sense that the Shariah, its law, has given the Muslims a pattern of life with which to order their lives. The Shariah is comprehensive, embracing all human activities, defining man’s relations with God and with his fellow men. The Shariah grew out of the attempts made by early Muslims as they confronted immediate social and political problems to Devise a legal system in keeping with the code of behavior called for by the Quran and the Hadith. The purpose of Islam is always to inject morality into the fabric of human relations. How the Muslims earn its livelihood, how he spends his wealth and how his wealth is to be disposed of after his death all these are the stuff of Islam. In Islam, the human aspect is more important than the material one. It relies more on moral, ethical and human aspects than on the material aspects. This is something unique in the Islamic Economic system. Prophet Mohammad (P.B.U.H) said, “One who eats to his heart’s content, while his neighbor starves, is not a Mumin”. Helping neighbors, poor relations and the distressed contribute to an exploitation free society. based on the principle of brotherhood. Understanding the fundamental principles of Islamic Economic System is necessary in order to have a better understanding of the role of Takaful and its suitability in the Islamic Economy. For example, the right of private ownership accorded by Islam is not absolute and unconditional. The ownership is a kind of trust only. An individual may privately own and manage any kind of wealth, but he cannot do with them whatever he likes. He is to regulate the uses of wealth as per the Shariah Law. An individual can make joint investment to earn profit from his investment. Takaful is a means whereby investments of surplus funds are made by the Operators and profits are distributed to the Participants, i.e., to the owners of the capital. Another fundamental principle of the economic system of Islam is that it stands for equitable distribution of wealth. Islam encourages people to be selfless helpers for one another by arousing in them feelings of sympathy. Takaful is a system where people are encouraged to contribute money for mutual help in times of need. Thus Takaful comes in for help of a distressed fellow by means of mutual cooperation and joint guarantee. The Islamic Economic system combats the accumulation of wealth and its concentration in the hands of a small minority. The Islamic Law of inheritance provides for the shifting and distribution of wealth in a manner unknown in other legal and economic systems. It divides the
estate of the deceased over a wide range of beneficiaries and not on a single heir to the exclusion of others. The nominee in a family takaful method is only a trustee and the policy money need to be distributed to all the heirs.

The Islamic system requires that wealth should be utilized as an instrument to serve the interest of the community at large. In the Islamic way of life, some special kinds of levies are imposed. The objective behind them is to provide financial assistance to the people of lower income bracket from the money of the relatively better off people. In Islam, there are various kinds of compulsory levies ranging from very high rate of 20% of the income to the minimum of 2.5% of income. These are to be collected from the poor and the needy. This is an automatic mechanism of balancing income in the society. Islam makes it obligatory on every Muslim who possesses a certain limit of income up to one year to pay a certain percentage of it for the destitute and the needy. This is called Zakah. It is so important a part of Islam that the instruction of the payment of Zakah always comes next to Salat (prayer). The prophet described Zakah to be one of the five pillars of Islam. Zakah is of course not a substitute of income tax. It is imposed on capital. Zakat has to be levied annually whether it is invested or not. Therefore, it is prudent for the owners and managers of the Takaful fund to invest it in production purposes. It induces all the resources and wealth of the economy to be employed continuously in productive activities. By implementing Zakah system within the mechanism of Takaful, it helps develop the economy towards balanced growth and prosperity.

2.20. Theoretical Frame Work

The Insurance solidity is used to measure the development of insurance. Controlled by a simple conditioning information set and policy information set, we can draw a conclusion that insurance development is positively correlated with economic growth. The sample is then divided into developed and developing economies. For the developing economies, the overall insurance development, life insurance and non-life insurance development play a much more important role than they do for the developed economies. Arellano, M. and Bond,(1991)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher had explain the design and the methodology of the research study. It provides a systematic description of the research methodology that was to be used to answer questions described in chapter one. The methodology used in the research study included research design, target population and its sample size and data collection descriptive method and procedures.

3.2. Research Design

The research design had used descriptive correlation specifies the methods and procedure collecting and analysing the needed information (Zikmund, 2003). The use for the researcher this is enabled to understanding concept of the Takaful as strategy to go through the insurance market in Somaliland. The reason for this choice will be based on to get the knowledge and new information that case studies are the most suitable for subject and the processes of understanding of the phenomena of Takaful Insurance of Africa being the first licensed Shariah compliant underwriter in Somaliland it was important to carry out this research. The study adopted a case study research design and an interview guide will be use to collect data.

3.3. Research Population:

The researchers target population of this study had used four different types of respondents’ society, Takaful itself and Ministry of Finance. Researchers will attempt to examine the role of government policy on Islamic insurance. Total population in ministry of finance is 110, researchers just need mangers of organization which are ten manger so purposive sampling will be perfect for it. Takaful Company has 25 workers. With regard to the society researchers select 26 June district for purposive to choose residents, which is 15 participates. This study will use two types of companies which are large and small enterprises, to ensure how Takaful could protect them if any risk happens; however, number of respondents in large enterprises is 42 and small enterprises are 124
3.4. Sampling Procedures

The study had used purposive method of the collection to get information from the respondents who were probable to have knowledge on and its related to the study. So the researcher will choose academic people, in order collect more information related on Islamic insurance and researcher observe academic participants. Takaful company will be taken all Ministry of finance purposively because information researchers need ten mangers of the organization.

3.5 Sampling Size

The researchers had be used the represents number of respondents selected from the target population to constitute a sample; since stratified random sampling and purposive will be applied on, the study.

Takaful company they are 25 worker will be choose all , and ministry of financial they are110 from which 10 managers will purposively choose. Communities in 26June are so large to study all of them researchers suggest selecting 15 of them purposively and reason is mentioned before. The stratified random sampling will used in companies

3.6. Data Collection

In the Data collection procedure both primary and secondary data had used in this study. Primary data will be collected from the sample of respondents by closed and open-ended questionnaires and interview. Primary data will be the main data that gathered the purpose of the research and provided much of the actual facts from the field study. Secondary data were obtained from reports, articles and internet sources to review literature. These were analyzed in chapter two. Secondary data were also obtained from Africa Islamic insurance the branch in Hargeisa.

3.6. Research Instrument:

The instrument of researchers had be used questionnaire, interview, which will be tested for validity and reliability before given to the respondents. These instruments will be guided through research questions.

According to (Yin 2003) questionnaire is set of open and ended question by the subject to answer of the study to the benefit of using questionnaire and interview for save of time suitable to the respondents filled by their free time and it enables the researcher to collect a wide information.
of the study. In depth interview were held with the government (Ministry of Finance) and Takaful officials including. Interview program were used also companies.

According (McNamara, 2008) they contain the interested questions that allow flexibility in asking and obtaining in detail information from respondents hence allowing the researcher to triangulate the quantitative findings of the other categories of respondents. The interview was developed to detain especially all the required information and experience on the study. The researchers also conducted from community to get the required information of their level of understanding on the subject of the study.

3.7. Research Data Analysis:

After the data collection, data had be analyses by using descriptive statistics, which helps to show data in meaningful way, through presenting data in frequency tabulation or chat, bar graph. For analysis, a computer program called Statistical Package for Social Sciences (SPSS) will be used.

3.8. Validity and Reliability

Validity

Validity of an instrument refers to test procedures what is purported to measure. Validity of the instrument had tested through expert judgment and the researchers had be sure the coefficient to be at least 0.75. The researcher will conducted through related of study for the construction of questionnaire, interview and focus group discussion.

Reliability

Its refers to reliability as the degree of consistency with which an instrument measures the attribute it is designed to measure. The reliability had been tested- retest reliability which researcher had distributed the questioner and interview to responders.
Chapter four

DATA ANALYSIS

4.0. Introduction

This chapter had be focus on the analyzing the findings on researchers made during data collection through interview from the targeted respondent. This study is investigated the impact of Takaful on community and its contribution on development in Somaliland for the society needs to growth on Islamic insurance in Somaliland. So, the researcher had analyze the findings from the community respondent information.

4.1. Background Information of the respondents

This section provides the demographic characteristics of respondents who their background information will be presented as follows

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>70%</td>
</tr>
<tr>
<td>Female</td>
<td>30%</td>
</tr>
</tbody>
</table>

4.2. Source: author

As the figure 4.1 Show the above of the respondents on table show’s 70% of responder were Male and the 30% while were female. Because in the study area the ratio of female employees is less compared to Male employees.
4.3. Source: author

As most indicators on figure 4.2 Shows were 48% of respondents were between 28-32 while 42% of respondents between 23-27 and 6% of respondents are 33-37 age and 3% of responder they are between 18-22.

4.3. Source; author

The figure 4.3 shows the high of qualified of respondents are Bachelors Degree holder on education is extreme is 79% respondents while 12% of respondents are master holder and 7% of
them had Master-degree in education and 2% are certificate responded in study. And it can said that respondents were qualified.

4.4. Source; author

Employment issue in respondents are 47% while the other of respondents Administration worker 20% whatever their job and were they work while the 11%. Are manger and the 11% unemployment and self-employed, are 9% are. Owner in responder is 2% of respondents

4.5. The impact of Takaful on community
4.5. Source; author
As the figure 4.5 shows are society aware about Takaful Islamic Africa insurance 36% of respondents doesn’t have any idea and while 21% of respondents were identified as they hear on media while 21% of respondents says someone told me about it .The observation of researchers was to now the level of society aware for Takaful insurance and found the majority of findings of the study shows that the society need aware for the importance of insurance

![Bar chart showing agreement on Takaful Islamic insurance impact]

4.6. Source: author
According to the above figure 4.6. Respondents asked if the Takaful Islamic insurance have positive impact for community/society in Hargeisa is excessive, 67% of the respondents agreed that Takaful Islamic insurance has positive impacts on society based on responsibility sharing excessive, 27% of the respondents disagreed that Takaful has positive impact while 6% totally strongly agreed. As researcher ask many questions and observed many problem my affecting to the study but as The majority of respondents’ indicate that Takaful Islamic insurance of Africa has positive impact for society and business sector in country for risk sharing.
4.7. Source: author

The Researcher wants to identify if the community/society participate on developed Islamic insurance as above of figure 4.7 indicate 53% extremely agree that community participate to developed Islamic insurance while 27% disagree that community can’t participate on developed Islamic insurance in country instead is poor country while 13% of respondents strongly agree were 7% of respondents strongly disagree. This is shows that majority of society want to participate in insurance business. Socio-economic, labor market
4.8. Source: author

According to of figure of data in formation 4.8. shows 40% of respondents agree that needed of implementing the policy of government Islamic insurance it will be more convertible will be positive impact on society living in country to sharing risk in country then the private for profit and individual personality while the 33% of respondents strongly agree that they need implementing Islamic insurance to connecting society to government.

According Human Development 2006, 18 have a majority Muslim population and a further five have a Muslim population of over 20%. Muslims around the world are commonly faced with low income levels, and lack access to social security systems, healthcare, education, sanitation and employment opportunities. That why we need implementing Islamic insurance to increases the accesses of human need.
4.4.9. Source: author

As the shown above of the figure 4.9 85% of respondents believe that contribution of claim in emergency as traditional is more convertible and its culture believe in risk sharing. While the 15% of respondents believe that Takaful Islamic insurance African can contribute in emergency on time. According Ali (2000) to the Table 2.14 of region probably of insurance the pre-Islamic period every each clan tried to protect the life and property of society. If one member of society killed another, then the family of the perpetrator was expected to pay "blood money" to the current family of the deceased. It is also well known that, around 1500 BC, Syrian rulers accumulated funds from public taxation to pay for fire, flood or draught losses suffered by community members.
4.4.10. Source: author

As most of respondents mention 77% of respondents says claim, society stratify for culture believe while 23% of respondents said Takaful. This implies that the majority of the society believes culture and claim guarding society in each another in difficult situation and society stratify that claim culture can do what can government do or more The researcher find that community trust the relationship cooperation of claim elders
4.11. Source: author

The researcher need to informed that the mutual help of Takaful insurance African in country is it understanding or not as figure 4.11 indicate shown as 43% of respondents disagree were 36% of respondents agree. Besides 14% of respondents were strongly agree while 7% strongly disagree. The researcher as the respondents why it is not understanding as most of respondents mention because of its new on country and the community / not aware of the Islamic insurance and they have and obey social capitals network and traditional cooperation.
4.12. **Source: author**

Most of respondents of 50 percentages agree the convertible of Takaful insurance of Africa in Hargeisa. 25 percentage disagree which indicators indicate that there’s lack of understanding of Islamic insurance in Hargeisa. Because of an aware of Takaful while 17 percentages strongly of respondents agree and 8 percentages strongly of respondents disagree.

![Bar Chart: Is it convertible and Trust Takaful Islamic insurance](chart1.png)

4.13. **Source: author**

The researchers want to know if society aware the service that Takaful Islamic insurance of Africa provide for society as the most of respondents mention 36 percentage of responder agree while 29percentage of respondents disagree besides 28percentage of respondents strongly agree while 7 % strongly disagree. The community/society still they didn’t understand the the services that they do for society,
4.14. Source: author
4.15. Source: author

Takaful Islamic insurance contribute on development and economic growth on country, 25% of respondents strongly agree while 42% of respondents agree, besides 17% of respondents disagree while 17% were strongly disagree this shows that Islamic insurance contribute on development and economic growth
4.16. Source: author

The researcher wanted to identify the capacity of Takaful insurance in Africa to contribute to development in the country, and the respondents stated that 42% of respondents mentioned they contribute 5% to development, while 25% contribute 10%, and 25% contribute more than 20%. The studies imply that the contribution of Takaful Islamic insurance in Africa is only 5% due to unawareness and lack of understanding of society's importance of Islamic insurance in the country, as well as tribalism and couture beliefs.
4.17. Source; author

Conferring to this question the most respondents on figure 4.17 shown 36% of respondents held its strong while 29% of respondents mentioned its very strong beside of these while 29% of respondents mention weak while 7% of respondents says very week.

4.18. Source author

Takaful provide vital social service as the above graph shows 50% of respondents were strongly agree while 29% agree besides 14% of respondents disagree while 7% strongly disagree. The researcher identify that the majority of society stratified the services of Takaful insurance
4.19 Source: author

The purpose of this question is to consider if the society needs to implement Islamic insurance in Somaliland to identify the most 89% of respondents say yes which shows that the society need Islamic insurance while 11% of respondents say no. The researcher asked them of respondents whom says no as additional information of them are not need insurance the most of them mention that they believe their traditional treated on obstacles and difficult satiation.

4.20. Source: author
The researcher went to identify if the technology transfer information can contribute on growth of Islamic insurance well most of respondents say strongly agree 58%. While 31% of respondents agree while 9% of responder disagrees 2% of respondents not answer. These studies

![Pie chart showing responses]

4.21. Source: author

The figure shown most of the respondents 60% strongly agree that establishing Islamic insurance can produce large number of citizen entrepreneurs in country and they can contribute on development way and economic growth. While 28% of respondents agrees, while 9% of respondents disagrees. 2% on respondent does not answer.

4.22. Source: author

Open-ended question 4.4.22 Do you think implementing Islamic insurance policy in Somaliland have benefit for society? If yes/ No which side?

As above of respondents mention implementing Islamic insurance have more benefit for society in side of health care and most of society needed for solving social problem providing and eliminate motor vehicles accidents in Somaliland also encourage foreign investment to invest business sector, equal distribution, social development and economic growth reducing claim and tribalism in country and stabilizing social welfare and job opportunity.
4.23. Source: author

Performance of Takaful insurance with government is developing in a better way as above graph shows 94% of respondents said "better way" and 6% said no different. The researcher asked to get more information why. Most of respondents says, we know each other on claim, culture and government is closes it to facilitators for society because most of claim leader on Perlman on country.

4.24. Source: author

The people figures 4.24 the researchers indicate that the 79% of respondents mention it is very important to implement Islamic insurance. Because of retirement in future for living and new generation to get opportunity while. 16% of respondents says important to have retirement policy.
while 0% for answer. And the figure tech the needed for Islamic insurance in country. Because of and retirement policy and insurance the unemployment increases and youth migrate

4.25. Source: author

According to health facilities of standard of society living in Somaliland it’s important to have conventional insurance as the above mention 75% of respondents said, it’s very important while 15% said its important besides 5% said not vital while 5% of respondents did not answer. As majority of society needed for government insurance for facilities on health sector to be better because in country there’s lower on health, education sector
4.26. Source: author

The researchers wants’ to identify Establishing Islamic insurance can create high employment and increases the opportunity for unemployment to gain and access the services as the most of respondents 83% of respondents said yes while 17% said no. Islamic Shariah can help to create new socio-economic mechanism based on equity, justice and fair play. The objective of Islamic Economy is to create an exploitation free society and up liftmen of the entire society as a whole. The Takaful system, which has been working for the welfare of the mankind, is not in contradiction with Islam. The objective of Islamic Economic development system is the promotion of welfare of people which lies in safeguarding their faith, their life, their posterity and their property.
4.27. Source: author

Islamic insurance policy can be established financial institution expert government regulation, skilled labor and social awareness for Islamic insurance. Thus, 75% of respondents strongly agree while 15% respond agree besides 5% of respondents disagree while 5% strongly disagree.

4.28. Source: author

Implementing Islamic insurance policy in Somaliland can reduce poverty and increases developing on social services on development growth.

Implementing Islamic insurance policy in Somaliland can reduce poverty and increases developing on social services on development growth.
According to (World Bank 2000) insurance is an effective mechanism for reducing the vulnerability of the poor from the impacts of disease, theft, disability and other hazards as well as safeguarding the productive use of savings and credit Facilities. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical growth form of protection also Takaful is the second most important social institution in the Islamic community to counter poverty and deprivation Yuosf 1999, Shakir 1999).

4.29. Source: author

Implementing Islamic insurance can removed claim contribution on future 82% strongly agree and 15% agree besides 18% agree while 0% of responder not answers. As additional information the researches ask how it can remove claim and most of respondents mention that the society dependent’s. on Somali culture, claim and tribalism in every situation they cooperate contribute on risk sharing, blood payment,
4.4.31. Interview Analysis:

The researcher was asking question related to the study of ministry of financial and here is analysis

Is there any current exertion your institution doing to implement the Islamic insurance policy on future for Somaliland Citizen?

As responder mentioned, yes there’s many policy the institution try to implement but they most of them failed and one of the was Islamic insurance but they failed to implement and they explain the reason that was caused to fail is the context of the Somaliland people who doesn’t understand the benefit of this policy. that’s the problem faced during the implementation(ministry of financial).

Through all these years financial institution conduct many research and implement some policy in country instead Islamic insurance policy why? is there any reason please share with as

The respondent for this question was answered YES, there is a huge challenge to apply and adopt Islamic insurance policy to the government institutions and its a lack of capacitated staff in the government institutions on Islamic insurance system and there is no Islamic banking in Somaliland. Also, Somaliland society use mostly Somali culture insurance with the family or tribe contribution; and it creates a challenge for not applying this policy/system.(ministry of financial)

Is there any barrier of establishing Islamic insurance policy of Government institution in Somaliland?

As responders answers yes as mention there’s many barrier of establishing Islamic insurance and they are most of employment not well training and no quality and also experience of employment no banking institution place also Somaliland society use culture insurance or claim contribution in every monthly, also there’s tribes claim and its old believer on society. (Ministry of financial)
Is there any law not allowed to implement the Islamic insurance policy in the country? If yes what is it?

The most responders says no there is no law not allowed to implement the policy in same time there is no policy says it most to implements and that’s big challenge and problem in society because they don’t understand and they don’t take the policy on serious issue.

The absence of policy Islamic insurance can affect the society

Most of the respondents was answered to NO effect for society because this society were used for a long time to the Somali culture insurance which is more cooperating and contributing each other during hard time. But, later on and this era on development increases a need for a banking insurance system in order to get all society a social service including health service, security, and all infrastructure.

4.2.31 Takaful Islamic insurance interview

What is missing on Takaful Islamic insurance of African companies not provide on development your comment opinion?

Were asked what is missing on Takaful Islamic of African not provide on development on Owen comment? And they explain and mention most of the most of it technical for both insurance conventional Islamic and Takaful Islamic insurance of African is not local available and legal net for financial institution not yet passed by parliament. Also there is individual medical cover and lack of awareness on society.

What is the role of Takaful Islamic insurance of Africa plays on development and service that provide for society?

Looking answer on beside the question and the most of respondents on basic says the role of Takaful play on development it’s on stabilizing social and security on interdependency for society and financial security for investing financial and risk taking and sharing in terms of business. Health medicine care benefit.
What is the benefit of Takaful Islamic insurance of Africa in Somaliland on development Growth and for community?

The above of respondents mention that globalization international trade and relation, job opportunity economic growth stock and risk sharing for companies to returned back and recovered.

What is your company contribution in the development and for society which side briefly?

The most of respondents says that the contributions that they do for society corporate for social responsibility, public infrastructure, skate donation and community awareness, and policy makers and risk transferred.
CHAPTER FIVE
Finding, Conclusion and Recommendation

5.0. Introduction
Conclusion of the study is the summary of the findings which stipulated and answer for the objective of chapter one that analyzed set on chapter four; the conclusion stipulated the result of the findings. Then in last the researcher will recommended the solution.

5.2. The summary of findings
There are relationship between findings and objective question

1. the impact of Takaful on community
2. the contribution of Takaful to development on community
3. generating new information related to the study
4. Government policy

5.2.1 the impact of Takaful on community
The purpose of the research was observe and identified the impact of Takaful Islamic insurance of Africa on community in Hargeisa Somaliland most of respondents extremely mention that Takaful Islamic insurance has positive impact on certain for community /society in risk sharing on business sector developed social welfare standard of living.

The study of findings showed that the majority of society wants to participate insurance business as researcher findings the extermination that of respondents agree to participate on development Takaful Islamic insurance in country on business health, motors responsibility and risk sharing.

In this study the researcher observed and compares the Takaful insurance and claim contribution as most of people believe the contribution of claim. As the shown above of the figure 4.9 of respondents believe that contribution of claim in emergency as Somali culture traditional is more convertible and its culture believe in risk sharing on social capitals.
5.2.5. The contribution of Takaful to development on community

The study of findings clarifies that Takaful Islamic insurance contribute on development and economic growth in country. That the Takaful Islamic insurance of Africa contribute on welfare for society also socio economic. the study finding contribute of Takaful Islamic insurance is 5 percentages on development in country. Because of an awareness and lack of understanding on society also lack of policy makers and benefit of Islamic insurance in country.

The researcher finds that the Most of respondents agree that the Takaful insurance is more convertible on service that provided it Hargeisa and sharing and taking responsibility covering the risk on difficult situation in fast growth and borrowing money from institutions.

The researchers find that the most respondents on figure 4.17 shown extremely that the respondents held its strong on service and development growth on welfare, social economic.

This study finds that all of the society stratifies the service of Takaful Islamic insurance. Because of good treatments social welfare and opportunity for youth entrepreneurs.

5.2.3 Generating new information based on study

The findings of study relieved that the most of society need that live in Somaliland need Islamic insurance. The researchers finds that all most of society need implementing Islamic insurance to protected our investment from risk and obstacle situations come to society.

The study finds that the technology it fast on contributed on development growth as figure 4.20 clearly shows that the respondents extremely strongly agree.

Researcher findings that the majority of respondents mention that establishing Islamic insurance can produce large number of citizen entrepreneurs in country and they can contribute on development way and economic growth social economic, and on labor market increases. While

The findings study clearly reveal that above of respondents mention implementing Islamic insurance have more benefit for society in side of health care and most of society needed for solving social problem providing on eliminate motor vehicles accidents in Somaliland also encourage foreign investment to invest business sector, equal distribution, social development and economic growth reducing claim and tribalism in country also stabilizing social welfare and
job opportunity. The researcher finding that insurance is sustaining of the capacity of society and economic,

5.2.5 The Government policy on Islamic insurance

The study relieved that the majority of communities/society preferred that government insurance is better than the private because government is closest bodies institution for society and government it can facilitate more than the private.

The study founded that the respondents mention society need for Islamic insurance for retirements and for youth to get opportunity for new generation. Hence the study also found out that all respondents in the study see that the implementing Islamic insurance it creating high opportunity as the figure 4.26. Shows of community says Yes its creating and increases employment services and economic social welfare

The findings of study according the figure 4.25 the study findings of that communities extremely Mention is high and very important for society get services of facilitates the basic services on health, education, car accident from government insurance in the country.

5.2.5 Conclusion

The study aimed at investigating the impact of Takaful Islamic insurance on the community and growth of Islamic banking in Hargeisa Somaliland. To this objective the study concluded that, produce offered the impact of Takaful growth of Islamic banking in Somaliland and more people would utilize the services provided by Islamic insurance banks if the government implement the policy and opened more branches of Islamic banking institutions open up throughout a country. On the same the study concluded that Islamic banking came into existence to satisfy the financial needs of Muslims who have to observe the prohibition of interest-based transactions.

On the participation of information technology on the growth of Islamic banking in Somaliland, the study concluded that availability of Islamic insurance bank branches contribute to the growth of Islamic banks and economic growth. The study also concluded that suitable, media advertisements are important factors contributing to growth Islamic banking.
The study also concludes that, Islamic Banking could be treated as evidence that shows how culture and its set of traditions and beliefs can be applied to the business area with a high rate of success and with each of the Islamic insurance banking products, the parties and can be considered as operating in a partnership to which a risk is attached and The standard of health sector life and non-life services than the rest of the community living poor and the lack or are having poorer social services including, health, Education, central bank. Because of lack awareness and policy implementation of Islamic insurance in country During the interview the researcher founded out that other factors lacking of understanding of policy and not taking on serious issue in our country. With traditional and tribalism claim of society believe traditional insurance as study clarify also there’s lack of capacity in the country.

5.2.6. Recommendation

**Government non government , Organization , community**

- On the basis Government should adopt the law policy in country on Islamic insurance
- Government and non government should implemented and make insure that national legislation policy of insurance established on social economic.
- The study recommended that first for community bank should implement up more branches throughout the country to ensure that more people get access to the services without fight. This will ensure that the bank insurance by increasing its clientele base. It is also recommended that the bank Islamic insurance have more advertisement to create awareness among its customers and potential customer on the products and services that they offer
- The government is bodies of society/ community and its should encourage and aware the society for Islamic insurance and implemented policy.
- Accelerate economic growth on high level, investors increases through investment, and creating opportunity for unemployment for reaching their goals and reduce the poverty, and claim dependent
- Government should establish an efficient systematic bank systems that can enable people to get service and perfect and consistent from government offices
➢ Somaliland should Establish and have clear common strategy for the implementation of Islamic insurance policy.

➢ In order to recover these all problems, human being should have at least some saving in their hands. The challenges and issues that facing in difficult Takaful is not new thing, they.

➢ The research also recommend that Takaful Insurance of Africa should ensure staff are properly trained and they need to partner with local universities and other tertiary institutions to enhance their human capital base so as to assist in pushing Takaful agenda in the insurance market.

➢ Business and donors should take part of cooperation of insurance because it’s benefit when they meet harm or loss.

➢ The NGO’S and non NGO’S should adopt framework policy and cooperation with Islamic insurance.
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Dictionary of Insurance Terms, 5th edition, by Harvey W. Rubin, Ph.D., CLU, CPCU, Published by Barron's Educational Series, Inc.


Wehr, Ba`lbaki.


Appendix 1:

QUESTINNIRE

Dear respondent,

We are senior student at Admas university we conducting a study of the finally project of thesis book “The impact of Takaful on community and its contribution on development”. In view of this we request that you answer the questions and interview please be informed that the data you provide will be used only for academic purpose and the information you present will be treated with highest privacy. Because you are an important part of our study, we are inviting you to participate in this research study by completing the questions bellow.

Thank you for your time

Abdifataha Abdurrahman Mohamed and Shamsa Omar Hussein

DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Section one:

1. Gender
   Male ☐ female ☐

2. Education Background
   ☐ Certificate
   ☐ Degree
   ☐ Master –degree
   ☐ Master
   ☐ PHD

3. Age
   ☐ 18-22
   ☐ 23-27
   ☐ 28-32
   ☐ 33-37
4. Work title
   - Manager
   - Administration
   - Employment
   - Owner
   - Self-employment
   - Unemployment

Section two: To identify the impact of Takaful on community?

5. Where and when was first time you hear about Takaful insurance?
   - In media
   - Work place
   - Outside the country
   - Someone told me about it
   - No Idea

6. Do you agree that Takaful Islamic insurance have positive impact on community?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

7. Does the community participate to developed Islamic insurance on the country?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

8. Islamic insurance for implemented of government is more successful and positive impact
   - then the private insurance?
   - Strongly agree
   - Agree
9. In the emergency time which has more positive impact on community Takaful insurance or claim contribution?
   - Claim contribution
   - Takaful Islamic insurance

10. In the treatment of society which services stratify more and its convertible
   - Takaful
   - Claim

11. The of mutual help participated in Takaful for community is not understanding
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

12. It is convertible and trust Takaful Islamic insurance?
   - Strongly agree
   - Agree
   - Disagree

13. The service of Takaful provide is it more aware for community
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree
Section three To identify the contribution of Takaful to development and on community

1. Factors affecting of Takaful insurance in development contribute in Somaliland?
   - High level of ignorance and lack of awareness of Takaful to community
   - Lack of innovative and flexible product to supply for Muslim’s need
   - Lack of ReTakaful in country
   - Inadequate distribution straight on community

2. Takaful Islamic insurance contribute on development and economic growth on country?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

3. The capacity of Takaful Islamic insurance contributes on development part.?
   - 5 percentages
   - 10 percentages
   - 20 percentages
   - Above at all

4. Do you think that the role of Takaful Islamic insurance on development economic growth and social service strong on country?
   - Very strong
   - Strong
   - Weak
   - Very weak

5. Do you agree that Takaful provide social service for community on development way?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree
6. Do you think that Takaful can contribute on development in the country?

☐ Yes
☐ No

If yes in which side /

............................................................................................................................................................................................
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............................................................................................................................................................................................

Section four; to generate new information based on study?

7. Is there any need for development Islamic insurance in Somaliland?

☐ Yes
☐ No

8. Does information technology contribute to the growth of Islamic insurance on development in country?

☐ Strongly agree
☐ Agree
☐ Disagree
☐ Strongly disagree

9. Establishing Islamic insurance system help in producing large number of entrepreneurs and development contribute in country?

☐ Strongly agree
☐ Agree
☐ Disagree
☐ Strongly disagree
10. Do you think implementing Islamic insurance policy in Somaliland have benefit for society?
   If yes/No in which side

Section five: To understand the government policy on Islamic insurance?

1. Developing performance of Takaful insurance with government conventional insurance will be?
   - Better than
   - No different
   - Below the average

2. In retirement policy standard documented in Somaliland is it importance to have Government Islamic insurance policy?
   - Very important
   - Important
   - Not important
   - Not that much important

3. In the health institution to facilitates the standard of living for society in Somaliland is it important to implement government insurance policy?
   - Very important
   - Important
   - Not important
   - Not that much important

4. Establishing Islamic insurance policy in Somaliland will create high employment opportunity in country?
   - Strongly Agree
   - Agree
5. Are the insurance Islamic systems can be helpful in Somaliland especially on developing growth?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

6. Islamic insurance policy can be established in Somaliland with help full of capital, financial institution expert, government regulation, skilled labor and social awareness for Islamic insurance?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

7. Establishing Islamic insurance policy in Somaliland can reduce poverty and increases developing on social services and development growth?
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree

8. Establishing Islamic insurance can remove claim contribution on future in Somaliland
   - Strongly agree
   - Agree
   - Disagree
   - Strongly disagree
Interview

Interview questions Ministry of financial and Takaful Company

1. Is there any current exertion your institution doing to implement the Islamic insurance policy on future for Somaliland citizen?

2. Through all these years financial institution conduct many research and implement some policy in country instead Islamic insurance policy why? is there any reason please share with as

3. Are there any Barrier of established Islamic insurance policy of government in Somaliland?

4. Are there any low not allowed to implement the Islamic insurance policy in the country? if yes what is it

5. Can absence of policy of Islamic insurance affect society? If yes /no what they are?

6. What is missing on Takaful insurance companies not provide on development your comment opinion

7. What is the role that Takaful Islamic insurance plays on development and service that provide for society?

8. What is benefit of Takaful insurance in Somaliland on development growth and community?

9. What is your company contribution in the for society and which side briefly?