

# DIVERSIFICATION OF MOTOR TAKAFUL SURPLUS FOR SOCIO-ECONOMIC DEVELOPMENT OF LESS PRIVILEGED INHABITANTS IN SAUDI ARABIA

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## ABSTRACT

*Many aspects of Takaful have been successful in Saudi Arabia, but there is growing interest on Takaful for the less privileged inhabitants in order to achieve vision 2030. The purpose of this research was to empirically explore the legal basis and viability of diversifying motor Takaful for the less privileged inhabitants in Saudi Arabia. Quantitative survey method was employed. The population of study comprised six categories of less privileged inhabitants (the poor, elderly people, disabled, low income earning-workers and orphans). Convenient sampling technique was used where questionnaires were distributed; however, 153 questionnaires were used for the final analysis. The reliabilities of the instrument were between 0.808 and 0.921. It was showed that, the legal diversification of Takaful is powerful tool in addressing the needs of less privileged inhabitants as an attempt to improve the overall welfare of populace in the country. It is therefore recommended that the Takaful companies should continuously explore on how to expand the scope of motor Takaful surplus for socio-economic development and stability of financial services for the less privileged inhabitants specifically in order to attain vision 2030 by the Saudi Arabian government.*

**Keywords:** Motor Takaful, Surplus, Socio-Economic Development, Less Privileged Inhabitant.

## INTRODUCTION

In the Arabian societies, there was the concept of mitigation of risk especial through the concept of “*hifl*” which aimed at extending a helping to those who experienced natural hazard specifically on journey. Takaful surplus as an Islamic insurance is advantageous in solving multifarious social problems in the society. Undoubtedly, Takaful is considered as an essential social instrument for addressing the problem of poverty in the Muslim community. Several scholarly research have meticulously examined Takaful surplus in general and there is less focus of attention on motor Takaful surplus for socio-economic development of less privileged inhabitants in the context of Saudi Arabia. It is in this regard that Sabbir (2011) notes that:

*“Insurance in Islam has existed since the early second century of the Islamic era when Muslim Arabs expanding trade into Asia mutually agreed to contribute to a fund to cover mishaps or robberies along the numerous sea voyages. Muslim jurists concluded that insurance in Islam should be based on principles of mutuality and cooperation and encompass the elements of shared responsibility, joint indemnity, common interest and solidarity”.*

In the contemporary time, there are several concepts in Islamic banking and finance that aimed at addressing social welfare of the citizens. For instance, Zakat (i.e. alms giving) is instrumental in catering for the needs of the citizens. In addition, Takaful is also one of efficient financial instruments that provide essential welfare to the citizens (Dewi et al., 2010). Takaful is commonly recognised in Islamic insurance which refers to mutual agreement among the participants. This is done in order to provide protection as well as compensation for whomever experiences risk of hazards that goes beyond his financial capability (Ahmad & Ali, 2010; Hashem, 2015).

In addition, Takaful is based on provision of mutual financial assistance to the participants in the Islamic insurance as a result of experiencing social perils (Ayub, 2007). This inferably can be said that, it caters for welfares of the participants in Takaful scheme. Literature identifies Takaful as a mitigation of risk among the participants. Takaful is regarded as Shari'ah compliant insurance used in order to solve most of social problems (General Assembly, 2007; Alahli Takaful, 2010). Thus, it can be inferred that Takaful serves as social interest that promotes social solidarity which indirectly fosters socio-economic development of the society. Literature identifies that Takaful enhances goods and services within the society because it provides for the needs of the participants in the Takaful scheme (Al-Jarhi, 2007). This means that, an attempt to diversify motor Takaful in Saudi Arabia is to foster goods and services which expectedly are to provide for the less privileged inhabitants in the country. Undoubtedly, motor Takaful enables the operators to provide goods and services to the participants.

Onwards, it is not doubtful to say that, Takaful has been thriving in Saudi Arabia since many decades ago and its prime motive is to cater for the social welfare of the citizens. More importantly, 2.5% of Zakat as a religious obligation is to be collected from wealthier individuals and cooperate bodies in order to render assistance to the poor and the needy in the context of Saudi Arabia. More so, the government has been making tremendous effort in ensuring that citizens' welfares are being catered for. In actualizing these dreams of the government, there are several social welfare programmes by the government such as: free health care provision, free education, free food and utility bills to the orphans, poor and disabled among others.

Furthermore, it is important to stress that, the Malaysian Takaful Association (2017) classified Takaful into family Takaful and general Takaful. The sub-components of family Takaful are: child-education, mental and health Takaful while general Takaful are: home, accident and motor Takaful. Nonetheless, literature contends that, the standard of Takaful can be guarantee when the operators are concerned with Shari'ah compliance (General Assembly, 2007). This is the reason why the roles of Shari'ah leaders cannot be underestimated in Islamic banking and finance as literature contends (Dar, 2011). Hence, in the context of Saudi, Al-Rajih Shari'ah Committee has been playing this leadership role in ensuring that Islamic banking and finance are consistent with the principles of Shari'ah in their operations as literature expounds (Hashem, 2015).

Takaful is built on the concepts of mutual indemnity, solidarity and mutual help among participants who have agreed to share defined losses to be paid out of a common fund. This is accepted according to Shari'ah as mentioned in Surah Al-Ma'idah: 2 that:

*“Help (ta’awun) ye one another in righteousness (birr) and piety, but help ye not one another in sin and rancour, fear Allah, for Allah is strict in punishment” (Q5:2).*

Based on this verse, an inference can be drawn therein that, it is evidence justifying the establishment and affirmation of Takaful which is considered as a form of mutual help (ta'awun) in furthering good and virtue by helping people in needs due to the hazard and peril that they experience. Furthermore, many promoters and advocators of Takaful as an Islamic insurance have strongly used the prophetic tradition as supporting evidence to Qur'anic verses earlier mentioned.

In addition, in the hadith, the Prophet (S.A.W.) also urges people to help other people in overcoming the hardships. For example, it was narrated by the Prophet (S.A.W.) that:

*“Whoever removes a worldly hardship from a believer, Allah will remove from him one of the hardships of the hereafter and whoever alleviates the needy person, Allah will alleviate from him in this world and the next (Bukhari and Muslim).”*

Moreover, Takaful can be said as a strategy of risk mitigation by way of collective risk taking that distributes risks and harm to large number of participants. This position can be further supported by another hadith which implies a suggestion for people to undertake certain precautions or strategies to reduce and mitigate the risk. For instance,

*“Prophet Muhammad (S.A.W.) asked a Bedouin who had left his camel untied, why do you not tie your camel? The Bedouin answered, I put my trust in God. The Prophet then said, tie up the camel first and then put your trust in God. This hadith showed that the societies in Arabia had adopted the concept of risk mitigation such as “hilf” to assist victims of natural disaster or hazards while on trade journey.”*

However, less focus is given in investigating of effectiveness of general Takaful especially in diversifying motor Takaful specifically from the perspective of the less privileged inhabitants in Saudi Arabia. In other words, there has not been much attention in examining the diversification of the motor Takaful in order to expand the scope of Takaful in the country. This paper primarily attempts to empirically examine the diversification of motor Takaful as an integral part of general Takaful in the context of Saudi Arabia.

## METHODOLOGY

Descriptive survey research design was used as a methodology of this research. Literature contends that descriptive survey research is easy to collect data among the large number of participants (Creswell, 2005). It was employed to obtain data among the selected less privileged inhabitants in Saudi Arabia by specifically examining their opinions on the diversification of motor Takaful as an integral part of general Takaful in order to improve social welfare programme that Saudi Arabian government is concerned of in the recent past. Inferably, the study is based on primary data. Thus, other aspects of methodology such as population & sample, instrument (validity & reliability), data collection and analytic approach are explained in the subsequent paragraphs.

First, regarding the population and sample, the population comprised various categories of less privileged inhabitants in Saudi Arabia which were: poor, elderly people, disabled, orphans and low income earning workers. Regarding sample, since there is no specific figure with regard to the population of the respondents, thereby, the researchers utilized convenient sampling technique in determining the participants in this study. Then, simple random administration of questionnaire was done among the target respondents. Hence, cluster sampling technique was

used in distributing the copies of self-developed questionnaire to the total number of 169 respondents among the less privileged inhabitants in Saudi Arabia out of which 153 were used for the final analysis. Table 1 shows the sample of the respondents.

S/N	Respondents	No. of Respondents
1.	The poor Inhabitants	37
2.	Elderly people Inhabitants	33
3.	Disabled Inhabitants	29
4.	Orphan Inhabitants	20
5.	Low Income Earning-Workers	34
	<b>Total=</b>	<b>153</b>

Second, the instrument used for this research was survey questionnaire. A 15-item questionnaire was used as instrument of the study. Three factors were explored and few parameters were used to measure each factor contained in the instrument namely:

1. Legal Diversification of Motor Takaful (LDMT)
2. Needs of Less Privileged Inhabitants (NLPI)
3. Takaful *companies'* readiness in diversification of Takaful Surplus (TCRDTS).

In addition, A 4-point Likert scale (1=Strongly Disagree (SD); 2=Disagree (D); 3=Agree (A) and 4=Strongly Agree (SA)) were used in measuring the views of the respondents among the less privileged inhabitants in the country. In order to validate the instrument, content validity was used by seeking the opinions of experts in the field of Islamic banking and finance. The response from the experts on content validity was to ensure that the items of the instrument were clear, simple and understandable by the respondents. Similarly, the reliability of the instrument was also considered in determining internal consistency of the instrument by reporting Cronbach's Alpha which is as follows: LDMT=0.921; NLPI=0.831 and TCRDTS=0.808). This shows that, the instrument was excellent for the measuring different dimensions of the instrument. Table 2 shows variables, items and Cronbach's Alpha for establishing reliability of the instrument.

S/N	Variables	No. Items Measuring each Variable	Report of Cronbach's Alpha for Reliability
1.	Legal Diversification of Motor Takaful	5	0.921

2.	Needs of Less Privilege Inhabitants	5	0.831
3.	Takaful Companies' readiness in Diversification of Takaful Surplus	5	0.808
	<b>Total=</b>	<b>15</b>	

Third, pertaining to data collection and data analysis, on one hand, in order to collect data, survey questionnaire was employed. The researchers used two research-assistants in collecting data from the respondents because they have access to them easily which was instrumental in efficient data collection. Two weeks were stipulated for the collection of data among the participants. In fact, 169 copies of the questionnaires were administered out which 153 were returned and usable for the final data analysis. On the other hand, regarding the analytic approach, the researchers used Statistical Package for Social Science (SPSS) version 16 in presenting demographic information of the respondents and analyzing the findings from the three factors namely:

1. Legal diversification of motor Takaful.
2. Needs of less privilege inhabitants.
3. Takaful companies' readiness in diversification of Takaful Surplus.

A result of each of these variables based on data analysis is presented in the subsequent sub-heading.

## **DATA ANALYSIS AND RESULTS**

This sub-section presents data analysis and results based on demographic information of the respondents and three variables investigated in this research. Each of these is subsequently presented.

### **Demographic Information of the Respondents**

This part presents the data on demographic information of the respondents. The demographics covered: gender, age, Takaful awareness and categories of the respondents. Each of these is presented as follows. The majority of the respondents (135 or 88%) were males while just only 18 (12%) were females. Pertaining to the age of the respondents, the majority (62 or 41%) were between 36 and 40 years, 53 (35%) were between 41 years and above while only 38 or 29% were between 30 and 35 years. Regarding the awareness of Takaful, the majority of the respondents (135 or 88%) said that, they were aware of Takaful while just only 18 (12%) were not fully aware of the operation or practice of Takaful. More so, concerning the different categories of the respondents, the majority of the respondents (37 or 24%) were poor inhabitants. This is followed by low income earning workers (34 or 22%). Others were elderly people inhabitants (33 or 22%), disabled inhabitants (29 or 19%) and orphan inhabitants (20 or 13%). Table 3 shows demographic information of the respondents.

<b>Table 3</b>				
<b>DEMOGRAPHIC INFORMATION OF THE RESPONDENTS</b>				
<b>S/N</b>	<b>Demographic Information</b>		<b>Frequency</b>	<b>Percentage (%)</b>
1.	<b>Gender</b>	Male	135	88.2%
		Female	18	11.8%
			<b>153</b>	<b>100%</b>
2.	<b>Age</b>	30-35	38	24.8%
		36-40	62	40.5%
		41 and above	53	
			<b>153</b>	<b>100%</b>
3.	<b>Takaful Awareness</b>	Aware of Takaful	135	88.2%
		Unaware of Takaful	18	11.8%
			<b>153</b>	<b>100%</b>
4.	<b>Categories of Less-Privileged Inhabitants</b>	The poor Inhabitants	37	24.2%
		Elderly people Inhabitants	33	21.6%
		Disabled Inhabitants	29	19.0%
		Orphan Inhabitants	20	13.1%
		Low Income Earning-Workers	34	22.2%
			<b>153</b>	<b>100%</b>

Based on the aforementioned demographic variables of the respondents, it could be said that the respondents were qualified to respond to the instrument (questionnaire) of this research. Thus, the data analysis of the three variables would be presented as follows.

### **Result on Legal Diversification of Motor Takaful**

Takaful in the predominant Muslim countries has been grounded well in order to fulfil financial needs of the Muslims. Nonetheless, in the Islamic legal system, there are certain principles that make it different from conventional Islamic insurance. Of such principles are: uncertainty (Gharar), gambling (Maisir) and Interests (Riba). For instance, any contractual dealing that is done mainly to favour one part at the expense of others is considered as uncertainty. Also, when participants in Takaful contribute small premium with the expectation of collecting back a large amount of money is considered as gambling. Similarly, interest exists in the Takaful when a participant is given more than what he has paid after his demise. It is as a result of this that Muslims have asserted that, insurance system should operate within the scope of Takaful as being practised in Saudi Arabia. This is why literature contends that, transaction in Islamic insurance (Takaful) deals with brotherhood, solidarity, mutual cooperation in order to assist each other.

Pertaining to the legal diversification of motor Takaful in the context of Saudi Arabia, the majority of the respondents (129 or 84%) strongly agreed that Takaful as an Islamic insurance have legal basis from the prophetic tradition as supporting evidence to Qur'anic verses while

only 24 (16%) disagreed with this statement ( $M=3.28$ ;  $SD=1.04$ ). In addition, the majority of the respondents (127 or 83%) agreed that, they were aware that motor Takaful surplus has legal basis from Shar'iah point of view while just only 26 (17%) disagreed with this ( $M=3.33$ ;  $SD=0.95$ ). Moreover, the majority of the respondents (127 or 83%) strongly agreed that, motor Takaful surplus is a form of mutual solidarity in helping people in needs due to the hazard and peril that they experience while just only 24 (17%) disagreed with the statement ( $M=3.26$ ;  $SD=1.00$ ).

Also, the majority of the respondents (132 or 86%) agreed that, the Prophet (S.A.W.) urges people to help others in overcoming the hardships while just only 21 (14%) maintained contrary view with the statement ( $M=3.33$ ;  $SD=0.82$ ). Similarly, the majority of the respondents (132 or 86%) strongly agreed that Takaful is a strategy of risk mitigation by way of collective risk taking by large number of participants. Based on the overall finding, the average mean score (3.30) is greater than criterion mean score of 2.50 which implies that the majority of the respondents strongly believed that, motor Takaful has legal basis for its diversification in the country. Table 4 -shows the result of legal diversification of motor Takaful in the context of Saudi Arabia.

<b>Table 4</b>					
<b>RESULT OF LEGAL DIVERSIFICATION OF MOTOR TAKAFUL IN SAUDI ARABIA</b>					
<b>S/N</b>	<b>Items on Legal Diversification of Motor Takaful</b>	<b>SA &amp; A</b>	<b>SD &amp; D</b>	<b>M</b>	<b>SD</b>
1.	Takaful as an Islamic insurance have strongly used the prophetic tradition as supporting evidence to Qur'anic verses.	129 (84.3%)	24 (15.7%)	3.28	1.04
2.	I am aware that Motor Takaful Surplus has legal basis from Shar'iah point of view.	127 (83.0%)	26 (17.0%)	3.33	0.95
3.	Motor Takaful surplus is a form of mutual solidarity in helping people in needs due to the hazard and peril that they experience.	127 (83.1%)	24 (17.0%)	3.26	1.00
4.	The Prophet (S.A.W.) urges people to help others in overcoming the hardships.	132 (86.3%)	21 (13.8%)	3.33	0.82
5.	Takaful can be said as a strategy of risk mitigation by way of collective risk taking by large number of participants.	132 (86.2%)	21 (13.8%)	3.33	0.93
	<b>Aggregate Mean Score=</b>	<b><u>422.9</u></b>	<b><u>77.3</u></b>	<b><u>16.53</u></b>	<b><u>4.74</u></b>
	<b>Number of Items=</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
	<b>Average Mean Score=</b>	<b>84.58</b>	<b>15.46</b>	<b>3.30</b>	<b>0.95</b>

### **Result on the Needs of Less Privilege Inhabitants**

Concerning the needs of less privilege inhabitants in Saudi Arabia, the majority of the respondents (124 or 81%) strongly agreed that, they were aware that food needs of less privileged inhabitants in the country are being provided by the government; however, a few

number of the respondents (29 or 19%) disagreed with the statement ( $M=3.18$ ;  $SD=0.97$ ). Also, the whole respondents (119 or 78%) agreed that the government provides clothes to the less privileged inhabitants in the country; nonetheless, 34 (22%) disagreed on this statement ( $M=3.18$ ;  $SD=0.92$ ). It is noteworthy to say that, it was strongly believed by the respondents (100 or 65%) that, there is arrangement for shelter to the less privileged inhabitants in the country; however, 53 (35%) disagreed with this ( $M=2.90$ ;  $SD=1.06$ ).

In addition, it is reiterated that, the respondents (88 or 58%) strongly agreed that, the government provides free education to less privileged inhabitants in the country while 65 (43%) disagreement with this view ( $M=2.81$ ;  $SD=1.12$ ). The majority of the respondents (86 or 56%) strongly agreed that the government provides free health care to the less privileged inhabitants. Based on this result, it can be said that, the average mean score (2.95) is greater than criterion mean score of 2.50 which implies that the majority of the respondents strongly believed that the government is trying in catering for the welfare of the less-privilege inhabitants in the country. Table 5 shows the needs of less privileged inhabitants in Saudi Arabia.

<b>Table 5</b>					
<b>NEEDS OF LESS PRIVILEGE INHABITANTS IN SAUDI ARABIA</b>					
<b>S/N</b>	<b>Items on the Needs of Less Privilege Inhabitants</b>	<b>SA &amp; A</b>	<b>SD &amp; D</b>	<b>M</b>	<b>SD</b>
1.	I am aware that food needs of less privileged inhabitants in Saudi Arabia are being provided by the government.	124 (81.1%)	29 (19.0%)	3.18	0.97
2.	I am aware that the government provides clothes to the less privileged inhabitants in Saudi Arabia.	119 (77.8%)	34 (22.2%)	3.18	0.92
3.	There is arrangement for shelter to the less privileged inhabitants in Saudi Arabia.	100 (65.4%)	53 (34.6%)	2.90	1.06
4.	The government provides free education to less privileged inhabitants in Saudi Arabia.	88 (57.5%)	65 (42.5%)	2.81	1.06
5.	The government provides free health care to the less privileged inhabitants in Saudi Arabia.	86 (56.2%)	67 (43.8%)	2.70	1.12
	<b>Aggregate Mean Score=</b>	<b><u>338.0</u></b>	<b><u>162.1</u></b>	<b><u>14.77</u></b>	<b><u>5.13</u></b>
	<b>Number of Items=</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
	<b>Average Mean Score=</b>	<b>67.60</b>	<b>32.42</b>	<b>2.95</b>	<b>1.02</b>

### **Result on the Takaful Companies' Readiness in Diversification of Takaful Surplus**

Pertaining Takaful companies readiness in diversification of Takaful surplus in the country, the majority of the respondents (114 or 75%) agreed that Shari'ah principles is basis for the readiness of Takaful companies in diversifying Takaful surplus while only 39 (26%) disagreed with this ( $M=3.16$ ;  $SD=1.09$ ). It is further reiterated by 120 (79%) of the respondents that child education and health Takaful are considered as part of family Takaful in Saudi Arabia while only 33 (26%) disagreed with the statement ( $M=3.18$ ;  $SD=0.95$ ). Onwards, the total number of 108 (77%) respondent strongly agreed that, home, motor and personal accident

Takaful are considered as general Takaful in the country while 35 (30%) disagreed with this assertion ( $M=3.15$ ;  $SD=1.00$ ). Moreover, the sampled respondents (117 or 77%) agreed that Takaful companies are ready to diversify Takaful surplus in order to attain Saudi Arabia vision 2030 while 36 (24%) disagreed with the statement ( $M=3.13$ ;  $SD=0.93$ ). It was further said by the majority of the respondents (109 or 71%) that, Takaful companies' are ready to provide protection and compensation to the participants who suffered from perils and hazards while 44 (29%) disagree with this ( $M=2.68$ ;  $SD=1.04$ ). The average mean score (3.09) is greater than criterion mean score of 2.50 which implies that the majority of the respondents strongly believed that Takaful companies are trying to diversify Takaful surplus for socio-economic improvement of the less privileged inhabitants. Table 6 shows Takaful companies' readiness in diversification of Takaful surplus.

S/N	Items on Takaful Companies' Readiness in Diversification of Takaful Surplus	SA & A	SD & D	M	SD
1.	Shari'ah principles is basis for the readiness of Takaful companies in diversifying Takaful surplus	114 (74.6%)	39 (25.5%)	3.16	1.09
2.	Child education and health Takaful are considered as part of family Takaful in Saudi Arabia.	120 (78.5%)	33 (25.5%)	3.18	0.95
3.	Home, motor and personal accident Takaful are considered as general Takaful in Saudi Arabia.	108 (77.1%)	35 (29.9%)	3.15	1.00
4.	Takaful companies are ready to diversify Takaful Surplus in order to attain Saudi Arabia vision 2030.	117 (76.5%)	36 (23.5%)	3.13	0.93
5.	Takaful companies are ready to provide protection and compensation to the participants who suffered from perils and hazards.	109 (71.2%)	44 (28.7%)	2.86	1.04
	<b>Aggregate Mean Score=</b>	<b><u>377.9</u></b>	<b><u>133.1</u></b>	<b><u>15.48</u></b>	<b><u>5.01</u></b>
	<b>Number of Items=</b>	<b><u>5</u></b>	<b><u>5</u></b>	<b><u>5</u></b>	<b><u>5</u></b>
	<b>Average Mean Score=</b>	<b><u>75.58</u></b>	<b><u>26.62</u></b>	<b><u>3.09</u></b>	<b><u>1.00</u></b>

## DISCUSSION OF FINDINGS

This research empirically investigated diversification of motor Takaful surplus for socio-economic development of the less privileged inhabitants in Saudi Arabia. Indeed, Takaful plans provide products such as motor to the participants or members. This study is in support of previous studies that, in case of eventuality of risks, the Takaful Company provides efficient support to the victims as the literature expounds (Mahmoud, 2006; Mondher, 2013). It is not deniable to say that, literature emphatically stressed that resilience and stability are important in Islamic banking and finance (Venardos, 2010).

Hence, findings have revealed that Takaful is grounded in Shari'ah; however, there has been emphasis on the standard expected by the Shari'ah leaders in providing the required efficiency in Islamic finance (General Assembly, 2007; Ahmad & Ali, 2010; Dar, 2011). The

finding of this study is further in agreement with previous studies that the role of Shar'iah leaders in the overall governance of Islamic banks is an integral yardstick in determining the success of Islamic banking system (Eagle, 2009; Zulkifli, 2012; Hashem, 2015).

In addition, different financial institutions such as: Institute of Islamic Banking and Insurance (2011), Accounting and Auditing Organization for Islamic Financial Institution (General Assembly, 2007), Malaysian Takaful Association (2017) have been playing vital role towards application and standardization of Shari'ah principles in the Islamic banking and finance industry. Literature advocates for diversity in the regulation of Islamic Finance Institutions in order to achieve the efficiency of Islamic financial instrument such as Takaful (El-Hawary et al., 2007). It was further found out that, Takaful can be regarded as a strategy of risk mitigation by way of collective risk taking by large number of participants whereby motor Takaful surplus is considered as part of mutual solidarity in extending a helping hand to people in needs as a result of being victim of the hazard and peril as literature explains (Fakhri, 2016).

Onwards, it is not doubtful that the sense of extending assistance to the needy, poor or less privileged people is grounded in Islam. This position has been practically reflected in the governance of Saudi Arabia. For instance, it has been demonstrated that, the government tries to provide essential needs such as food, clothes, shelter, education and health to the less privileged inhabitants in the country. The finding of this study has buttressed this further where the less privileged inhabitants have strongly responded positively which is in agreement with earlier studies (General Assembly, 2007; Fakhri, 2016). An inference can be drawn that an adequate utilization of Takaful surplus can be instrumental in reducing poverty among the citizens in general and less privileged inhabitants in particular as the literature expound (Hashem, 2015).

The finding further reiterated that, the proper utilization of surplus from Takaful can further be useful in helping different categories of less privileged identified in this study. This assertion is also in agreement with the finding of Hashem (2015) that if Takaful companies properly adhere to the standard put in place by Accounting Auditing Organization for Islamic Financial Institution-AAOIFI's-(General Assembly, 2007), it will help in poverty reduction in the context of Saudi Arabia specifically by creating various opportunities for various categories of the less privileged inhabitants.

It is paramount to say the finding of this study is in consonance with the roles of different Takaful companies such as ALAH, Solidarity, and Al-Rajih etc. in diversification of Takaful in the country. For instance, Alahli Takaful Company has an increase in Takaful contribution whereby it can be deduced that, the effective and efficient running of its activities contributes to the growth rate in its revenue through Takaful products. This finding is in agreement with the position of Oxford Business Group (2011) that contends that insurance has been growing in Saudi Arabia since few years back. Also, Solidarity Saudi Takaful was established in 2009 by the Resolution of Council of Ministers. The Headquarter of the Takaful is in Riyadh with different branches in Riyadh, Jeddah and AlKhobar. It is not arguable to say that, this insurance company offers motor Takaful to its customers as long as the less privileged inhabitants in Saudi Arabia are also part of its participants. It is ensured that the practice of Takaful is compliant with the principles of Shari'ah approved by Shari'ah Committee of Al-Rajih. This is the reason why literature such as Younes (2008) asserts that, there is need for the application of Shar'iah in the distribution of surplus while implementing Shar'iah principles by the Takaful companies.

## CONCLUSION

This paper has lucidly explored diversification of Takaful surplus in fostering socio-economic condition of the less privileged inhabitants in Saudi Arabia. The respondents have demonstrated that they were acquainted with the existence of motor Takaful in the context of Saudi Arabia. The findings have shown that, legal diversification of motor Takaful is based on the principles of Shari'ah especially in catering for the needs of the less privileged inhabitants in the country. Various aspects of the needs of the less privileged inhabitants such as food, shelter, clothes, education and healthcare are identified. It is reiterated that, this study has further established and in support of previous views by many Islamic financial institutions that the diversification of Takaful surplus can reduce poverty and strengthen socio-economic enhancement of the participants. It was found out that, Takaful companies have been expanding the scope of the insurance in catering for the inhabitants' visa in Saudi Arabia in order to reduce the challenges faced by the inhabitants in the country. It is therefore recommended that, the useful ideas from conventional insurance should be harmonised with Shari'ah principles in order to enhance strategies for risk mitigation by the participants in Takaful. It is further emphasized that the government should collaborate with Takaful companies in order to cater for the needs of the less privileged inhabitants in the country in order to enable the country achieve sustainable development goals (SDGs) vision 2030 as advocated by the United Nations.

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