

Islamic Management practices in Islamic Life Insurance Companies of Bangladesh

Md. Anowar Hossain Bhuiyan ^{1*}, Md. Belal Hossain ² and Md. Khalilur Rahman ³

1. neLecturer (Management), National University, Gazipur-1704, Bangladesh.
2. MBA Student, Department of Finance & Banking, University of Rajshahi, Rajshahi-6205, Bangladesh.
3. Lecturer (Accounting), National University, Gazipur-1704, Bangladesh.

Corresponding author Email : anowaranu@yahoo.com

ABSTRACT: Islamic management is a new organizational approach in the world today. This approach is different from the traditional management system by its concept, ideas, philosophies and application. The target of Islamic Management is not only to gain economic development but also social harmony, material well being and spiritual refinement. Insurance is an established business idea to the people of Bangladesh. In 2000 Shariah based life insurance business was introduced in the country. The main objective of the study is to analyze the Islamic management practice in the Islamic life insurance companies of Bangladesh. The study examines the managers' opinions on Islamic management practices in Islamic life insurance companies. Primary data were collected from 30 managers by using a structured questionnaire in this study. The research shows that most of the employees of this sector are interested to follow the Islamic management. The respondents give their positive opinions regarding various aspects of this management system. They feel that Islamic management maintain legal strategies, lawful objectives, participative and consultative process, meaningful responsibility, proper motivation and reward according to accomplishment. The study find that respondents are not satisfied their management system, must agreed in practices Islamic Management in their company. There are some common reasons- rules and regulations, lack of education on Islamic management, lack of co-operation among Islamic organizations, shortage of skilled and trained manpower and absence of efficient research works are considered as the constraints of practicing Islamic Management in Islamic insurance companies. There are some recommendations, such as Islamization of knowledge, co-operation among Islamic financial organizations, build up Islamic management based organizations, efficient research activities; positive media role and legal supports may be considered for the successful applications of Islamic Management system in this regard. Finally, if the Islamic insurance companies of Bangladesh adopt the ethics and principles of Islam that will be Islamic management and success will be obligatory as Allah promises in the Quran.

Keywords: Management, Life Insurance and Bangladesh.

INTRODUCTION

Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. This basic definition needs to be expanded: as managers, people carry out the managerial functions of planning, organizing, staffing, leading and controlling; management applies to any kind of organization; it applies to managers at all organizational levels; the aim of all managers is the same; to create a surplus; managing is concerned with productivity which implies effectiveness and efficiency (Koontz, 2000). Every specialized institutions and organizations are guided and directed by the decision of "managers". Managers establish the conditions under which we are provided jobs, incomes, products, services,

protections, health care and knowledge. Management makes human efforts more productive. It brings better equipments, plants, offices, products, services and human relation to our society (Bhuiyan et al., 2008). Hazrat Muhammad (SAW) was not only the best prophet but also an ideal leader and ruled half of the then world for a long time. Later, other Muslim rulers demonstrated how to implement the principles of Islam in different regions of the world derived from the Holy Qur'an, the managerial practices of the prophet and caliphs. Their integrity, efficiency, accountability and Tawakkul and general welfare of human beings established management as a distinct concept on Islam. From their established idea we can define Islamic management follows: Islamic management means conducting activities depending upon the guidance of Allah (SWT) and following His prophet (SAW) with an accountable mentality, integrity and skill to achieve a predetermined objective. (Mohiuddin, 2006).

Many principles of management came from Allah (SWT) through all the prophets with the culmination achieved by the best prophet (SAW). Islam also defined management from its paradigm. Islamic Management is that management whose idealism, objective, aim, method of activities and results are determined according to Islamic "Aqidah" and "shariah". That is management that follows the rules and regulations of Islam to achieve the organizational members. The basic theme, philosophy and direction of this Islamic Management are defined in the Qur'an and Sunnah (Alam, 2006). The target of Islamic Management is not only to gain economic development but also social harmony material well being and spiritual refinement. It reminds all concerned that everyone is simultaneously accountable to his immediate boss and to the almighty Allah. Here the manager considers himself as a vicegerent of Allah. It ensures such an environment that is conducive to harmony, peace, growth and development and other benefits as well. It is an auto management system. Here driving force is submission to Allah as master and following His order on every sphere of life (Bhuiyan et al., 2008).

Insurance is not a new idea or proposition to the people of Bangladesh. About half a century back, during the British Rule in the then India, some insurance companies started transacting insurance business, particularly life in their part of the world. Since 1947 until 1971 insurance business gained momentum in this part of what was then known as East Pakistan. There were about 49 companies involved in both life and general insurance businesses. Except a few companies these were mostly companies of limited liability nature acting under a free competitive economy. With the emergence of Bangladesh, the Government, in order to make available the fruit of liberation to the general mass, nationalized the insurance industry in 1972 by Presidential Order No.95, more specially known as the Bangladesh Insurance Order, 1972. By virtue of this order, all types of insurance businesses in this country came under this nationalization regulation (Huq, 1981). Now, in Bangladesh 62 insurance companies engaged in insurance businesses of various types. Among them 18 companies are life insurance companies including the state owned Jiban Bima Corporation. In 2000 shariah based life insurance business was introduced in the country by Fareast Islami Life Insurance Co. Ltd. They incepted their business on 29th May 2000. After that another two companies- Prime Islami Life Insurance Ltd and Padma Islami Life Insurance Co. Ltd have been continuing their business operation. At present most of the life insurance companies of the country have introduced Islamic life insurance wing to fulfill customers demand. So, the application of Islamic management is essential in these organizations for the proper operation of Islamic insurance system. The present paper highlighted the above matters and tries to point out the aspects for proper implementation of Islamic management system development in the life insurance companies of Bangladesh.

Literature Review:

Bhuiyan et al. (2008) focused on a comparative study between traditional management and Islamic management system by analyzing the conceptual approaches, the ideas, thoughts and principles of them. The study revealed that Islamic management is based on the divine guidance of Allah and the practices of the Prophet (SAW) and consider the ethical issues in the light of Islamic law in every aspects of management but it is often absent in the traditional management. Islamic management will be ensured the success of organizations and the human beings in the long run perspective.

Loqman and Imran (2006) gave emphasized on searched out with the main aim of bringing forth the creed of modern management in the light of ideas, thought, philosophies, principles and structure of Islam, which are related to management of institutions and organizations. The main findings of their study were, the ideas, thoughts and principles of Islam related to management having universal application can be invariably termed as creed of modern management; the application of ethics which is imperative in management of any modern business industry, government institution, enterprise and organization has been derived from the principles of Islamic management; the cardinal factor in management of all organizations and institutions is the role played by individuals, who are treated by Islam, as the cornerstones for honest and efficient management for Which individual development has been given the highest priority and importance.

Mohiuddin (2006) has been attempting to define Islamic management, to identify its special features and principles and to prove the distinctness of its entity. The study has been proposed to practice management based on Islamic values, adopting the exemplary leadership role, human resource management and development strategy proposed by Islam and application of motivation techniques according to divine teaching and shown the present applications of Islamic management with recommendations in Islamic organizations in Bangladesh perspective.

Islam and Rahman (2006) explored the performance of Islamic management styles that is unique, universal and no critics at all. The study showed that leadership plays a vital role in implanting a healthy and Islamic culture within the organization. The study suggested that all managers have to keep on sharpening tools to improve and update their management process by following Islamic management style and its need a through and repeated testing on a continuous basis for tot's best fit in the modern world.

Conceptual Framework:

Philosophies of Islamic Management:

The basic philosophy of Islam lies in man's relationship with Allah, His universe and his people. The main philosophies of Islamic Management are:

- To satisfy Allah by the work.
- To create a most reliable atmosphere in the society.
- To flourish and develop friendship and humanity in the society.
- To create a better living place and developed a peaceful life for all in the society.

Management functions:

Management involves the five basic functions of planning, organizing, leading, motivation and controlling. Here explore each of these activities in light of Islamic management:

Planning:

All activities of prophet (SAW) in his life organized with proper plan. He implemented all the plans of his life according to the holy Qur'an. Islam teaches to the Muslims that they should formulate all their plans in light of Qur'an and Sunnah. Islamic planning follows some principles such as, setting lawful objectives, making plan in participative and consultative process, setting plan in composed mind, aware on the facts and situation and depending upon Allah.

Organizing:

Islam identifies the boundary of authority, responsibility, delegation and accountability to attain the objectives of an organization. The process of decision-making and the mission of Muslim limit authority in Islam. In Islam everybody is responsible for his own duty. Islam give emphasis to delegated subordinates will be accountable to his/her manager in ethical and lawful activities. There are two types accountability mentioned in Islam. Firstly, an employee is accountable to his immediate superior. Secondly, the employee is responsible to obey the orders of Allah.

Leading:

In Islamic management leadership means solving the all problems by group for seeking Allah's pleasure. Consultation with relevant persons is necessary in this leadership. In this system, leaders must not seek leadership and democratic styles are followed most of case. Followers have an active role and participation to properly operate leadership and both leader and the subordinates are accountable to Allah and organization.

Motivation:

Islam emphasizes the significance and role of motivation in human activities. It states that the human actions are governed by inner intentions, drive and motives (Mohiuddin, 2007). Prophet (SAW) tried to motivate his followers to follow the teaching of holy Qur'an by the motivational tools to fix by participation, to motivate by beautiful and attractive saying, clarity of goal and objective and to motivate people for a long- term objective. The basic techniques of Islam are, Taqwah, reward and punishment for work, justice power and other ethical approaches.

Controlling:

The Islamic rules may be analyzed in the light of management control rules stated as follows 1. The message is pre-established by Allah, 2. The message is a set of dos and don'ts and describes how Allah wants the prophet to behave, 3. The messenger understood the message and its interpretation, 4. Allah will their own free, will follow or not follow the predetermined Islamic rule (Mohiuddin, 2007).

Hypothesis:

Ho: The respondents are not satisfied their management system, must agreed in practices Islamic Management in their company.

H₁: The respondents are not agreed in practices Islamic Management in their company.

Objectives of the Study:

The main objective of the study is to analyze the Islamic management practice in the Islamic life insurance companies of Bangladesh. Other specific objectives of the study are the followings:

- To examine the managers' opinions on Islamic management practices in Islamic life insurance companies and
- To identify the major problems of Islamic management practices in Islamic life insurance companies with some recommendations.

Methodology of the Study:

The study is empirical in nature. Both primary and secondary have been used for the study purpose. For collecting secondary data various journals, books, periodicals, Islamic books, Holy Quran, Pertinent Hadith (Sunnah) and websites etc have been used. Primary data were collected by interviewing 30 managers designated in various positions in the two Islamic life insurance companies- Fareast Islami Life Insurance Co. Ltd. and Prime Islami Life Insurance Ltd from the Zonal office of Rajshahi. A structured questionnaire has been used for collecting data. The questionnaire has two sections. Section- A contains the respondents' demographic information. On the other hand section-B contains a total of 13 statements on Islamic management to measure the respondents' opinions. 5-point Likert scale has been used to express the respondents' opinions. Statistical Package for Social Science (SPSS) software has been used to analysis the data in this study.

RESULTS AND DISCUSSION

Result and Analysis:

Table 1. Age and educational qualification of the respondents

Age Group	Frequency	Percentage	Education in Schooling year	Frequency	Percentage
30-34	7	23.3	College/diploma	5	16.7
34-38	7	23.3	University education	25	83.3
38-42	10	33.3			
42-46	6	20.0			
Total	30	100.0	Total	30	100.0

Table-1 shows the age and educational qualification of the respondents. The study finds that 20.00 percent respondents are belonging 42-46 age group while the highest numbers (10) of respondents belong to 38-42 age groups out of 30 respondents. Most of the respondents (25) completed their graduation/post graduation degree from the university while very few (5) respondents obtain degree from college/Diploma.

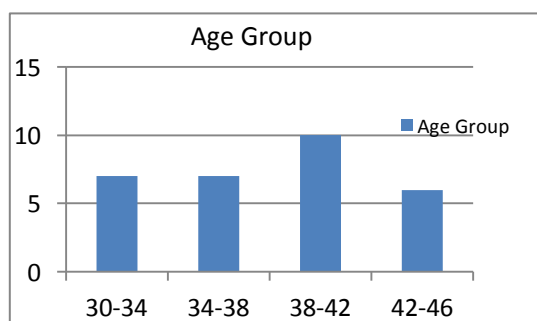


Figure 1. Age group of the respondent

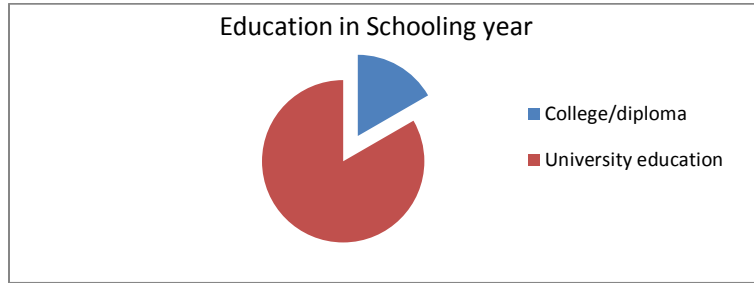


Figure 2. Education in schooling year

Table 2. Job position in the company and Gross Income Group

Job position in the company	Frequency	Percent	Gross Income Group	Frequency	Percent
Senior Vice-President	8	26.7	1.00	5	16.7
Vice President	5	16.7	2.00	5	16.7
joint Vice-President	7	23.3	3.00	11	36.7
Senior Executive Officer	10	33.3	4.00	9	30.0
Total	30	100.0	Total	30	100.0

Table-2 reveals that job position in the company and Gross Income group: In the study most of the respondent's job position (10) is belonging at the senior executive officer post, but in the senior Vice president position holder respondents are highest income holder in the gross income group which is 30 percent out of total gross income.

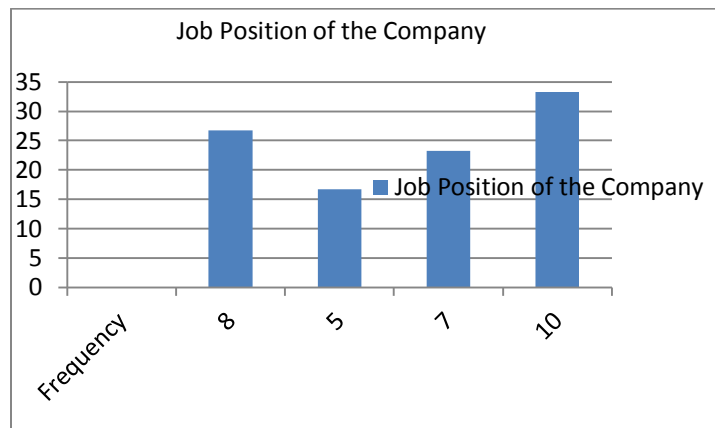


Figure 3. Job position of the respondent in the company

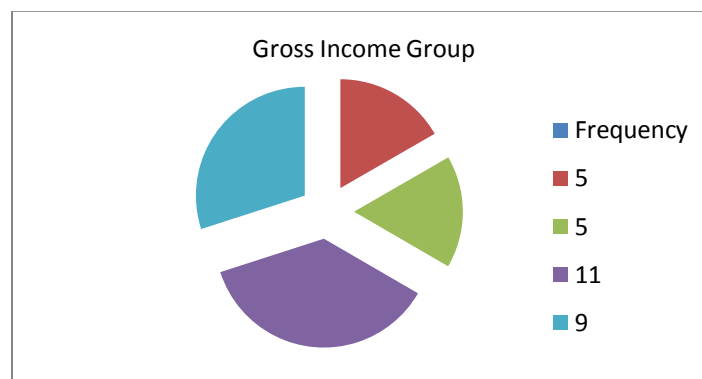


Figure 4. Gross income of the respondents

Table 4. Calculation of Mean and Standard Deviation of Each Statement

Statements	N	Mean	Std. Deviation
Traditional management System is not sufficient for Islamic insurance company	30	4.23	.430
Islamic management activities are determined according to Islamic "Aqidah" and "Shariah"	30	4.37	.490
The target of Islamic management is ensuring social welfare and harmony	30	4.27	.450
Islamic management create a better living place and developed a peaceful life in the society	30	4.37	.490
Islamic management allows using strategy in various situations in legal ways	30	4.13	.346
Islamic planning follows lawful objectives, participative and consultative process	30	4.10	.481
In Islamic management everybody is responsible for his own duty	30	4.17	.379
In Islam an employee is accountable to his immediate superior	30	4.20	.407
Consultation with relevant followers is necessary in Islamic management	30	4.17	.379
Leader and subordinates are accountable to Allah and organization	30	4.33	.479
Islam emphasizes the role of motivation in human activities	30	4.27	.450
Islamic management reward and punishment for work, justice power and other ethical approaches	30	4.13	.507
Islamic rules may be analyzed in the light of management control rules	30	5.60	7.454

Table 4 and 5 explore the calculation of Mean and Standard Deviation of each statement to analyze the opinions of the respondents. The respondents agree all of the statements regarding the practices of Islamic management. The statement "Islamic rules may be analyzed in the light of management control rules" shows the unexpected Mean and Standard Deviation value. This is responding error. The other statements explore reasonable Mean and Standard Deviation value.

Table 5. Calculation of the standard Deviations

Sl. No	Statements	Mean of each Statements	Mean of mean of all statements	Deviation	Deviation squared
1	4.23	4.33	-0.1	0.01	0.01
2	4.37	4.33	0.04	0.0016	0.0016
3	4.27	4.33	-0.06	0.0036	0.0036
4	4.37	4.33	0.04	0.0016	0.0016
5	4.13	4.33	-0.2	0.04	0.04
6	4.1	4.33	-0.23	0.0529	0.0529
7	4.17	4.33	-0.16	0.0256	0.0256
8	4.2	4.33	-0.13	0.0169	0.0169
9	4.17	4.33	-0.16	0.0256	0.0256
10	4.33	4.33	0	0	0
11	4.27	4.33	-0.06	0.0036	0.0036
12	4.13	4.33	-0.2	0.04	0.04
13	5.6	4.33	1.27	1.6129	1.6129

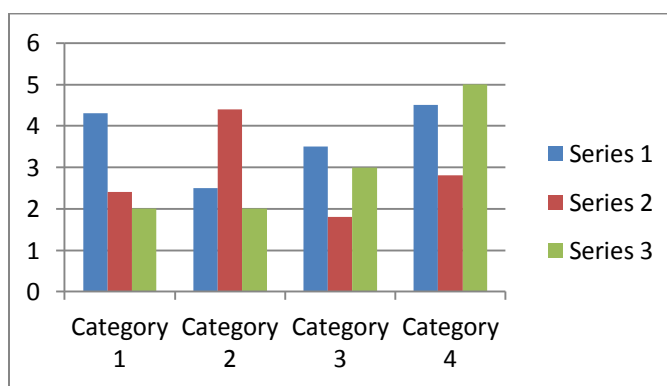


Figure 5

Regression Analysis:

Table-6: Model Summary (a)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748(a)	.560	.203	.227

Predictors: (Constant), Islamic rules may be analyzed in the light of management control rules, Islamic planning follows lawful objectives, participative and consultative process, Islamic management reward and punishment for

work, justice power and other ethical approaches, The target of Islamic management is ensuring social welfare and harmony , Islamic management activities are determined according to Islamic "Aqidah" and "Shariah", Traditional management System is not sufficient for Islamic insurance company, Islamic management create a better living place and developed a peaceful life in the society, Islam emphasizes the role of motivation in human activities, In Islam an employee is accountable to his immediate superior , Leader and subordinates are accountable to Allah and organization, In Islamic management everybody is responsible for his own duty, Islamic management allows using strategy in various situations in legal ways, Consultation with relevant followers is necessary in Islamic management

Table 7. ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.046	13	.080	1.568	.195(a)
	Residual	.821	16	.051		
	Total	1.867	29			

Predictors: (Constant), Islamic rules may be analyzed in the light of management control rules, Islamic planning follows lawful objectives, participative and consultative process, Islamic management reward and punishment for work, justice power and other ethical approaches, The target of Islamic management is ensuring social welfare and harmony , Islamic management activities are determined according to Islamic "Aqidah" and "Shariah", Traditional management System is not sufficient for Islamic insurance company, Islamic management create a better living place and developed a peaceful life in the society, Islam emphasizes the role of motivation in human activities, In Islam an employee is accountable to his immediate superior , Leader and subordinates are accountable to Allah and organization, In Islamic management everybody is responsible for his own duty, Islamic management allows using strategy in various situations in legal ways, Consultation with relevant followers is necessary in Islamic management.

Dependent Variable: Are you satisfied in present company management.

Comments: In this study we find the statistically significance is .195 (5% level of significance) that tells us null hypothesis is accepted.

Discussion:

Islamic management is a new applicable concept for the various organizations in the world today. In Bangladesh, popularity of Islamic insurances increases day by day among the customers. Islamic insurances not implemented Islamic management for operating their activities. But the present research shows that most of the employees of this sector are interested to follow the Islamic management. The respondents give their positive opinions regarding various aspects of this management system. They feel that Islamic management will be fruitful for achieving the targets of their insurance companies. According to respondents, traditional management system is not sufficient for Islamic insurance companies, because Islamic "Aqidah" and "Shariah" are not following in this management system. The respondents give high positive opinion on the comments of "Islamic management create a better living place and developed a peaceful life in the society" and "the target of Islamic management is ensuring social welfare and harmony". They also give positive opinions to the rules and principles of Islamic management. They feel that Islamic management maintain legal strategies, lawful objectives, participative and consultative process, meaningful responsibility, proper motivation and reward according to accomplishment.

In the regression analysis, the value of r^2 is 0.560 where std. error of the estimation is 0.227. From the ANOVA table, F value is 1.568 and significance value 0.195. The significance value is measured on the basis of 5% level of significance. Satisfaction of employees towards present company management is considered as dependent variable in this analysis. From the analysis we tell that null hypothesis is accepted. The study find that respondents are not satisfied their management system, must agreed in practices Islamic Management in their company.

There are some common reasons which are considered as the constraints of practicing Islamic Management in insurance companies. Some problems can be outlined as below:

Rules and Regulations: Islamic rules and regulations are perfectly absent in the insurance companies in Bangladesh. These companies existing rules and regulations are not helpful to practice Islamic Management properly.

Lack of Courses on Islamic Management: Most of the people of Islamic insurance companies who are related with management activities have not sufficient knowledge about Islamic management system, as they never study the relevant course in academic syllabus properly.

Lack of Co-operation among the Islamic Organizations: Islamic financial organizations such as Islamic banks and insurance companies have not enough co-operations among themselves regarding the practices of Islamic management system.

Shortage of Skilled and Trained Manpower on Islamic Management: There are not enough institutions to train up managers, executives and co-coordinators with sufficient knowledge, skills and abilities on Islamic management system in Bangladesh.

Absence of Co-ordination Research Work: Islamic scholars yet did not take proper initiative for research for the development of rules and procedures of Islamic management system in Bangladesh.

Accounting Principles and Procedures: Existing accounting principles and procedures of Bangladesh are not in favor of Islamic management system.

Recommendations:

The following recommendations may be considered for the successful applications of Islamic Management system in the Islamic insurance companies in Bangladesh.

Islamization of knowledge: Islamization of knowledge can be developed through workshops, seminars, training and introduction of new courses regarding Islamic management. Therefore, executives in Islamic insurances must have the capability to manage their organizations with complete sense of Islamic rules and regulations.

Build Co-operation among Islamic Financial Organizations: All Islamic financial organizations should try to create co-operational relationship and follow same management system for their organizational benefits and for the growth of real Islamic society in their companies.

Build Islamic Management based Institutions: By establishing Islamic management based institutions we would be able to create skilled and trained manpower who will feel easy to apply and develop Islamic management system in various institutions in Bangladesh.

Research activities on Islamic Management: Without research, it is difficult to explore an idea. Therefore, it is needed to establish Islamic management & business research centers which will do research and development regarding Islamic Management.

Explore Islamic Management Through Media: The media (Electronics and Print) can be utilized to communicate the benefits of Islamic Management to the common people in Bangladesh.

Legal Support: The policy makers and government should take necessary steps to follow the rules and regulations of 'Shariah' in the insurance companies.

CONCLUSION

Islamic management are giving emphasize on Islamic Shariah to achieve the earthly as well as spiritual peace. Islamic management must consider the ethical issues in the light of Islamic Shariah in every aspects of management. Islamic management never permits the harmful activities for the human being in the organizations. If the Islamic insurance companies of Bangladesh adopt the ethics and principles of Islam that will be Islamic management and success will be obligatory as Allah promises in Quran.

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