

Assessing *Zakat's* Role in Expanding Micro-*Takaful* (Islamic insurance) Schemes

Amirul Afif Muhamat^{1*}, Ummu Salamah Ahmad Mahauddin², Arief Wibisono Lubis³, Nurul Fathiyah Kamarul Bahrin⁴ & Azhan Rashid Senawi⁵

Climate Risk and Sustainable Finance RIG, Faculty of Business and Management, Universiti Teknologi MARA, Selangor Campus, 42300 Puncak Alam, Selangor, Malaysia^{1,5}

Onesubsea Malaysia Systems Sdn Bhd, 42000 Pulau Indah, Selangor, Malaysia²

Arshad Ayub Graduate Business School (AAGBS), Universiti Teknologi MARA, 40450 Shah Alam, Malaysia²

Faculty of Economics and Business, Universitas Indonesia, Depok 16424, Indonesia³

Faculty of Management and Information Technology, Universiti Sultan Azlan Shah. Bukit Chandan, 33000 Bandar DiRaja Kuala Kangsar, Perak Darul Ridzuan, Malaysia⁴

*Corresponding author: amirulafif@uitm.edu.my

Abstract

Micro-*takaful* schemes or policies are designed to help underprivileged or isolated groups (B40). In Malaysia, these programmes are made possible by a partnership between the government and *takaful* companies. Some micro-*takaful* schemes are free, but there are certain rules and limits that must be followed. Other schemes require users to pay a fair fee. Many efforts have been made to get more people to sign up for micro-*takaful*, but progress has been slow and hasn't been able to attract people with lower incomes, especially *asnaf* (a list of identified beneficiaries who are entitled to funding from the alms tax). These people are in the B40 income cluster, which means their household income is below 40%. It appears that the government has a limited budget that limits how much money it can give out for free micro-*takaful*. Therefore, using the *zakat* money as an alternative way to fund micro-*takaful* gives the *asnaf* protection. The Petaling District, which is one of the most important areas in Malaysia, was used as a qualitative research site for this study. To reach the objectives of the research, a number of in-depth interviews were held. These interviews were split into four parts based on the past experience or area of knowledge of the key informants. The results showed that most of the people who employed for *takaful* providers were positive and interested in using *zakat* money as a possible source of cash for micro-*takaful*. The study also found that the current micro-*takaful* offering on the market is good in terms of how it works and the benefits it offers, but it is still not enough to meet the needs of the *asnaf*. The benefits include access to health care, educational opportunities, and cash help. Also, discussions about merging the *zakat* fund and micro-*takaful* is likely to attract different responses from different groups, which could lead to a variety of concerns. Even though there were some small differences, the participants were generally positive and very interested in exploring the subject of *zakat*-based micro-*takaful* during the sessions. It is wise for *takaful* providers and *zakat* institutions to work together to make *zakat*-based micro-*takaful* function better and more efficiently. The government, MAIN (the state religion council), BNM (the central bank), and other important parties must assist with this. So, there is a chance for a new way for *asnaf* to get benefit protection and enhance the *asnaf* group better. Overall, the study suggests that *zakat*-based micro-*takaful* has the potential to be a game-changer in providing financial protection to low-income groups, particularly *asnaf* members. Collaboration and thoughtful implementation are key to maximizing its effectiveness.

Keywords: microtakaful; insurance; policy; underserved; Islamic finance

JEL: G18; G22