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Improving Microtakaful Offering Through Stakeholders' Collaboration: Critical Analysis Using Systematic Literature Review

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Abstract

Since Bank Negara Malaysia (BNM) issued its Discussion Paper on Microinsurance and Microtakaful in 2016, the takaful industry saw the production of various microtakaful products by the industry. Collaborations with the government agencies were also established signifying the industry's intention to include the B40 community into the financial system through subsidized microtakaful participation. These initiatives, however, have not been able to tap the targeted segment given the low penetration rate among the B40. This study uncovered several challenges arising from the lack of harmonization and proper coordination among the takaful operators and the government agencies. Lack of data management of the B40 and improper product distribution have also made it difficult for the targeted segment to participate in these products. The findings also revealed the various challenges faced by the microtakaful initiatives when political instability causes frequent change in public policies, specifically on the benefits allocated for the B40. This paper opens up opportunities for further research to be conducted on how a microtakaful model may collate the various initiatives of the takaful operators and government agencies under one roof. It also triggers the need to further exemplify how Islamic social finance instruments may assist in providing microtakaful coverage to the B40. © 2023, The Author(s), under exclusive license to Springer Nature Switzerland AG.

Author Keywords

B40; Islamic microinsurance; Microtakaful; Underserved

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