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Micro-Takaful Coverage Among Low-Income Communities in Malaysia: Exploring the Challenges and Proposed Solutions

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Abstract

Low-income communities in Malaysia continue to be the most vulnerable to health and income risks due to their lack of insurance or takaful coverage. To address the needs of these groups, micro-takaful plays a vital role in advancing financial inclusion by improving access to health and income protection. However, according to a report issued by BNM, takaful market penetration among low-income earners remains limited. Therefore, this study seeks to examine the key challenges contributing to this issue. This study employs comprehensive literature review examinations encompassing books, journals, case studies and policies. Additionally, it includes the field study based on the interviews conducted with the experts in the field. The study finds that Malaysia's takaful sector faces significant challenges, including demographic trends, economic barriers, and limited engagement with other institutions. To address these challenges, a strategic initiative has been developed to prioritise the inclusion of low-income communities in Malaysia within takaful coverage, supporting their health and income sustainability.

Keywords: Micro-takaful, Maqasid al-Shari'ah, financial, awareness, communities.

1. Introduction

A report released by the Department of Statistics Malaysia (DOSM) in 2021, average household income has declined due to the pandemic, with many households from higher-income groups shifting to lower-income groups due to this decline. It is estimated that an additional 12.5 per cent of households with income less than RM2,500 would then exist in 2020. Meanwhile, 20 per cent of households from the M40 group with an income between RM 4850 and RM 10959 have moved to the B40 group. Because the percentage decrease in income for B40 and M40 households was more significant resulting in the decline of income distribution for B40 to 15.9%. According to Rapi et al., (2022), this resulted in an increasing trend in Malaysia's B40 group of people. The same risks, for example, death, illness or injury, property loss, and natural disaster, as the poor face the non-poor; however, the non-poor have access to formal insurance schemes and thus have a lower financial impact.

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From Shari'ah point of view, this circumstance has clearly caused difficulties to the people, especially in managing their life and wealth. Preserving both life and wealth are the principles of Maqasid al-Shari'ah. Rapi et al., (2022) regarded that considering the significant impact of the COVID-19 pandemic on the B40 group in Malaysia and the vulnerability of the B40 group to various risks, the need for financial products to support the B40 group is essential.

In Malaysia, takaful operators never failed to enhance the priority of Shari'ah compliant insurance schemes. As takaful is an alternative for Muslims to have their life and wealth protections, they can subscribe to the plans they afford to commit. However, despite adhering to Shari'ah compliance, the subscription of takaful plans seemingly not accessible to everyone. Hence, adhering Shari'ah alone in this matter has been arguably considered not achieving the goals of Shari'ah.

In this sense, takaful operators in Malaysia have been involved in designing another scheme, considering those who are less fortunate. According to Rapi et al. (2022), micro-takaful is another alternative of micro-insurance, where it is a type of insurance developed to protect those generally excluded from public and private insurance schemes. Micro-takaful has been introduced as a scheme that provides affordable protection at a fair amount of contribution to meet the needs of low-income groups in the protection of lives and properties. The Central Bank of Malaysia established a regulatory structure with industry participation to promote the growth of micro-takaful (Mohd Fauzi & Laldin, 2021). Based on their observation, Rom & Rahman (2012) asserted that micro-takaful is one of the mechanisms to fulfil the needs of the lower income, with the concept of providing affordable protection to the poor.

Shari'ah is a revealed prescription that acknowledges humanity to all mankind. Preserving life and wealth seemed not achievable as some people could not afford to sustain the subscription of takaful due to its price range. As such, the principles of Maqasid al-Shari'ah could not be realized as a whole when there was no protection for those who are less fortunate. In this regard, this study discovers to which extent that Maqasid al-Shari'ah values are achievable through the execution of micro-takaful provided by takaful operators in Malaysia.

2. Literature Review

1. The Establishment of Takaful Industry in Malaysia

The concept of insurance dates to around 1750 B.C. with the Code of Hammurabi, describing a form of bottomry, where a ship's cargo could be pledged in exchange for a loan. Repayment of the loan was contingent on a successful voyage, and the debtor did not have to repay the loan if the ship was lost at sea (Beattie, 2023). Later, the concept was slowly developed by Western colonies after the involvement with over-sea trade as the trade being confined to that borne by sea, so they would have amended the contract to cover the risks to which they were exposed, namely risks of losing arising storms, and also from piracy (Trenerry, 2009). It can be said that the growth of British trade in the 17th and 18th centuries had contributed to the development of insurance. Before the foundation of corporations, the first professional insurers were private individuals (Alshammari et al., 2023).

Despite the market of insurance has now become broader, its concept, however, does not meet with the principle of Shari'ah. Conventional insurance involves certain prohibited elements in Islamic transactions, such as *riba* (usury), *maysir* (gambling) and *gharar* (uncertainty) (JAKIM, 2009). Dating back to the 18th century, Muslim jurists had a discussion pertaining to the Islamic perspective on insurance. One of the earliest scholars explicitly discussed on insurance contract was Muhammad ibn Abidin (of the Hanafi school) in 1784. He scrutinised the word *sukrah* (security) was the term used to refer to insurance, stressing on the prohibition to take compensation for any damage of his property.

The discussion on insurance, later, has been explored by the Muslim jurists. In the modern era discussion, jurists such as Muhammad Abu Zahra, Al-Siddiq Muhammad Al-Darir and Mustafa Al-Zarqa, began analysing insurance contracts, and in 1961 in Damascus, their views were presented in Seminar of Jurisprudence in 1972. During the seminar, Muslim scholars proposed to use cooperative insurance in place of commercial insurance in a Legislation Seminar hosted in Libya. Later, the resolution on the non-permissibility of commercial insurance finally came during the First Conference of the OIC Fiqh Academy in 1978. Subsequently, a decision has been issued in the Second Conference of the OIC Fiqh Academy in Jeddah, where the probation of using insurance extended to commercial insurance and favoured cooperative insurance (Alshammari et al., 2023).

The development of takaful industry in Malaysia marked its first appearance in 1980s, providing a Shari'ah compliant option to conventional insurance, as it aligns with the establishment of the first Islamic bank in 1983 (Bank Negara Malaysia, 2004). The inception and rapid growth of the takaful industry in Malaysia was driven by Muslim communities' dire need to have a Shariah-compliant alternative for existing conventional insurance and global interest in takaful products due to the expansion of various sectors within the Islamic financial system, particularly Islamic banking and capital markets (Al-Habshi & Abdul Razak, n.d). The government in 1982 set up a Special Task Force to study the feasibility of establishing Islamic insurance in Malaysia. Based on the results, a Takaful Act was passed in 1984, and in November 1984, Malaysia incorporated its first takaful operator. The development of takaful sector in Malaysia is perceived through these three key phases:

Table 1: Gradual Approach of Takaful Industries Development

Phase I (1984-1992)	Started with the enactment of a dedicated regulatory law, i.e. the Takaful Act 1984 and the establishment of the first takaful operator in 1984. The primary focus during this period was the establishment of the basic infrastructure for the industry. This Act, which is still in use, is enacted to govern the conduct of takaful business and requires the registration of takaful operators. It also provides for the establishment of Shariah Committees to ensure that the business operations of a takaful operator are in compliance with Shariah principles at all times.
Phase II (1993-2000)	Marked the introduction of competition with the entry of another takaful operator. This period also saw greater cooperation among takaful operators in the region including the formation of the ASEAN Takaful Group in 1995 and the establishment of ASEAN Retakaful International (L) Ltd. In 1997. This has facilitated retakaful (reinsurance) arrangements among takaful operators in Malaysia and in the region, namely Brunei, Indonesia and Singapore.
Phase III (2001-2010)	Began with the introduction of the Financial Sector Masterplan (FSMP) in 2001 which, among other objectives, is to enhance the capacity of the takaful operators and strengthen the legal, Shari'ah and regulatory framework. The section of the FSMP which relates to Islamic banking and takaful is a roadmap towards realising the aspiration of Malaysia becoming an international centre for Islamic finance. This period has so far witnessed an increased pace of development and competition with the licensing of three new operators. To further promote the development of the takaful industry, the Malaysian Takaful Association (MTA), an association for takaful operators, was established in 2002. The MTA aspires to improve industry self

Source: Authors' work

Takaful operates as a form of mutual indemnity in which participants collectively provide protection for one another. Unlike conventional insurance, contributions in takaful are treated as donations, resulting in risk-sharing among the participants (Abdul Aziz et al., 2013). According to Section 2 of the Takaful Act 1984, takaful is defined as a scheme grounded in principles of brotherhood, solidarity, and mutual assistance, offering financial support to participants during specified circumstances of need. This arrangement is established based on the mutual consent of participants to contribute towards such purposes (Ismail et al., 2013).

Takaful has been recognized as an acceptable alternative by the Shari'ah Advisory Council of Bank Negara Malaysia (SAC-BNM, 2010). In contrast to bottomry, where insurance protection was incorporated within the loan rather than as a separate contract, bundling loans with insurance establishes a link between finance and insurance (Alshammari et al., 2023). Takaful operates as an Islamic insurance model grounded in the principles of cooperation and mutual assistance. Under this arrangement, participants collectively agree to support each other in the event of a specified loss. The takaful structure aligns closely with Islamic socio-economic values, promoting benefits for individuals and society at large. While takaful provides coverage similar to conventional insurance, it is distinguished by its focus on risk-sharing, as opposed to the risk transfer model inherent in traditional insurance schemes (Ismail et al., 2013).

2. Low Takaful Market Penetration in Malaysia: A Critical Analysis

Malaysian takaful industry has witnessed significant progress over the past few decades, driven by regulatory measures, macroeconomic stability, digitalisation, and increased awareness of takaful products (Insurance Asia, 2025). This remarkable achievement has established this sector as a global leader in Islamic insurance and demonstrated how comprehensive regulatory framework, strategic government support, and enhanced consumer awareness can drive sustained sectoral growth. According to Ahmad Mokhtar et al. (2017), the takaful sector has demonstrated resilience even during challenging periods. For instance, the Malaysian takaful industry's sound contribution growth has been led by family takaful, rising by 46.7 percent in 1H21, while general takaful grew by 13.5 percent in the same period (Flitch Rating, 2022).

Nevertheless, despite these impressive growth figure, the market penetration rate of takaful remains relatively low compared to conventional insurance. Takaful penetration, measured as total contributions as a percentage of Gross Domestic Product (GDP), has remained below expectations despite Malaysia being a global leader in Islamic finance. According to Bank Negara Malaysia (BNM) reports, the takaful penetration rate in Malaysia stood at 18.6 percent in 2021, increased marginally to 20.1 percent in 2022, slightly dropped to 19.6 percent in 2023 and remained constant at 19.6 percent in 2024 (Bank Negara Malaysia, 2024). While this reflects steady growth, it is still significantly lower than conventional insurance, which hovers around 50% in market penetration. The relatively slow growth of takaful penetration can be attributed to multiple factors, including low public awareness, affordability concerns, product complexity, and limited distribution channels (Jusoh, 2023).

A critical aspect influencing the penetration rate is the financial literacy of consumers, particularly in understanding the concept and benefits of takaful. Studies indicate that a lack of understanding about risk-sharing mechanisms and the distinction between conventional insurance and takaful hampers participation (Salman & Kawata, 2022). Public awareness of the importance of having takaful and insurance protection is still low, as 60 percent of the nation's population does not have adequate takaful or insurance coverage (Daily Mail, 2023). In their study, Khairi et al. (2025) firmly stated that customers undoubtedly consider insurance over takaful due to pricings offered by both sectors. This argument is supported by recent research by Maduku and Mbeya (2024), demonstrating that the concern over the cost of takaful products often discourages customers from purchasing them. Their finding also addresses the that cultural and behavioural factors, such as trust and religious motivation, play a crucial role in consumers' decision-making process regarding takaful subscription (Maduku & Mbeya, 2024). Unlike conventional insurance, which has extensive market reach and established risk pooling mechanisms, takaful products often carry higher pricing due to underwriting risks and operational costs. A study by Jahya et al. (2023) highlighted that while low-income groups express interest in takaful, the perceived cost deters many from subscribing, making micro-takaful a viable alternative for increasing penetration.

Furthermore, distribution strategies significantly affect market penetration. Takaful operators in Malaysia predominantly rely on *bancatakaful* and agency models, which may not effectively reach underserved and rural populations. Recent developments, such as digital takaful platforms and insurtech innovations, have the potential to enhance accessibility and affordability, thus improving penetration rates (PwC, 2023). In conclusion, while Malaysia's takaful sector has made commendable strides, achieving deeper market penetration requires a multifaceted approach, including enhanced financial literacy, affordable product structures, and innovative distribution channels. As takaful aligns with Maqasid al-Shari'ah principles, its expansion will contribute to greater financial inclusion and social protection.

3. Micro-Takaful as Crucial Tool for Underprivileged Societies' Financial Sustainability

Micro-takaful represents a specialised financial instrument designed to provide prospective financial protection for low-income earners. It is conceptualised as a takaful product specifically tailored to address the financial protection requirements of economically disadvantaged households (Bank Negara Malaysia, 2016), served as financial protection that encompasses the capacity to access timely and sufficient financial resources to either cope with substantial expenditures or provide temporary or partial relief from financial hardships arising from unforeseen adverse circumstances. Low-income households refer to impoverished, vulnerable, or lower-middle-income families, particularly those demographic groups that have historically been excluded from conventional insurance and takaful provision (Saleh & Padzim, 2018).

The implementation of micro-takaful products is widely regarded as a fundamental poverty alleviation mechanism, enabling low-income earners to safeguard their financial capacity and ensure sustainable livelihoods. In alignment with takaful's fundamental objective of protecting the entire ummah (community), micro-takaful products constitute specialised offerings that prioritise public welfare over profit maximisation (Saleh & Padzim, 2018). This social orientation distinguishes micro-takaful from conventional commercial insurance products and underscores its role as a tool for financial inclusion.

Micro-takaful may be further characterised as the protection of assets and lives against insurable risks affecting target populations, particularly micro-entrepreneurs and economically disadvantaged groups (Ismail et al., 2013). As a form of Islamic micro-insurance, micro-takaful products are specifically designed to address the financial requirements of low-income households, enabling them to manage significant expenditures whilst providing temporary or partial relief from financial adversity. Moreover, these schemes engender a sense of security and serve as a buffer against extreme poverty, preventing vulnerable communities from experiencing further economic deterioration.

The efficacy of micro-takaful initiatives is contingent upon strategic partnerships and collaborative frameworks. Through such alliances, micro-takaful schemes can extend their reach to encompass larger cohorts of potential beneficiaries. Additionally, by offering simplified products at substantially reduced premiums, these schemes can enhance awareness and uptake amongst small and medium enterprise sectors, thereby contributing to broader financial inclusion objectives (Salleh & Padzim, 2018).

4. Micro-takaful in the light of Maqasid al-Shari'ah

Within the sphere of Islamic finance, takaful has emerged as a viable alternative to conventional insurance, wherein prohibited elements such as riba, gharar, and qimar are frequently practised (Noordin et al., 2014). Takaful operations are premised upon lawful business practices, with contracts and transactions required to be entirely free from prohibited elements (Harun & Abdullah, 2018). Zain and Ali (2017) assert that takaful possesses the potential to develop into a sustainable safety net for society at large, providing essential protection particularly when confronting natural disasters such as tsunamis or earthquakes. Abdul Aziz et al. (2013) observe that whilst asset loss is unfortunate for owners who require replacements to continue their daily lives, outstanding debts nevertheless remain payable.

Similarly, micro-takaful does not abandon such perspectives but rather adapts to meet the requirements for social well-being and economic stability, particularly amongst underprivileged societies. The establishment of micro-takaful aims to achieve the following objectives:

(a) immediate temporary relief during financial difficulty, which is most relevant to adverse events where the financial impact is neither extremely high nor permanent, or where micro-takaful serves as a complement to other coping strategies;
(b) access to financial resources to address sudden substantial expenses, particularly adverse events where the financial impact is higher or permanent, or where micro-takaful constitutes the primary coping strategy; and
(c) peace of mind derived from the knowledge that financial relief would be available in an accessible and timely manner should an adverse event unexpectedly occur, thereby encouraging households to undertake income-generating activities and improve their standard of living.

From the aforementioned objectives, it can be clearly established that initiatives such as micro-takaful achieve the authentic meaning of Maqasid al-Shari'ah. Abdul Aziz et al. (2013) suggest that micro-takaful essentially brings sustainability to individual and family institutions, supporting continuity in the event of death or permanent disability of the primary breadwinner. Through affordable premiums for micro-takaful subscriptions, health and income protection remain accessible to participants. Furthermore, micro-takaful has been perceived as an excellent alternative for those engaged in small and medium enterprise (SME) operations. The availability of appropriate coverage products to protect business entities is essential, particularly to ensure financial stability (Salleh & Padzim, 2018).

As the fundamental characteristic of Islamic insurance is not profit maximisation (Ahmed, n.d.) but rather mutual cooperation founded upon donation-based contracts from participants (Abdul Aziz et al., 2013), it can be established that the realisation of Maqasid al-Shari'ah is achieved through its implementation. This represents the foundational concept of Maqasid al-Shari'ah in promoting social justice and financial equality across all societal levels. Poverty reduction, healthcare improvement, intellectual preservation, and income and health coverage constitute manifestations of how Shari'ah preserves life (nafs), wealth (mal), progeny (nasl), and intellect ('aql).

The preservation of religion (din) through micro-takaful manifests across multiple dimensions. Primarily, the instrument operates entirely within Shari'ah-compliant frameworks, avoiding prohibited elements such as riba, gharar, and maysir (Tahir & Rashid, 2021). This compliance ensures that participants can access financial protection whilst maintaining their religious obligations and ethical commitments. Furthermore, micro-takaful embodies the Islamic principles of brotherhood (ukhuwah) and social responsibility (mas'uliyyah), fostering a sense of shared purpose and mutual support amongst participants. The underlying philosophy of mutual assistance and collective responsibility reflects the communitarian values emphasised in Islamic teachings, thereby strengthening social cohesion and religious identity within communities.

In summary, the integration of micro-takaful and Maqasid al-Shari'ah illustrates the essential aspects of Shari'ah in facilitating humanity's protection of self, progeny (family), assets, and extending mutual assistance to the ummah. Before selecting the most appropriate plan or contract for achieving the maqasid, one must consider whom or what should be covered, when coverage will be provided, and the extent of coverage, all of which are stipulated within the takaful contract. In this regard, Laldin (2022) enhances maqasid thinking by encouraging communities to consider the impact of their decisions. According to him, Maqasid al-Shari'ah entails examining the consequences of decisions made, meaning that before final decisions or rulings are determined on any issues, Maqasid al-Shari'ah requires investigation into the impact of such decisions. This approach is crucial for ensuring holistic decision-making that considers not only the permissibility (halal) of products and services but also ensures they are wholesome (tayyib), noble, beneficial, and protective against harm to society and humanity as a whole.

3. Research Methodology

3.1. Research Design

This study adopts a qualitative research approach which includes two distinct phases, involving library research and interviews. Adopting qualitative research here is significant in providing interpretive messages from diverse research resources. Also, it provides a profundity of knowledge that could not be attained by any quantification method (Johnson et al., 2006), centred on text, words, feelings and viewpoints (Levy, 2006). The qualitative research approach is sensible to achieve the objectives of the study since the exploration of micro-takaful awareness, and its practical suggestions should be understood from both theoretical aspect and real experience of the participants who directly involve in the takaful industry.

3.2. Data Collection

For the data collection, this study involves two distinct phases. The first phase involves a thorough document analysis, drawing from official takaful reporting, journals, government policies as well as scholarly works to develop its theoretical framework. Subsequently, the data gained from these references will be analysed using a content analysis approach, it is a method that that falls in the interface of observation and document analysis (Prasad, 2008), for making inference by systematically and objectively identifying specified characteristics of messages. For this study, the approach is relevant in identifying key challenges of micro-takaful awareness among low-income societies in Malaysia.

The second phase consists of interviews with takaful experts and qualified Shari‘ah scholars with over five years of experience in the said sector. Interview is a verbal interchange where one person, the interviewer, attempts to elicit information from another person by asking questions (Longhurst, 2023). To avoid the reputation risk, all interviewees' names and their institutions are not mentioned in this study. All general information regarding interviewees is mentioned in Table 2.

Table 2: List of Sample from the Respondents

	Designation	**Institution**
IR1	Takaful Adviser	Authorised Takaful Operator
IR2	Takaful Officer	Authorised Takaful Operator
IR3	Shari‘ah Scholar	International Islamic University Malaysia
IR4	Shari‘ah Scholar	International Islamic University Malaysia
IR5	Shari‘ah Scholar	Independent Researcher

For the field work, thematic analysis is applied to engage with the data to identify and interpret patterns within qualitative approaches. This analysis is essential for the study to present its findings as themes. This approach integrates valuable techniques from various theoretical and methodological perspectives, adapting them to applied research (Guest et al., 2012), and is usable for identifying, analysing and interpreting patterns of meaning 'theme' within qualitative data. Using thematic analysis is important in this qualitative study as it provides accessible and systematic procedures for generating themes where it provides a framework for organising and reporting the researcher's analytic observation (Clarke & Braun, 2017). The approach borrows what some other researchers feel are the most useful techniques from each theoretical and methodological camp and adapts them to an applied research context (Guest et al., 2012). Additionally, this approach aligns with the requirements of the study by enabling flexible communication with selected respondents regarding their perspectives on micro-takaful awareness and potential areas for improvement.

4. Results and Discussion

In this section, this study will provide insights based on the interview sessions with the interview participants, highlighting various issues related to micro-takaful in Malaysia. The data are organized in themes as they can be perceived in the following discussion.

4.1 Exploration of the Micro-Takaful Model and Its Role in Providing Financial and Health Protection to Low-Income Societies

All respondents concur that micro-takaful represents a viable alternative for takaful operators in providing financial and health protection to targeted low-income communities in Malaysia. IR1 provides a comprehensive overview of micro-takaful's conceptual foundation and protective scope, affirming that micro-takaful operates upon traditional takaful principles whilst offering substantial support mechanisms for economically disadvantaged individuals. The protection framework encompasses multiple risk categories, including life-related risks, debt obligations, critical illness coverage, and medical expenditure protection.

Crucially, IR1 emphasises the targeted nature of micro-takaful, noting its specific design orientation towards low-income demographics, particularly those categorised within the B40 income group. This targeted approach ensures that individuals with constrained financial resources can access fundamental protection services through the micro-takaful framework, thereby addressing a critical gap in financial protection coverage for economically vulnerable populations.

IR2 focuses primarily on accessibility mechanisms and structural barriers within the takaful sector, articulating that micro-takaful operates through minimal monthly contribution requirements, which serves to enhance accessibility for individuals with limited financial means. This reduced contribution structure directly addresses affordability concerns that traditionally exclude low-income groups from protection schemes. The respondent identifies two primary impediments to broader takaful adoption: insufficient awareness amongst target populations and prohibitive cost structures. IR2 suggests that micro-takaful's reduced financial burden represents a viable solution to cost-related barriers, with the potential consequence of increased participation rates across the target demographic.

IR3 provides a concise assessment of micro-takaful's viability as an alternative protection mechanism, characterising micro-takaful as a "promising alternative" based on its fundamental requirement for only modest contributions from participants. This perspective emphasises the practical advantages of the micro-takaful model in terms of financial accessibility, reinforcing the theme identified by other respondents regarding the importance of reduced financial barriers in extending protection coverage to economically disadvantaged populations.

Insights from the interviews indicate that micro-takaful functions as a powerful tool for safeguarding health and wealth for both individuals and families. Through affordable premiums, participants can secure vital benefits during crises, particularly when the primary breadwinner encounters an unfortunate event. A poignant example highlighted in a *Sinar Harian* report from 16 July 2021 describes a single mother who struggled to support her children following her husband's death, as he was the family's sole breadwinner and no wealth protection had been established. Another case reveals a wife experiencing financial hardship due to her inability to settle her late husband's debts. Whilst micro-takaful may offer less comprehensive coverage compared to other takaful products, it provides crucial support by protecting beneficiaries' income. Beyond financial relief, the benefits can serve as seed capital for entrepreneurship, enabling families to establish new ventures and cover monthly expenses.

4.2 Evaluation of Barriers to Increasing Awareness and Understanding of Micro-Takaful Amongst Low-Income Communities

Despite its promising alternative to traditional takaful, all respondents addressed challenging factors constraining the advancement of micro-takaful schemes in Malaysia. They outlined challenges to increasing awareness from multiple perspectives, including individual, takaful operator, and governmental considerations.

IR1 and IR5 identify fundamental economic constraints that position takaful as a secondary consideration for low-income earners. They explain that individuals within this demographic typically regard takaful as a "last resort" due to constrained financial circumstances and the imperative to prioritise essential living expenses. This perspective highlights competing demands on limited household budgets, where necessities take precedence over financial protection products.

Furthermore, IR1 draws attention to the promotional disparity between micro-takaful and traditional takaful products, noting that micro-takaful receives considerably less promotional attention compared to conventional takaful offerings, resulting in reduced visibility and awareness amongst potential participants. IR1 suggests that enhanced promotional efforts specifically targeting micro-takaful could substantially improve awareness levels and subsequently encourage greater adoption rates amongst the target demographic.

IR2 centres the analysis on financial literacy as the primary impediment to effective micro-takaful promotion, emphasising that limited financial understanding amongst target populations creates substantial challenges in communicating the fundamental benefits and value propositions of takaful plans. This literacy deficit becomes particularly problematic when attempting to explain the mechanisms and advantages of financial protection products to individuals with minimal exposure to such concepts. The respondent further identifies the inherent complexity of takaful products as an exacerbating factor that compounds communication challenges.

IR3 provides a comprehensive assessment of promotional inadequacies across multiple stakeholder levels, identifying insufficient promotional efforts by takaful operators, agents, and governmental bodies as key factors hampering subscription encouragement. This multi-level promotional deficit suggests a systemic failure in creating awareness and generating interest in micro-takaful schemes across the relevant institutional landscape. Additionally, IR3 highlights the dual challenge of inadequate literacy and awareness amongst low-income earners regarding the importance of both health and wealth protection, noting that many individuals within this demographic perceive micro-takaful as wasteful, primarily due to uncertainty regarding the timing and manner in which they might derive benefits from their subscriptions.

4.3 Innovative Strategies for Micro-Takaful Uptake

The study findings underscore the critical necessity for comprehensive strategic interventions to promote micro-takaful awareness amongst low-income demographics. The respondents collectively emphasise that effective micro-takaful penetration requires collaborative efforts involving government bodies, takaful operators, and participants themselves, necessitating a coordinated approach to develop and implement strategic initiatives.

IR1 advocates a structured approach centred on collaborative educational initiatives and economies of scale, proposing that government and private sector entities should organise targeted seminars designed to inform potential participants about micro-takaful benefits and opportunities. The respondent particularly emphasises the strategic advantage of group plans over individual subscriptions, noting that larger-scale takaful arrangements can secure more competitive pricing structures compared to individual contributions. IR1 suggests that companies could establish micro-takaful group plans, which would typically offer superior cost-effectiveness relative to individual arrangements, thereby enhancing both pricing accessibility and coverage comprehensiveness.

IR2 emphasises the imperative for comprehensive collaboration amongst government bodies, takaful operators, and private sector entities to ensure micro-takaful remains highly accessible for low-income populations. The respondent advocates for innovative marketing strategies that prioritise clear, simplified communication of micro-takaful concepts, ensuring that complex financial protection mechanisms are presented in understandable formats for target audiences. A significant component of IR2's recommendations involves leveraging digital platforms to enhance financial inclusion, recognising the potential of technology-enabled outreach to reach previously underserved populations.

IR3 adopts a more prescriptive approach, advocating for regulatory intervention to mandate micro-takaful participation amongst government employees. The respondent argues that the current period presents an opportune moment for governmental action to enhance and enforce new regulations requiring public sector employees to invest in micro-takaful schemes, thereby creating a substantial captive market whilst demonstrating governmental commitment to the product.

From the interview sessions, this study humbly suggests that authorities and takaful operators consider thorough discussions regarding the need to restructure takaful fund management. This would help ensure the adequacy of micro-takaful funds and provide a practical means to enhance the spirit of mutual assistance (*ta'awun*) amongst takaful participants. One of the barriers restraining micro-takaful advancement is inadequate risk funding. Since micro-takaful's purpose is to provide financial protection in the event of accidents or death for the poor and disadvantaged, ensuring risk fund adequacy is critically important (Ghani et al., 2021). Study from Yakob and Rahman (2017) suggests that individuals in the B40 group contribute between RM21 and RM30 per month towards takaful policies. Additionally, many target customers for micro-takaful are informal sector workers (Ndurukia et al., 2017; Rom & Rahman, 2012). This seemingly modest amount can affect takaful operating companies' risk funds, which negatively impacts micro-takaful industry growth (Ghani et al., 2021).

Recognising the funding challenges addressed by takaful operators, several proposed suggestions facilitate operators in handling such issues. Ghani et al. (2021) suggests using zakat to enhance micro-takaful funds. Hence, alternative funds, such as zakat funds, should be developed and expanded to provide greater benefits and assistance to larger numbers of the poor. In using zakat funds for micro-takaful, contributions are donated and owned collectively by micro-takaful participants, who are also amongst zakat recipients (Mikail et al., 2014). Beyond zakat, waqf represents another avenue for use in micro-takaful (Kamal et al., 2020). This alternative depicts micro-takaful participants as waqf beneficiaries. However, waqf-based takaful models differ from waqf-based micro-takaful. For the latter, takaful operators serve as waqf managers alongside takaful funds and are entitled to wakalah management fees (Htay et al., 2015). In waqf-based micro-takaful, sole waqf management is required under State Religious Islamic Councils (SRICs) control.

4.4 Impact of Micro-Takaful Awareness on Financial and Health Security

Interview respondents provide varied assessments of micro-takaful's current status and future prospects, revealing both optimistic projections and persistent structural challenges that continue to impede widespread adoption amongst target demographics. IR1 acknowledges the current perception of takaful and micro-takaful as secondary financial considerations for many individuals whilst drawing attention to international best practices that suggest alternative approaches. The respondent notes that several developed countries have implemented mandatory takaful or similar protection schemes, indicating more advanced recognition of financial protection mechanisms' fundamental importance within these jurisdictions.

IR2 adopts a pragmatic approach by acknowledging persistent challenges of low awareness levels whilst simultaneously recognising tangible benefits that micro-takaful provides to low-income communities. The respondent emphasises that despite limited understanding, financial protection mechanisms offer considerable peace of mind for economically vulnerable populations. Specifically, IR2 highlights practical advantages of micro-takaful coverage, noting that participants gain access to private healthcare facilities and expedited treatment services whilst preserving available funds for other essential expenditures.

IR3 provides a more sobering assessment based on empirical evidence from regulatory authorities, noting that recent data indicates minimal impact from micro-takaful initiatives. The respondent attributes this limited effectiveness primarily to insufficient public awareness regarding protection needs, creating cyclical challenges affecting multiple stakeholders within the micro-takaful ecosystem. Significantly, IR3 identifies operator hesitancy as a consequential challenge, explaining that takaful operators demonstrate reluctance to promote micro-takaful schemes due to financial sustainability concerns.

The 2021 flood disaster underscored this issue starkly. Despite massive RM6.1 billion in total losses, only RM2 billion was covered by insurance, leaving the government to absorb the remaining burden. Alarmingly, only 5 per cent of affected vehicles had flood protection. The Malaysian Takaful Association argues that had takaful coverage been more widespread, these losses could have been substantially mitigated (Bernama, 2023). Takaful's core principle of mutual aid and support through broad networks could have provided crucial assistance in such crises, underscoring the urgent need for increased public education on takaful and insurance coverage importance.

5. Conclusion and Recommendation

The research concludes the awareness among low-income earners about wealth and health protection is low. Addressing this issue is important, as alleviating poverty is one of the Shari'ah objectives and remains a government priority. Micro-takaful presents a viable solution for providing wealth and health coverage to low-income earners groups. This coverage extends to beneficiaries' families when participants designate nominees as recipients of the benefits. To promote micro-takaful, it is essential for all stakeholders including the government and takaful operators to cooperate. This can be achieved through various platforms such as financial forums, digital advertising, and regulatory advocacy, to engage low-income earners groups.

Funding alternatives like *zakat*, *waqf* and CSR, or government subsidies can help address the financial inadequacy in micro-takaful funds. In conclusion, even modest benefits can significantly aid low-income earners groups in managing their financial responsibilities, especially after the death of their primary breadwinner in family.

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