

## **Takaful (Islamic Insurance) in Malaysia: Cues for the Indian Insurance Industry**

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### *Abstract*

*Insurance industry globally is striving to make inroads into the vast un-served and under-served insurance markets particularly in developing countries. In addition to low income of the people coupled with insurance awareness and financial literacy being weak in such markets, there is also the core issue of insurance not being compatible with socio-cultural and religious beliefs of the large segment of the market which impede towards accepting insurance as an effective tool for managing risks. This study looks at the development and characteristics of 'takaful' (Islamic insurance) which is compatible with the principles of Islamic finance, thereby making it acceptable and attractive for millions of Muslims as an alternative to the conventional insurance. In so doing, this paper provides a detailed review on the evolution of takaful in the context of the Malaysian insurance sector which is among the largest players in the global takaful market. Taking cues from the success of takaful in Malaysia, the paper explores certain key tenants of takaful and microtakaful (low-cost takaful) that can be translated specifically into the Indian context and possibly into other developing and developed markets with substantial Muslim population.*

**Key Words:** Takaful, Islamic Insurance, Insurance, Microtakaful, Malaysia, India