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## Does Nigerian Low-Income Families Need For Micro Family Takaful Scheme?

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**Abstract:** Insurance, beyond doubt, is an essential policy for poverty eradication. Since low income households can't afford the high insurance premium, the best protection is Microinsurance or Microtakaful. In terms of principle, Microtakaful is barely the same as Takaful, except that the former is based on mutual contribution with affordable price that overcomes a specific risk that plagues the low income households. Having that said, this study proposes Microtakaful as an essential mechanism that protects the low-income group, apart from reducing the poverty rate. The proposed Microtakaful framework consists of a protection scheme equipped with financial support grants from the government, non-governmental organisations (NGOs), charity institutions, waqaf, international charity organisations, and donor agencies. This offers a basis to further look into the Microtakaful product and mutual pricing model designs based on cooperative principles as a mobilisation fund aimed at eradicating poverty amidst low-income families.

**Keywords:** Microtakaful, low-income family

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### INTRODUCTION

Several global agencies, including the World Bank and the United Nation (UN), have defined 'impoverishment' as earning less than USD 2.00 per day on average (Magnus & Anthony, 2019). Hence, those earning below USD 1.25 and USD 2.00 per day are categorised into extreme poverty and moderate groups, respectively (Desai & Rudra, 2019). The World Bank (2018) reported that more than one billion people worldwide live in extreme poverty based on their standard of living and earnings than USD 1.00. About 2.2 billion people are stuck in intermediate poverty level with daily earning of USD 2.00. It has been reported that about 23% (1.6 billion) of these groups comprise the Muslim population worldwide. This figure has been projected to escalate to 2.2 billion by 2030 (Shaladdin, Mokhtar, & Zawawi, 2018). Based on all indications, poverty is widespread across Muslim nations, except for a handful of countries in the Middle East and Southeast Asia regions (Salleh, Mustafa, Burhan, Hamzah, Norfadzilah & Sha'aban, 2020; Salleh et al., 2018; World Bank, 2010), that are struggling to survive on a daily wage of below USD 2.00. Similarly, Mohammed Alrazni, Musa, Alhabshi, and Saiti (2019), and Sherif and Hussnain (2017) claimed that those low income with daily income below USD 2.00 are mostly found Muslim countries.

The Nigerian National Bureau of Statistics (NBS) has grouped the Nigerian standard of living into three classifications, namely low-income group (a household that earns up to ₦75,000 a month), middle-income group (earns ₦75,000-₦500,000) and high-income group (earns above ₦500,000). In Nigeria, 55% of its population belongs to the low-income group, whereas 35% are in the middle-income group, and only 10% earn a high income. Limited accessibility and low income administration have hindered the poverty-stricken from attaining the much sought essential financial services, especially insurance. The absence of proper insurance schemes has led most of those in poverty to seek other alternatives to cope with their financial burden during risky times by turning to lenders, selling properties, and making payments from their pockets. These mechanisms are bound to leave the impoverished even more susceptible to future threats (Singer, 2019).

Melville (2019) noted that low-income households are conscious and willing to pay for any calamity to protect themselves against misfortune. However, the low income is frequently overlooked by the insurance market, mainly because the products and services offered tend to be unaffordable stemming from the relatively high premiums. Paek (2019) suggested that insurance appears to be the best way for providing social protection, instead of allotting cash, as accessibility to insurance coverage enables the low income to enjoy a sustainable life, cope with catastrophe, and eventually, rescue from the poverty trap. Many studies have distinguished Microtakaful from the existing conventional schemes. The former is based on mutual contribution with affordable premium to the low income with limited or no access to conventional insurance.

Microtakaful is a substitute for conventional insurance and complies with the Sharia law to offer protection against financial misfortune, such as death and ailments, to the low income at a reasonable price, which is unlike conventional insurance that is based on uncertainty and prohibited matters (Salleh et al., 2018). A conceptual

framework is proposed in this study by incorporating the Microtakaful scheme with financial aid deriving from Zakat, the public, waqaf, grants from NGOs, and several donor agencies, including from the International Zakat Organisation (IZO) (Paper, 2016).

In Nigeria, the Takaful industry has been launched almost 15 years ago with three windows, and recently, a license for Noor Takaful as a full-fledged Takaful operator. Hence, it is justified to assess the present situation and identify the significant problems encountered so far to unlock the excellent prospects that remain untapped in the Nigerian Takaful industry (Kazaure & Abdullah, 2019). The focus of this industry has been on the middle- and high-income groups. More products are designed to cater to these two particular groups' needs while ignoring low-income households' needs in urban and rural areas. Low cost and affordable Microtakaful products can be designed to cater to the country's low income. Besides, there is low penetration of Takaful protection for low-income households; only 5% were reported to have Takaful protection in the country (Amuda, 2018). Such a low penetration rate reflects the collapse of financial support for low-income households, hence posing a high risk for their daily lives. The 33% of Takaful market penetration and life insurance recorded in the year 2018 signify that only 693,000 of the Nigerian population have, at least, life insurance coverage.

Meanwhile, the remaining 67% of Nigerians did not have Takaful protection (Aliyu & Saiti, 2015). This hints that those without Takaful coverage are from the low-income household, who are at risk in the event of an unexpected loss (disability, premature death, health deterioration, and unemployment) (Haslifah, 2014). Nigeria's government should pay serious attention to the low-income household as 67% of 50%, represented by 86.9 million of this group, fell in the poverty-stricken pool. Even though the Nigerian economy has enhanced, the poverty figure for low-income households has risen to 67% from 54.7% in 2019 (Kazaure, 2019).

### **Socio-demographic factors and economic background of Nigeria**

Nigeria has been regarded to record the highest population in the African region, with about 206,139,589. About 51% of the people are Muslims, while about 47% are Christians (Kazaure, 2019). The International Monetary Fund (IMF) predicted that the Nigerian population might increase to 210 million by 2021 (Ardo & Saiti, 2017). Besides, Nigerian had emerged as the largest economy in Africa in 2018; approximately \$397.47 trillion (Woolfrey, Apiko, & Pharatlhathe, 2019). The blueprint of the Central Bank of Nigeria (CBN) 2007 unveiled that the Financial System Strategy 2020 (FSS 2020) as a blueprint aimed at repositioning Nigeria as the International Finance Centre (IFC) of Africa by the year 2020 (Woolfrey et al., 2019). This move was motivated by the optimistic "Next 11" forecast by Goldman Sachs, which reported Nigeria as one of the 11 countries with enormous growth potential, which may become a G7 rival in near future (Yusuf & Babalola, 2015). Hence, Nigeria needs a robust financial system to attain its quest for a vibrant economy. Accordingly, the insurance industry witnessed a recapitalisation exercised in the year 2007 for further enhancement in effectiveness and efficiency. Since Takaful is an integral component within the Islamic financial system, this essential aspect must not be neglected but enhanced. In the year 2012, the CBN established the National Financial Inclusion Strategy, to serve as a road map to significantly increase accessibility and usage of financial services available by 2020 upon realising financial exclusion at a severe level amidst Muslim-dominated northern part of the country (Alshammari, Syed Jaafar Alhabshi, & Saiti, 2018).

As a result, the Nigerian National Insurance Commission (NAICOM) published an operating guideline for Takaful insurance in 2013 to help the Takaful sector improve financial inclusion. But Takaful subscription was still low throughout Nigeria despite its enormous market potential and government commitment (Bakar & Aman, 2018). Therefore, this study investigated the history, current status, and challenges hindering the Takaful industry's development from practical solutions to the problems. Nigeria's Takaful operation has not grown as desired, considering the excellent prospects (Htay, Sadzali, & Amin, 2015). Although Nigeria is a good market for the insurance industry, its colossal potential remained largely untapped by the insurance density (insurance premiums as a GDP percentage) of just around 0.6% in 2018. (Masood, Javaria, & Shah, 2018).

Such a massive chunk that came from the southwest, particularly from Lagos, leaves the dominated northern region without any insurance services. The country's gross written premiums for the year 2018 were less than 1 per cent of GDP (Dikko, 2016). Nearly 16 years after Takaful operations were introduced in the country in 2004, this should not be the case. Furthermore, only one Takaful subsidiary is available on the market, two windows and a recently licensed fully licensed Takaful operator. This sombre situation needs exploration to identify the Nigerian Takaful industry's significant problems to unlock excellent prospects. This study is required to bridge the literature gap in Nigeria regarding Takaful operations (Aliyu & Saiti, 2015). It seeks to stimulate curiosity and thus initiate the much-awaited break-in on the reasons for slow growth to facilitate Takaful operations in Nigeria. Also, Takaful operations in Nigeria are an exciting subject, mainly because Takaful operators have operated without any legal framework for the entire first decade of their services. Takaful operations are also a compelling subject in Nigeria, mainly due to the lack of a specific legal framework that Takaful operators have performed their business to guide their services for the first ten years of their lives. Therefore it is essential to revise Takaful's current operations for approximately four years now, with regulatory guidelines in place.

### **Takaful In Nigeria: History and Present**

In Nigeria, where Takaful preceded Muslim banking by approximately a decade, this narration is unique to many countries that develop Takaful after the implementation of Islamic banking (Bakar & Aman, 2018). In 2004, Takaful was initiated in Nigeria by the African Alliance Insurance Company Limited as insurance coverage. As the country's oldest life insurance company, African Alliance Insurance Company introduced a Takaful family plan that included security and investments as a Sharia-compliant alternative to the conventional life insurance policy (Churchill, 2019). Niger Insurance Plc and Cornerstone Insurance Plc subsequently followed suit despite the Nigerian industry's high demand for Takaful operations. Noor Takaful, recently, secured a license to begin full-fledged operations. Unconfirmed sources suggest that several other firms have displayed interest, while others have entered early stages in acquiring a Takaful license in Nigeria. The primary driving force for the Takaful operators is the considerable untapped capacity due to its excellence in serving the needs of aware Muslims and the ability to improve insurance coverage, which was relatively low (Alhassan & Biekpe, 2016). Niger Insurance Plc offered Takaful coverage for the company. Niger Insurance Plc delivered a range of coverages across a variety of creative goods under the Niger Mutual Halal Program, which led to its supremacy in the Nigerian industry. The program offers specially-designed savings and investment strategies for future activities, including marriage, pilgrimage, and retirement (Saeed, 2019). Other Takaful providers, Cornerstone Insurance (Plc), offered services to Takaful via their subsidiary. Halal Takaful Nigeria, the affiliate, meets both the interests of Muslims and non-Muslims. Halal Takaful is the only separate company based on the Takaful sector and stands out from the other Takaful window operators.

The Takaful operator has been the first to receive a composite license as early as 2013, thus giving Takaful both family and general (Schmidt, 2019). The NAICOM oversees and implements the 2003 Insurance Act requirements, as stipulated in section 86 of the Act, thus becoming the legislative body for Takaful and insurance. Sadly, the specific mention of Takaful or Islamic reporting is explicitly absent from the text. In 2013, NAICOM released the "2013 Takaful-Insurance Operating Guidelines" that served as the country's first comprehensive directives of Takaful services. The guidelines depict the legal basis and all matters concerning Takaful operations, which outline prudential, organisational, governance, and basic Sharia requirements to be adhered to for all operators in this business line (Abdul Khir, 2016). It has been a significant milestone coming after about a decade of Takaful experience in the country that has been capable of revitalising the Takaful industry. In addition to the guidelines and other prerequisites, the Directives have defined the roles and obligations of all persons participating in a Takaful deal. The guidance lays out the need for the Takaful operators for appointing a Sharia Advisory Committee (Council of Experts) and an internal Sharia unit to ensure complete obedience to the Sharia guidelines in executing their duties.

In the meantime, NAICOM offers Sharia advisory services to Takaful providers to identify competent and adequately trained individuals to act as members of their councils (Mudharabah, Wakala, and Hybrid Wakalah-Mudharabah) so that Takaful operators can follow suit (Saeed, 2019). In particular, in the Muslim-controlled northern area facing substantial security issues and depredation, Takaful aims to serve as an effective way to widen financial inclusion and promote investments and savings. Takaful has a vital market dimension in Nigeria, especially in northern Nigeria, where Muslims constitute the majority of the population. According to the CIA World-Fact Book, Muslims make up 50% of the estimated 186 million Nigerian population (Hassan & Abbas, 2019).

### **Defining Microtakaful and Microfinance**

The Microtakaful concept has originated from microfinance as a subset of financial instruments. The idea emerged throughout microfinance, and as the level of society grew into a field of its micro. Located participation is lower than regional policies, while 'insurance' applies to the economic resource for the vulnerable and against particular risks in return for the daily payment of premiums measured in proportion to the probability and expense of the risk. Such premiums tend to compensate all scheme members who incur damages from a pre-defined range of hazards. This reflects a system for social security comparable to social welfare and national health care systems, as Microtakaful helps the vulnerable group (Aziz, Husin, & Hussin, 2017). For instance, Ramm and Ankolekar (2014) examined the capacity and the roles of Microtakaful in a country with more comprehensive social security framework. Brown and Churchill (1999) identified two volumes of *Offering Low-Income Household Insurance*, which was addressed extensively on Microtakaful as an insurance plan for the vulnerable. Part I: *A Primer on Insurance Concepts and Services*, the first volume of the study, outlines a context for learning Microtakaful and defines the concepts for providing insurance to low-income individuals. Next, Part II: *Initial Lessons from Microtacious Trials for the Weak Evaluated Experience on such Principles*, was the second volume of the study (Brown & Churchill, 2000). Some insurance plans were described in the study to protect against three significant threats that affect those disadvantaged, namely mortality threats, safety risks, and property risks. Amongst the life, health, and home insurances, life insurance appeared to be the most widely available and valid for the low-income group. Health and home insurance types were more challenging to deliver to the said group than life insurance.

In comparison, disadvantaged households generally classify their breadwinner's loss as their most pressing issue (Nur, Naadia, Fauzi, & Laldin, 2019). Disability is still substantial but is mostly subsumed in the health sector. Therefore, this study assessed Microtakaful by highlighting the terms 'life' and 'credit life' as one way of offering social security to the low-income group. Macrotakaful consistent with Sharia principles is known as Microtakaful. Microtakaful is, by extension, a tool for providing Sharia-based protection to the vulnerable and underprivileged at a manageable cost (Akhtar Khan, 2006). As stated earlier, Microtakaful refers to a type of insurance that is meant to protect those vulnerable and impoverished. The offered Takaful goods, including general and family Takaful, may be distributed amongst the low income with suitable variations that fit their demands and needs. The Takaful products must, in essence, be quick, easily understood, and offer affordable premiums (Noor & Haron, 2018). Mainstream help from Takaful operators may include financial and technical assistance. Takaful can also be viewed as part of Takaful Corporate Social Responsibility (CSR) programs (Rusydiaana & Devi, 2017). The Lebanon Agricultural Mutual Fund founded the first Microtakaful system in 1997 to offer health care insurance to cover the remaining hospital bill not borne by the Government Social Security Fund that covers 85% of the expenses. This fund covered about 23,000 beneficiaries or above 5,000 families with USD 10 premium a month for every person (Ahamat, 2017). Despite being less prevalent than insurance micro, Microtakaful products have been introduced to and embraced by other countries, including Trinidad and Tobago, Bahrain, Sri Lanka, Bangladesh, Pakistan, Indonesia, Morocco, Jordan, Malaysia as well as Sudan and Somalia from the African continent (Haroun & Yusoff, 2019).

### **Structure and Business Models for Microtakaful**

As stated earlier, Microtakaful products are similar to other Takaful products, but the former would need to be changed to suit the needs of the low income. The two available Islamic insurance policies are Takaful ta'awuni (mutual cooperative insurance) and Takaful tijari (business). The Microtakaful operating model reflects the Takaful system. The Takaful cycle in the Takaful tijari model depends on a broad range of templates. The two basic Takaful models implemented on a global basis are mudarabah and wakalah. The mudarabah model adheres to profit-sharing principles between Takaful developer and investor. The Takaful investor manages Takaful fund's operation in exchange for a share of the underwriting surplus and a share of the profits from the transaction. This was introduced in the Malaysian market in 1984 and is common across the Asia-Pacific region to date.

On the other hand, the wakalah model is commonly implemented in the Middle East region, emphasising the relationship between agent and principal. Here, Takaful operator is the administrator who manages the Takaful account on behalf of the participants in return for a pre-agreed number, the Wakalah tax to cover operating expenses and an income statement (Billah, GhulamAllah, & Alexakis, 2019). The hybrid pattern (Htay & Syed, 2013) is typically used as a mudarabah and wakalah combination. The Takaful operator receives wakalah charge for this model to manage the Takaful fund (Turner & Wozheu, 2018). Another version and modern variation that is becoming popular is the extended wakalah model called 'wakalah-waqf hybrid' (or waqf). A fraction of risky Takaful contributions are invested into a separately-built waqf fund. This trend is executed in several countries, including South Africa and Pakistan.

The Takaful operator originally helps to turn waqf corpus into waqf model. The Takaful operator loses its control of the waqf account after the fund is created (Saeed, 2019). However, they have the right to manage the waqf fund operations in exchange for a discount on wakala. This waqf fund is deposited into the participants' 'earnings, while the remaining balance is used for investment. Following the waqf policy, the first donation is not meant to address litigation. The waqf fund is raised from both incomes from investments and contributions, which become waqf investments. Compared to the mudarabah and wakalah models, neither participants nor Takaful operator directly owns waqf fund, and there is no chance to move any surplus fund (Kachkar, 2017). The question raised here is 'can one apply the Takaful tijari model as the model for mudarabah, wakalah, hybrid, and Microtakaful waqf?'

In definition, Takaful serves as a cooperative defence. Takaful seeks to maintain the ideals of brotherhood and solidarity, giving its members mutual financial support in unfortunate events. Profit in global and medium Takaful matters is not a primary factor (Akhtar, 2018). Healthcare establishments across developing countries with Microtakaful can rely on providing services instead of reaping profits. However, these taxes are used to create a surplus, improve the service cost, and fees. This study proposes a Microtakaful philosophical framework that offers protection to the impoverished, to enable poverty eradication (Rom, Rahman, & Hassan, 2012). Hence, the pattern should also be based on Takaful Ta'awuni (cooperative insurance) values, Microtakaful policy assistance system coordination, Zakat and waqf Islamic institutions, voluntary zakat fees, grants and loans from NGOs, as well as donation agencies. The cooperative model is not standard in practice because it does not help Takaful. Instead of being a primary source of premium sales, Takaful operators should consider Microtakaful as part of their CSR activities. To allow Takaful companies to take an active role in Ta'awuni based Microtakaful schemes, the government should offer a tax exemption to CSR companies (cooperative). This provides an excellent option for the government to promote its self-protection from the lens of Islam in the community (Enterprises & Mh, 2018). Subsidised premiums would, in principle, raise demand for Microtakaful with assistance from the donor and the government. Without funding from the government in the form of incentives and grants from different support organisations, the Microtakaful schemes are unlikely to be successful in ensuring that the low income is

covered. Contributions are made on time, thus reducing the lapse rate, which is exceptionally high in many circumstances for the lapse interaction of Microtakaful policyholders. Takaful operator or the Microtakaful body manages donations from individuals for cooperation (ta'awun) with a shared mutual fund pool. This cooperative mutual fund offers a mechanism for sharing all charges to reward participants in the event of failure, charging re-takaful dues, and creating contingency reserves (Salleh & Ahmed, 2016).

Through Microtakaful, the concept of Zakat can be comprehensive, providing the poor with a stable source of income. Zakat can be used to finance Microtaka political donations according to Saputra, Kusairi and Sanusi (2017). Higher prices must be increased to an acceptable level for the poor to buy. Of course, Microtakaful participants will be eligible to receive Zakat. Like many other Microtakaful institutions which receive their Zakat funds, Zakat institutions should also increase the redistribution level and provide a financially viable alternative that supports a broader Islamic community (Willah, 2017). , for instance, as preferred in Malaysia by the Selangor Zakat Center that developed the Joint & Extreme Takaful Fund. Another Takaful microfinance source comes from the global zakat organizations (IZOs) and the Global Waqf and the Zakat Foundation (Zakat Foundation). It has been suggested that Microtakaful provider should pursue collaboration with foreign zakat organisations to use zakat funds to finance initial investment, analysis, and Microtakaful scheme growth (Lee, Cheng, Har, Md Nassir, & Ab Razak, 2019). Besides, it is mandatory for every Muslim who holds minimum Nisab (the minimum sum of wealth from which Zakat is payable), waqf, as a voluntary charitable contribution, to play a significant role Microtakaful to alleviate poverty. Although waqf typically takes the form of properties, such properties include those underused (Htay et al., 2015). This introduces an innovative approach to revitalise the existing waqf structures to collect currency. Currency waqf certificates in various denominations should be issued so that individuals or organisations can purchase them and fund the construction of projects, such as the Microtakaful schemes (Gundogdu, 2018). Concurrently, several donors have begun to support Microinsurance and Microtakaful, which have risen dramatically in these recent years. Some organisations and NGOs offer grants to support Takaful and medium Takaful (and Nano Takaful) operators to design new Microtakaful products and models to offset the costs for production. Donors and beneficiaries of grants include the World Bank, the International Labour Organisation (ILO), government-funded initiatives (e.g., the German Federal Society for International Cooperation (GFIC) and the Swiss Secretariat for Economic Affairs (SECO)), development banks (e.g., Asian Development Bank and Inter-American Development Bank (IDB)), insurance and reinsurance organisations, as well as a range of NGOs (e.g., Humanist Centre for Solidarity with Developed Countries (HIVOS), the International Group for Aid and Help Anywhere (CARE), and Oxfam International). Donations to Microtakaful program can be used for testing and improving medicines (The Kashkar, 2017).

#### **The Conceptual Framework for Microtakaful**

The philosophic structure proposed for Microtakaful as a poverty alleviation strategy involves the participation of four parties. Government involvement: The government should play an important role in allowing Takaful operators to set up Microtakaful schemes for those in need. Links with relevant aid organisations, such as zakat and waqf agencies and foreign donors and grant providers, should also be cultivated by the government. The Microtakaful schemes will also have a social welfare component, in which the government offers low-income premium (contribution) grants that can not afford the policies. The government will set up an expenditure plan, in which it is funded entirely from the country's federal budget. While government-funded insurance and Takaful schemes frequently look very similar to social security schemes, they are fundamentally distinct. Although the government subscribes to the prices and insurance charged of traditional social security schemes, the government pays the full or partial subsidising rates of Microtakaful programs.

Conversely, the responsibility lies with Takaful or Microtakaful Entity (Azlina Shaairi & Sherif, 2013). The Government must also develop and enforce an adequate regulatory and supporting supervisory framework for the micro takaful sector. A successful regulatory of micro takaful framework will protect policyholders while promoting economic development and social protection. The low contribution value per program made use of the weakest is particularly important for Microtakaful. Cost-efficient delivery networks.

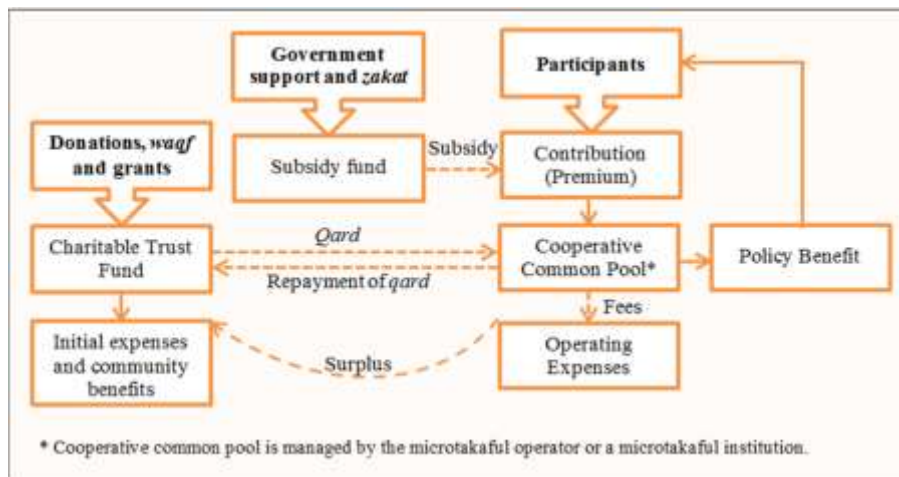
Consequently, alternatives such as the selling by brokers and sales agents, paying high transaction costs, consider low prices to be necessary for the traditional marketing systems. In order to attain the low-income group, lower costs for innovative distribution networks should be created, including mobile service providers, public departments and supermarkets. However, the regulator does not approve of these creative frameworks and collaborations. Therefore, by using any network to make more creative deliveries, the government must re-examine license terms.

Microtakaful operators or similar institutions play a significant role in developing micro takaful products available, easy to understand and affordable for small incomes. Takaful operators can build and create micro takaful systems with actuarial and technological expertise (Shaladdin et al., 2018).

#### **The Proposed Microtakaful Model**

As previously stated, the latest Microtakaful model is a cooperative, non-profitable takaful system in which profit is not the focus. The model includes interconnected governmental participation, takaful operators or micro takaful organizations, zakat funds, funders and NGOs. The proposed design structure of micro takaful operations shown

in Figure 1.



**Fig.1: The Proposed Conceptual Framework for Microtakaful Based on Cooperative Principles**

Under the present mudarabah or wakalah model in Takaful contract, an applicant pays to the Takaful provider, who divides this into two accounts – Participant's Savings and Investment Account (PA), as well as Participant's Special Account (PSA) as tabarru' (donation) for mutual assistance. The PA funds belong to the individual user, while those in PSA are a collective pot of resources to support against the risks protected. The community-pooled account in Takaful contract works similarly to the cooperative insurance model elaborated in this study, and as portrayed in Figure 1 – a fund called 'Cooperative Common Pool'. The Cooperative Common Pool money will be used to pay premiums and reTakaful after deducting the operating expenses. The end-of-year profit from this Cooperative Shared Pool is channelled to Charitable Trust Fund. It is necessary to develop a separate fund to provide subsidy services to the low income; here it is called 'Subsidy Fund' deriving from government donations and zakat funds. The Board of Trustees will oversee this fund.

Another fund embedded into this new Microtakaful model is the 'Charitable Trust Fund.' Contributions from foreign zakat organisations, waqf accounts, contributions, and grants from NGOs will be used to include the initial funding of a fund, which would be nominal. The Charitable Trust Fund aims to split into two; the first is to finance initial expenses and community benefits, while the second is to provide qard Hassan (interest-free loan). The Charitable Trust Fund's first component is to pay costs for the Microtakaful scheme's initial financial, research, and marketing growth, identify possible distribution networks, and develop a plan that promotes Microtakaful to the target market. As some loans and grants are one-off charitable gifts, others are periodic, and some extended over two to three years; this fund will only finance the start-up expenses to build financial freedom from foreign assistance. Any regular contributions will be held in the Charity Trust Fund, along with any savings from the Community Popular Pool. Zhang and Naceur (2018) suggested using the surplus for the benefit of society to promote cohesion, such as to increase awareness regarding the benefits of Microtakaful scheme.

The other portion of the Charitable Trust Fund, operating on the same basis as the waqf fund of the waqf model in Takaful contracts, would be managed to sustain it over time, even though it may be used temporarily by the Participant Fund to cover temporary deficits due to fluctuating claims experience (Ajide & Abiahu, 2019). The fund is a popular cooperative pool in this sense. If the fund runs out of the Cooperative Common Pool, the Charitable Trust Fund grants the Cooperative Common Pool shortfall covered by a qard-Hassan loan. When the ponds return to profitability without any additional expense, qard-Hassan will be refunded (Majeed & Zainab, 201).

## CONCLUSION

Microtakaful has recently caught the interest of politicians, international development institutions, NGOs, and donor institutions. Microtakaful has approved as a tool to ensure poverty eradication and social growth by the ILO and many other governments worldwide. This study proposes Islamic Microinsurance (known as Microtakaful) based on cooperative values to provide the needy Sharia-related insurance against the financial effects of death and illness, in return for inexpensive premiums. Microtakaful schemes, however, allow at least four actors – government, Microtakaful operators or agencies, zakat funds, donor organisations and NGOs, and Microtakaful actors – to have well-developed institutional structures to operate efficiently and effectively. This study formulates a conceptual framework for Microtakaful goods' design and the development of Microtakaful life-pricing models.

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