



**THE NEEDS FOR MICROTAKAFUL SCHEME
AMONG LOWER INCOME EARNERS:
A CASE STUDY AT PENANG, MALAYSIA**

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ABSTRACT

Microtakaful, or *Takaful* that is specific by low commitments of low scope cutoff points, is a critical component in the monetary change of a rising nation (Mokhtar, Sulaiman, and Ismail, 2012). They additionally included that *Microtakaful* has been delegated a powerful instrument in managing insurable danger for low-wage family unit and smaller scale business people when unexpected episodes happen to them. *Microtakaful* in Malaysia is still in early stage compared to Indonesia, India, Bangladesh, China and other Asian countries (Mughal, 2010). This is because *Takaful* Operators are currently focusing on *Takaful* products that are affordable only to middle-to-high income groups. Nowadays, the cost of living is higher due to the uncertain economic situation, including the implementation of GST. It will cause the low-income groups is not able to get financial protection in the event of an accident or loss in the future. This research had focused on the determinants that influence the needs of *Microtakaful* scheme among lower income earners. The main objective of this research is to identify the relationship between understanding of *Takaful*, risk exposure, and capacity to contribute with the needs for *Microtakaful* scheme among lower income earners. This research used the primary data, which sums of 150 questionnaires that have been distributed to the lower income earners in Penang, Malaysia. The data that has been collected were analysed using Statistical Package for Sosial Science (SPSS). From the result, it was noted that all independent variables showed significant relationship towards the dependent variable. It was noted that the lower income earners were in need for *Microtakaful*.

Keywords – Insurance, *Takaful*, Microinsurance, *Microtakaful*, Low income

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

The global *Takaful* industry has rapidly grown up around the world during the recent years because of the growth of Islamic finance industry. The Global *Takaful* Insight 2014 has stated that the growth story for *Takaful* sector continues to increase positively growth momentum in some countries such as Saudi Arabia, UAE and Malaysia. The global *Takaful* market is estimated to continue its double-digit growth momentum of about 14% in 2014 and it was expected to increase years by years and could reach over US\$20 billion by 2017 (The Global *Takaful* Insight, 2014).

According to Bank Negara Malaysia (BNM), Malaysia is one of the largest *Takaful* markets in the world with a total net contribution income of RM6.3 billion in 2014 (Annual Report BNM, 2014). Recently, according to the report by Malaysia *Takaful* Association (MTA), the penetration rate of Family *Takaful* increased from 14.0% in 2013 to 14.5% in 2014. General *Takaful* gross contribution also increased from 9.85% in 2013 to 13.35% in 2014 (Annual Report MTA, 2014). Based on data mention above, it can be conclude that *Takaful* industry is developing and growing all over the world, including Malaysia.

However, as the *Takaful* Operators (TOs) in Malaysia is currently focusing on offering family and general *Takaful* products, the researcher is of the view that there is an undiscovered area which is *Microtakaful*. The TOs are concentrating on the middle-to-high income groups, while there are many people out there still uncovered, most of them is lower income and poor people who missing out the *Takaful* benefits (Htay, Sadzali, & Amin, 2015). *Microtakaful* is the right scheme for this people and could be delivered to them with some modification. According to Khan (2010), he defines *Microtakaful* as “a mechanism to provide