

# **An analysis of the viability of micro health takaful in Malaysia**

## **Abstract**

### **Purpose**

– This research aims to examine the viability of micro-health takaful in Malaysia. Current practices in the takaful industry in Malaysia reveal that takaful operators (TOs) are keen on offering products that are affordable for middle- to high-income people. However, the concept of takaful is based on mutual help, and, hence, it is believed that TOs should offer products affordable by the poor and lower income people.

### **Design/methodology/approach**

– To achieve this objective, the interest of the poor to participate in this product is examined by sending the questionnaire. In addition, TOs were approached to understand why micro-health takaful products have not been offered as yet. The regulator was also interviewed to gauge whether the government is supportive of this scheme.

### **Findings**

– From the survey, it was noted that the poor people are interested to participate in such a scheme. However, most of them are only willing to contribute about RM5 per month, while some of the respondents, especially, *zakat* recipients are unable to afford to pay at all. The *zakat* authority when interviewed stated they were unable to contribute on behalf of the *zakat* recipients. To a certain extent, *zakat* authority is required to obtain an approval from the National Fatwa Council with regard to that issue. The regulator views that the micro takaful is still in an experimental stage. From the perspective of TOs, it might be viable if the product is offered as part of the corporate social responsibility, rather than by individual operators. Therefore, it could be summed up that micro-health takaful will be viable if and only if TOs collectively offer it as a part of their corporate social responsibility, and it must be subsidized by the *zakat* or *waqf* authorities.

**Research limitations/implications**

– Particularly, this study only considers a limited geography in Malaysia to understand the viability of micro-health. On the same note, the current focus of the study is on micro-health takaful in which it has not tapped other potential micro takaful products.

**Originality/value**

– This study is a pioneering effort in understanding the viability of the micro health takaful in Malaysia.