

## Takaful- An Islamic insurance tool as compared to Conventional Insurance

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### Abstract

The Concept of Takaful emanated from the mutual interests of individuals during the industrial era of the early 20th century. The number of poor having some sort of micro insurance is 80 million. The percentage of poor in India and china having insurance cover is just 3 per cent and in Africa it is worst i.e., just 0.3 per cent. At present, the number of poorest countries having no insurance cover globally is 23 out of 100 one. Demographically most of them belong to low income group. In addition, social awareness of the importance of insurance is fairly low. This paper emphasizes that efforts must still be made to educate the public about Islamic insurance in order for them to assess the protection they can provide. The elements of interest, gambling and uncertainty are there in traditional form of insurance but not acceptable in shariah law.

There was concern among Muslims about the inconsistency between traditional banks and insurance that comply with Islamic law. This has created a new industry called Takaful that provides risk and savings products to 1.6 billion Muslims worldwide. One of the biggest problems facing the Takaful industry is the misconception that it is Muslim only. Takaful's products appealed to the non-Muslim community despite obvious religious and cultural differences. However, the interest of non-Muslims and support from Muslims was not enough to raise awareness and growth in Takaful and what it has to offer. It is this lack of awareness that is one of the biggest challenges to the development and growth of national and global industry.

**Keywords:** Traditional insurance, gambling, interest, Takaful, insurance, kafal.

### Introduction

The objective of the paper is to pinpoint the preference of takaful over conventional insurance. We will be discussing conventional model of insurance first and Takaful model will be discussed later on. Following the discussion of these two insurance models, the paper includes a review or comparison between the two. This will allow the reader to

make an informed choice between these two forms of coverage. The fact is that takaful insurance is not accessible to Muslims alone but non-Muslims as well. Takaful has a clear ethical structure that can be marketed to both Muslims and non-Muslims.

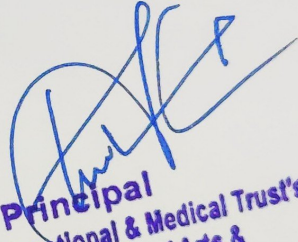
The recession quickly turned into a global economic disaster. This economic disaster was the worst since the





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