



Offering Takaful Help Economic Prosperity & Job Creation in India

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Human activities and transactions are always vulnerable to errors and mistakes, which makes them exposed to risks. Risks may be minor, but all too often these risks may affect the property, business transactions, and even lives in the form of hurdles and wounds. With such risks arising, the question on how to assist such unfortunate people is posed; with one of the solutions to tackle such situations is through insurance policies. The most sublime form of insurance aims at distributing liability among the concerned parties through understanding and mutual co-operation; hence potential victims can have peace of mind from such dangers and unforeseen risks can be steered away from.

Albeit beneficial, elements such as gambling, usury, and uncertainty are entwined into the fabric of conventional insurance, which are deemed as unethical and prohibited under certain belief systems, including Hinduism and Islam.

Specialists in Islamic finance proposed alternative unconventional insurance, known as Takaful and based on ethics and fairness, mainly due to the fact that contemporary scholars of Islam concluded that conventional insurance is Islamically prohibited.

The major benefits of offering Takaful are a benefit to the community and contribution towards economic development. The first beneficial point of introducing Takaful is a positive contribution to the economic development of the country. Offering Takaful will help the development of the insurance directly and the country's economic development ultimately.



Takaful is social and ethical insurance based on the principle of Ta'awun (cooperation) and Tabarru (donation) where the risk is shared collectively by members of a policy. The concept of Takaful is providing financial assistance to the participants on a basis for mutual assistance, brotherhood and solidarity in cases where the participants face some misfortune. Takaful is an alternative to conventional insurance, and its primary objective is to protect the participants based on the ethical and moral foundations.

By introducing Takaful, it is a new business line for the current insurance companies. Without requiring too much additional investment, the insurance companies can start with windows. Thus, it creates a business opportunity for the current industry by effectively and efficiently utilizing the existing resources. *Offering Takaful is expanding the business scope of the insurance sector and consequently, it will boost the Indian economy and create job opportunities. It can have double benefits because once people have a job; it is an additional income for them and more people will afford to participate in Takaful. Due to more participation, the industry will grow faster again.*

Countless benefits and profits to Insurance companies which offer Takaful because it is expected that a large number of participants will join and participate in Takaful as an ethical product. The economy will boom, and potential foreign investment will flow into India. Once India can attract foreign direct investment, it can position itself as the hub of Islamic finance and Takaful, i.e. what Malaysia and Singapore are trying to achieve. It is expected that introducing Takaful will be beneficial for India since it has a more favorable situation than Malaysia and Singapore due to its higher population in terms of both Muslims and non-Muslims.



The second one is it will be beneficial to the Indian community as a whole. The Muslim population in India is the third-highest population in the world. Many Muslims are avoiding insurance as much as possible since it is against Islamic teaching. So by offering it, it is a great benefit to the Muslim population while helping the current insurance industry and economy to grow further and faster. Takaful as a commercial product and it is not intended for any particular group or religion. It is just simply ethical insurance products for all of us. Although Takaful is in line with Shari'ah, it is a commercial product and it can be termed as an ethical insurance product. It is suitable for anyone.

Insurance operators need not be anxious about the loss of profits since Shari'ah compliance does not equate to financial loss because Islam actually encourages business activities and trade where transactions are also compliant within the boundaries of Shari'ah. With Takaful functioning as an alternative counterpart to conventional insurance, solutions will be drawn up for many problems. For instance, major prohibited elements which include uncertainty, usury, and gambling will be eradicated. Additionally, prohibited business activities are steered away from the Takaful scheme.

What makes Takaful contracts totally unique compared to conventional insurance contracts is that the latter is based on the exchange of risk whereas the former is based on the concept of risk-sharing. Setting aside the financial gains, moral and societal gains are also expected from Takaful where solidarity among the society is promoted with the concept of mutual cooperation put into action throughout the community.

Offering Takaful is beneficial not only to Muslim community but also to the general public because Takaful as a Shari'ah compliant product is ethical & socially responsible & it is suitable regardless of religion. For instance, it is free from interest and interest is normally prohibited by major religions such as Christianity, Judaism, Buddhism, Sikhism, and Islam. Thus, it will be beneficial to all.



Prominent Views On ISLAMIC BANKING



Vijay Mahajan - CEO ,Rajiv Gandhi Foundation On Islamic Products

- These products are based on sound financial principles.
- The mere eschewing of interest does not mean that the financing is naïve or unprofitable.
- The principle of sharing profits and risks is nothing but equity financing. Products span a wide range of financing needs from projects to rehabilitation.



“Already London is the biggest centre for Islamic finance outside the Islamic world. But today our ambition is to go further still, because I don't just want London to be a great capital of Islamic finance in the Western world. I want London to stand alongside Dubai and Kuala Lumpur as one of the great capitals of Islamic finance anywhere in the world. When Islamic finance is growing 50 per cent faster than traditional banking and when global Islamic investments are set to grow to £1.3 trillion by 2014 we want to make sure a big proportion of that new investment is made here in Britain.”

(Addressing the Ninth annual World Islamic Economic Forum, London)