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CONTEMPORARY CHALLENGES AND PROSPECTS FOR TAKAFUL PRACTICES IN MALAYSIA: AN ANALYSIS OF CURRENT ISSUES

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Abstract: *This study investigates the current issues faced by takaful operators (TO) in Malaysia. Qualitative research methodology was employed to gather data through in-depth interviews with seven individuals who are actively involved in the industry, policy makers and academicians. Additionally, focus group discussions were conducted with the Cooperative Commission of Malaysia (CCM) to understand the legal aspects of the cooperative approach. The findings reveal several issues faced by TOs, such as injustice in serving the interest of shareholders and participants, second layer of takaful charge in mudarabah model, Shariah issues (wakalah fee, tabbaru' issue, ownership of return and underwriting surplus) and legal issues related to capital adequacy, deposit insurance, paid-up capital, and other requirements. This paper contributes to the literature by shedding light on the challenges faced by TOs in Malaysia and provides insights for policymakers and industry practitioners to address these issues.*

Keywords: *Takaful, current issues, contemporary challenges, prospects, Malaysia perspectives.*

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Introduction

Islamic insurance, commonly known as takaful, operates within the wider conventional insurance space and is subject to typical insurance conventions in most jurisdictions. Takaful is primarily a social concept that is akin to conventional cooperative and mutual insurance, with a focus on members. However, it is gradually transforming into a capitalistic product with an investor focus. Its operations are commonly perceived as a mirror image of mutual or cooperative insurance, with Shariah compliance elements (Salman and Kawata, 2022).

In Sudan and Saudi Arabia, the cooperative model is adopted for takaful (Hassan, 2020; Safdar, 2023). In Sudan, the Insurance & Takaful Act 2003 requires companies to operate under cooperative principles, with every policyholder also a shareholder of the takaful company. The board runs the business on behalf of all the participants, and there is no separate entity that manages the business. In Saudi Arabia, companies are required to operate on a cooperative basis but with shareholder capital. Takaful operators are required to maintain separate profit and loss accounts for participants and shareholders and to distribute part of the net surplus from the takaful operations to policyholders.

Cooperative insurance companies typically apply five out of the seven principles of the International Cooperative Alliance (ICA), including voluntary and open membership, democratic member control with equal voting rights, member economic participation through equitable contribution to the cooperative's capital, autonomy and independence as member-controlled self-help organizations, and a concern for the community's sustainable development for members and communities.

Although the underlying operational principle of takaful is similar to that of cooperatives, the transaction models used vary due to regulatory requirements or operator preference. The notable transaction models are *mudarabah*, *wakalah*, and hybrid models. The takaful industry has become too commercially oriented, which has diluted the elements of mutual and cooperative spirit that should be embodied in takaful. To prevent takaful from being completely overtaken by the capitalist world, it is necessary to go back to its cooperative and mutual origins. This requires a deeper research approach that combines both the scholastic and professional minds.

Problem statement

The aim of this research is to evaluate the suitability of the cooperative model in the context of Malaysian takaful and redefine Takaful as a welfare-based and member-oriented concept rather than a profit-driven proprietary model adopted by some takaful companies (Khalifa et al., 2020). The principles of mutual cooperation underlying takaful are often undermined by propriety companies pursuing greater profits (Abdullah & Saiti, 2020). Despite the growth of the takaful industry and the implementation of various models in takaful products, the industry still faces challenges, particularly in selecting the most suitable model (Yusuf & Majid, 2020).

The debate on the validity and marketability of *mudarabah* and *wakalah* in takaful has led other takaful operators to adopt other Shariah-compliant contracts that better suit the takaful model (Gazzaz & Al-Razeen, 2020). However, some scholars have raised concerns about the distribution of surplus in investment accounts and the ownership of underwriting surplus in the *mudarabah* model (Shujaur-Rahman, 2019), while others have criticized the *wakalah* model for giving more returns to takaful operators and defeating the basic purpose of mutual cooperation (Rahman & Redzuan, 2009). Given that the fundamental concept underlying

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takaful is based on mutual and cooperative contracts, it is important to explore the feasibility and advantages of cooperative models in the takaful industry (Khalifa et al., 2020). Therefore, this study aims to bridge the research gap and provide new insights for regulators to establish a more dynamic and robust takaful model in Malaysia.

Objectives

This paper aims to comprehensively investigate and analyze the takaful models currently implemented in the Malaysian context. Thus, this paper aims to address the following research objectives:
i. To determine the existing takaful models.
ii. To examine the existing issues in takaful models.

Significant of study

The significance of the above discussion lies in its exploration of the suitability of the cooperative model for the Malaysian context in the takaful industry. This study provides insights into the challenges faced by the takaful industry in terms of model selection and the issues associated with the *mudarabah* and *wakalah* models. By highlighting the need for a more welfare-based and member-focused approach to takaful, this study can contribute to the development of a more dynamic and sounder takaful model in Malaysia. The findings of this study can provide valuable guidance to regulators, policymakers, and stakeholders in the takaful industry to develop a more sustainable and effective model that aligns with the principles of mutual cooperation and social welfare.

Therefore, the paper is organized as follows: Section 2 discussed on literature review. Section 3 describes the research method. Section 4 discusses the results and findings based on interviews data analysis. The final section which is Section 5 represent conclusion and provides some recommendations of the study.

Literature Review

Definition and development of takaful industry

According to Khan (2018), takaful is an arrangement where participants mutually agree to support one another jointly for losses arising from specified risks. It is a charitable commitment to a takaful fund, which provides mutual financial aid and assistance to participants in predetermined situations, based on principles of brotherhood, solidarity, and mutual assistance (AlBarrak & Ibrahim, 2016). Takaful is defined as a business whose aims and operations do not involve any element not approved by Shariah (Takaful Act 1984, Section 2).

In takaful, members voluntarily agree to contribute to a fund to support the group in relation to specific needs, based on the principles of mutual cooperation and shared responsibility (Salman et al., 2019). Unlike conventional insurance, takaful is constructed based on the principle of sharing risks and is divided into risk and investment funds to avoid uncertainty in the takaful contract (Ariff & Nassir, 2019). Therefore, takaful is a unique and Shariah-compliant insurance scheme that emphasizes mutual cooperation, shared responsibility, and charitable contributions to a takaful fund, which differentiates it from conventional insurance models based on transferring risks.

The concept of takaful has its roots in ancient Arab tribal customs and practices of assisting others in need. The custom of *"al-aqilah"* required the paternal relatives of the accused to contribute to a fund to pay the blood money to the victim's relatives in case of unintentional killing (Khan, 2018). The cooperative nature of takaful was revived in the modern era in Sudan in 1979, which was followed by the establishment of commercial takaful models in other countries such as Malaysia and Saudi Arabia (Naim et al, 2018; Hassan, 2020; Muhammedi et al, 2023).

The reason behind the reintroduction of takaful in 1979 was the non-compliance of conventional insurance with the principles of Shariah and Islamic ethics (Hassan, 2020; Salman and Kawata, 2022). Scholars argued that conventional insurance was not acceptable due to the inclusion of premium that involved elements of *gharar*, *maysir*, and *riba* (Ansari, 2022). This view was supported by the Fatwa Committee of the National Council for Islamic Religious Affairs Malaysia and the Council of Islamic Fiqh Scholars in Malaysia, who declared conventional insurance as contradictory to Islamic rules and unacceptable.

In Malaysia, the Takaful Act 1984 was established to regulate the takaful industry, which was initiated by Takaful Malaysia Berhad in 1985. Since then, the industry has experienced substantial growth, with the number of takaful operators increasing from one in 1985 to eleven in 2010 (Bank Negara Malaysia, 2021). As of now, takaful is practiced by over 60 companies in 23 countries and has become a rapidly growing industry worldwide (Takaful International Association, 2021).

Issues in takaful

Takaful, a form of Islamic insurance, has gained significant popularity and growth in Malaysia over the past decade. However, like any other financial industry, the Takaful industry is not immune to challenges and issues. This literature review aims to provide an overview of the current issues in Takaful practices in Malaysia, highlighting the challenges and opportunities that the industry is facing. One of the significant challenges faced by Takaful operators in Malaysia is the lack of awareness and understanding of Takaful among the public. This has been highlighted in a study by Mansor and Ramli (2020), where it was found that the majority of the respondents had limited knowledge of Takaful products and services, which ultimately affects the industry's growth potential.

Another challenge is the lack of standardization and harmonization of Shariah compliance and regulatory requirements in the Takaful industry. This has been noted by Mohamed and Hamdan (2021), who pointed out that the varying interpretations of Shariah principles among different Takaful operators and regulatory bodies have led to discrepancies in product offerings and operational procedures. This lack of standardization not only affects the industry's reputation but also poses a risk to the customers who may not be adequately protected. In addition to these challenges, there have been concerns about the financial performance of Takaful operators in Malaysia. This has been discussed in a study by Mohd Ariffin and Abdul Razak (2020), where it was found that while the Takaful industry in Malaysia has experienced steady growth, it has also faced challenges in achieving profitability due to the high operating expenses and the limited investment options available for Takaful funds.

Furthermore, there have been calls for more transparency and accountability in the Takaful industry in Malaysia. This has been emphasized in a study by Noh and Saad (2020), where it was found that there is a need for more disclosure and transparency on the financial performance and operations of Takaful operators. This would enhance customer trust and confidence in the industry and also enable customers to make informed decisions about Takaful

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products and services. There is a need for innovation and digitalization in the Takaful industry in Malaysia. This has been highlighted in a study by Ismail and Yussof (2021), where it was found that Takaful operators need to adopt digitalization and embrace innovative practices to remain competitive in the market. This includes developing user-friendly digital platforms and offering customized Takaful products that meet the evolving needs and preferences of customers.

The Takaful industry in Malaysia is facing a range of challenges and issues, from lack of awareness and standardization to concerns about financial performance and transparency. However, there are also opportunities for growth and innovation, and Takaful operators need to adopt a customer-centric approach and embrace digitalization to remain competitive in the market.

Even though the takaful business is going through a period of rapid development and growth, it is still dealing with a lot of problems and difficulties, such as the problem of surplus distribution (Abd Rahim et al, 2017; Wahab, 2018). The currently available forms of takaful have been implemented by takaful operators, and these operators have been criticised for imposing terms and conditions that do not adequately meet the requirements of the participants in the takaful programme.

Issue in profit and underwriting surplus sharing

Shujaur-Rahman (2019) argues against the issue of profit sharing in takaful models, such as the *mudarabah* and modified *mudarabah* models. According to Shariah scholars, participants pay their contribution as a donation and therefore cannot receive any profit from the donated amount. Takaful operators act as trustees and managers of funds and are responsible for acting in the best interests of shareholders. Therefore, they should not be allowed to share in profits but only be entitled to fixed charges.

Shariah scholars are concerned with a variety of issues, including the problem of insuring surplus sharing. It is against the rules for participants to split the surplus of the risk fund (Takaful contribution), which they have previously contributed to as a donation. Since takaful operators have already been compensated with either a wakalah charge or their share of the profit, they are not entitled to a portion of the surplus amount that is generated. The next question that emerges is regarding the destination of this excess sum of money. Some academics believe that it should be contributed to a waqf fund, which is a charitable organisation, and then used for the benefit of needy and impoverished individuals who are not actual members of the takaful firm. Others have suggested that it may be given back to the participants in the form of a hibah, which is Arabic for "gift" (Ali et al., 2014).

Htay and Salman (2013) are in favour of the notion that the takaful operator's participation in excess sharing can be viewed as an incentive for their participation in the takaful funds. On the other hand, the Shariah Advisory Council (SAC) reviewed the topic at its 62nd meeting on October 4, 2006, and stated that channelling underwriting surplus as profit sharing is not in line with Shariah principles and opposes the concepts of mudarabah. This discussion took place in the United Kingdom. The cooperative nature of the takaful contract is transformed into one that is used for commerce and other commercial objectives when it is practised in this manner.

There has also been controversy among scholars of Shariah regarding the ownership of the underwriting excess, such as who the underwriting surplus belongs to (Ahmad Mokhtar et al.,

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2015). For example, who owns the underwriting surplus? Middle Eastern academics and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) both agree that takaful businesses should not be permitted to take part in the underwriting surplus. According to the AAOIFI Standards on takaful, the managing company is not entitled to any share of the surplus, and the surplus may be disposed of in a way that serves the cause of common interest of the participants, such as the accumulation of reserves, reduction of the contribution, charitable donations, and partial or full distribution of the surplus among the participants (AAOIFI, 2015). This is stated in the AAOIFI Standards on takaful.

Nonetheless, there are academics who support profit sharing through underwriting. For instance, according to the Islamic Financial Services Board (2009), underwriting surplus might be distributed among participants. However, it also appears to be discouraged because it could benefit takaful operators financially at the expense of the participants. Attempts by takaful operators to increase their profits by sharing the wealth are considered as contrary to the spirit of takaful by shariah experts. However, Bank Negara Malaysia (2010) disagrees and categorises takaful operators as being able to make a profit through the collection of up-front fees (wakalah fee), earnings on the funds contributed by participants, and investment surplus.

Issue in benevolent loan (qard hasan)

One issue in the *mudarabah* model is the provision of benevolent loans or *qard hasan*, where shareholders are responsible for providing loans to participants in the event of a deficit in the Participant Special Account (PSA) fund. However, the terms and conditions of *qard hasan* are often unclear and uncertain in terms of repayment and drawdown timing (Puspita et al, 2020). Additionally, maintaining fairness in different generations of participants can be challenging, as new participants may be adversely affected by paying higher contributions or receiving smaller underwriting surpluses due to the need to make *qard hasan* repayments (Abd. Rahim et al, 2017).

The issue of *qard hasan* in the *mudarabah* model has been discussed in the Shariah Resolutions in Islamic finance issued by the Bank Negara Malaysia as a mechanism to overcome PSA fund deficits. However, Muslim scholars do not agree with this approach (Ansari, 2022). Furthermore, takaful operators may choose certain models to maximize their self-interest rather than fulfilling the participants' interests. Misinterpretation of the concept of *qard hasan* is also common, as the borrower cannot be forced to make repayments under this original principle, and the lender must accept it as a charitable act if the borrower is unable to settle the loan (Ansari, 2022). These issues have led to reluctance among some shareholders to offer *qard hasan* in the event of a deficit in the takaful fund.

Due to ongoing debates about profit and surplus issues in the *mudarabah* model, the majority of takaful operators in Malaysia have switched from the *mudarabah* model to the *wakalah* model after more than two decades of applying the former (Puspita et al, 2020). Despite the expansion and development of takaful growth, Shariah and ethical issues remain unsolved and must be addressed to ensure the sustainable growth of the industry. Hence, the takaful industry must focus on addressing these critical issues to ensure its continued growth and development.

Methodology

Research methodology refers to the systematic and scientific approach that researchers use to study a particular problem. The methods and techniques employed by researchers to describe, explain, and predict phenomena are collectively known as research methods (Kumar, 2019;

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Saunders, Lewis & Thornhill, 2019). Research methodology encompasses the study of various methods and techniques used to gain knowledge and aims to provide a comprehensive plan for conducting research. Thus, research methodology is an essential component of the research process. It provides a framework for conducting research and helps researchers to ensure that their findings are accurate, reliable, and valid. By using a systematic and scientific approach to research, researchers can obtain meaningful and valuable insights into various phenomena.

Research Design

For this paper, a qualitative field study will be utilized. Qualitative research aims to explain routine and problematic moments and meanings in individual lives through empirical materials such as case studies, personal experiences, interviews, observations, visual texts, and more (Denzin & Lincoln, 2018). Data sources for qualitative research can include manuscripts, newspapers, diaries, pictures, official and personal letters, artifacts, and individuals themselves through interviews, and the researcher may also participate in the situation being analyzed using ethnography. This research approach was chosen to study the population of takaful providers and experts (academicians and practitioners) in Malaysia and to gain a detailed understanding of the issues.

Consequently, a direct approach is necessary, which entails speaking directly with people (takaful practitioners and academicians), visiting their workplaces, and allowing them to freely express their opinions and experiences, unencumbered by the researchers' preconceptions or expectations based on the existing literature. Qualitative studies seek to provide a rich, contextualized understanding of human experience through intensive analysis of specific cases, and to gain an in-depth, holistic perspective of groups of people, environments, programs, events, or any other phenomenon by interacting closely with the people being studied (Creswell & Poth, 2018).

Data collection method

In the initial phase of the study, the researchers collected data from various sources including books, journals, publications, and websites that focused on Islamic principles, concepts related to Islamic laws, standards and guidelines on finance, and the takaful industry. In addition, the researchers attended seminars, forums, and industry talks to gain a better understanding of the research topics.

Phenomenological study typically involves conducting in-depth interviews rather than relying on observation. The goal of these interviews is to gather as much data and information as possible from the participants (Braidotti, 2021). The researchers interviewed Shariah scholars, academicians, and experts in the takaful industry to obtain their views on the issues under investigation. The researchers then determined which views were most relevant to the study. As noted by Gillham (2018), the selection of the population is crucial to the success of the study, and researchers must carefully consider their prior knowledge of the population to meet the study's objectives.

In the second phase of the study, the researchers conducted focus group discussions to obtain preliminary views related to the research topic. Obtaining expert views is critical to this type of research, and the focus group discussions allowed the researchers to obtain the perceptions, opinions, beliefs, and attitudes of a group of people towards the concept of cooperative takaful. Questions were asked in an interactive group setting where participants were encouraged to talk with one another, ask questions, exchange anecdotes, and comment on each other's experiences and points of view. The researchers analyzed the data and information gathered from the focus group discussions in the same manner as the interview data. Additionally, the researchers held in-depth discussions with the top management of the Suruhanjaya Koperasi Malaysia (Malaysia Cooperative Commission) to obtain their comments and views on cooperative takaful.

Sampling technique

According to Hennink, Hutter, and Bailey (2020), there is no minimum or maximum number of interviews required for a study with a flexible design, hence the sample size is not an issue. In-person interviews were designed to help participants learn about and debate relevant practises and concerns in greater depth. The respondents were chosen using a combination of snowball and purposive selection. Each interview will last around one hour and will be videotaped and transcribed for later use.

Respondents

Interviews and focus group discussions have been performed with key personnel officers of takaful companies, regulators and academics at managerial level in Malaysian private organizations for the analysing existing models in Malaysia and few selected countries such as Sudan, Arab Saudi and United Kingdom. There are seven informants involved in the interviews sessions. In informants came from the various of institutions such as from UUM, Universiti Sains Islam Malaysia (USIM), ISRA, Shariah Compliant Department Takaful IKHLAS, Shariah Department, Takaful IKHLAS, Shariah Advisor MAA Takaful and Shariah Advisor Hong Leong MSIG Takaful.

The focus group discussion was conducted with the top management of Cooperative Commission of Malaysia where all the members including the researchers talked to one another, asking questions, exchanging ideas and commenting on each other experiences and point of views. The purpose of this focus group is not to find consensus on an issue but to determine the perceptions, feelings and manner of thinking.

Interview protocol

In this study, a questionnaire consisting of structured open-ended questions was developed to gather data from the interviewees. According to Rubin and Rubin (2019), the best questions in qualitative interviews are those that are open-ended, neutral, sensitive and clear to the respondent. The variables that were analyzed include the appropriate structure of the cooperative based takaful company, regulatory requirements, investor appetite, and industry feedback on the proposed structure. The interview questions were constructed based on the literature review and were sent to the respondents via email before the session was conducted to allow them to prepare.

The researchers transcribed the interview sessions by referring to their notes and the recorded voice. The transcription method used depends on the research goals and analysis. To compensate for the loss of information during transcription, the researchers created elaborate memos to describe their impressions, observations, and oddities (Miles & Huberman, 2020). This enabled the researchers to organize and analyze the data collected from the interviews effectively. Overall, the use of open-ended questions in the questionnaire and the transcription of the interview sessions in this study are in line with the best practices in qualitative research for gathering and analyzing data.

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Variable in questionnaire form

A set of unordered categories or nominal categories serves as the scale for the measurement of a qualitative variable. The distinction between qualitative and quantitative variables lies in the fact that the former refer to aspects of significance related to quality or attribute rather than quantity or size. This study takes into account the following variables:

i. The views on existing takaful models
ii. Issues in existing takaful models

Qualitative data analysis

In qualitative research, data analysis is the process of transforming collected data into meaningful interpretation, understanding or explanation of the phenomenon, problem or case under investigation. Content analysis is the chosen method for this research. According to Braun and Clarke (2021), content analysis is a method of analyzing secondary data that is commonly used by researchers. It involves systematically analyzing data obtained from sources such as archives and documentation. Content analysis is a widely used method in various genres of written or recorded verbal communication, such as novels, newspaper articles, advertisements, interviews, focus groups, observations, narrative responses and others (Hsieh & Shannon, 2019). Therefore, in this study, content analysis will be used to analyze the data obtained from the interviews and focus group discussions.

Analysis Finding

In this section, the views of seven experts from the takaful industry and academic institutions are presented through the interview process. The experts come from companies such as Takaful Ikhlas, Sunlife Takaful, MAA Takaful and Hong Leong MSIG Takaful, holding high managerial positions. However, to ensure confidentiality, the respondents have been assigned pseudonyms, namely Respondent A, Respondent B, Respondent C, Respondent D, Respondent E, Respondent F, and Respondent G, in no particular order. The views of the Malaysian Cooperative Commission, obtained through a focus group discussion, are also presented in this section to reflect their opinions on cooperative matters.

Expert views on existing takaful models

All respondents in the study conducted by the researchers agree that the current takaful models in Malaysia are based on either *wakalah, mudarabah* or a combination of both. According to Respondent B, Malaysian takaful operators started their operations in the 1980s using *mudarabah* as the basis for exploring the feasibility and marketability of takaful products. However, due to issues regarding the suitability of *mudarabah*, takaful operators explored other models such as *wakalah* and hybrid to find the most suitable contract for takaful. Respondent G points out that shariah and operational issues in pure *wakalah* and pure *mudarabah* concepts have led takaful operators to modify these models into hybrid models, which offer more flexibility to takaful operators to offer more sophisticated takaful products in the market.

According to Respondent C, *wakalah* is preferable among takaful operators compared to *mudarabah* due to less shariah issues and cost advantages. Respondent D and Respondent F also support this view, stating that through the *wakalah* contract, takaful operators can anticipate their operational costs efficiently using fixed *wakalah* fees.

The majority of respondents who provided opinions on the existing takaful business model also agreed that the hybrid model is the most appropriate contract for the Malaysian takaful market. Respondent G contends that implementing wakalah and mudarabah separately is not suitable

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for the entire takaful process, beginning with the evaluation of customers' risk profiles and ending with the distribution of compensation. Therefore, takaful providers advocate for a hybrid model in which wakalah is used in the underwriting process (with regards to risk and compensation management) and mudarabah is employed in investment management.

Expert views on current issues in takaful models

In the discussion, Respondent A and Respondent F have emphasized the shortcomings of current takaful models, which prioritize serving the interest of shareholders over fulfilling the interest of participants. This is evident in issues such as ownership of underwriting surplus and return on investment account, where conflicts arise between shareholders and participants over entitlement to returns. Additionally, Respondent E has highlighted the conflict that arises in the second layer of takaful charge, where takaful operators charge double fees, particularly in the *mudarabah* model. The question of whether takaful operators are allowed to practice "*mudarib yudarib*" requires attention from Syariah scholars and regulators.

These issues demonstrate a profit-oriented approach in business takaful models, rather than the mutuality and *taa'wun* concepts promoted in takaful. Respondent A and Respondent F have expressed concern that too much emphasis on the profit motive will jeopardize the basis of takaful, leading to a loss of the spirit of *taa'wun* and cooperation in the existing models. Respondent B also notes that current takaful models seem to depend on the *tijari* model, rather than the *taa'wun* model, which affects takaful management and structure. This leads to a focus on risk transfer rather than risk sharing, where risks are transferred, rather than shared, between contracting parties.

Respondent A and Respondent C have highlighted legal issues with current takaful models, which are encumbered by many rules and regulations, such as capital adequacy, deposit insurance, and paid-up capital. The burden of fulfilling these requirements falls on management and shareholders, who may need to inject capital into the business, impacting takaful pricing and benefits received by participants. For takaful operators, ensuring capital adequacy is more important than surplus distribution because they must ensure their capital is large enough to cover future financial obligations.

Respondent B and Respondent E have emphasized the importance of addressing Shariah issues in current takaful models, such as in *wakalah* fee, *tabbaru'* issue, and ownership of return and underwriting surplus. To develop competitive takaful products, takaful operators must ensure that methods and models used are globally accepted. While Shariah issues are critical in constructing takaful models, Respondent E, Respondent F, and Respondent G have argued that Shariah issues do not have a significant impact on the perception and trust of takaful participants. Participants are primarily concerned with the benefits and compensation received from takaful plans, and Shariah issues that do not affect Shariah compliancy or decision-making regarding takaful compliance will have no impact on participant trust.

Conclusion and Recommendations

Seven professionals and academics provide their insights on the state of takaful and the challenges that exist within the industry today. The takaful models in Malaysia are either based on wakalah, mudarabah, or hybrid structures, which each have their own benefits, according to the experts. When participants choose takaful operators as their agent in managing their finances and operations, wakalah is acceptable since it offers set returns to takaful operators. Investments where the profits are to be split between the contracting parties are a good fit for

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Mudarabah. Due to Shariah and operational concerns with the 'pure wakalah' and 'pure mudarabah' conceptions, takaful operators have adapted these models into the hybrid model, which allows them greater leeway in providing more complex takaful goods to the market.

The majority of the experts agree that the hybrid model is the most suitable contract for the Malaysian takaful market. This finding aligns with previous studies by Khairi et al (2020) and Hassan (2020) who highlighted that hybrid models are the best takaful model to implement currently. Nevertheless, Respondent A and Respondent F highlight the weaknesses of the current takaful models, which seem to prioritize serving the interests of shareholders over fulfilling the interest of participants. The conflict between shareholders and participants arises in the second-layer takaful charge, especially in the *mudarabah* model. All these issues suggest a profit-oriented approach in business takaful models, rather than mutuality and *taa'wun* concepts as being promoted in takaful.

In addition, Respondent A and Respondent C bring up legal difficulties that are present in the current models of takaful, which are burdened by a multitude of laws and regulations including capital adequacy, deposit insurance, paid-up capital, and other criteria. The responsibility for meeting these requirements falls on the shoulders of management as well as the shareholders; in some instances, the shareholders are required to make financial contributions to the company; this has an impact on the cost of takaful as well as the advantages that are provided to participants in takaful. The maintenance of a capital adequacy ratio, also known as CAR, is more crucial for takaful operators than the distribution of surplus funds. This is because takaful operators need to ensure that their capital is big enough to satisfy their future financial obligations. All of these claims are connected to earlier research conducted by Abd. Rahim et al. (2017), Naim et al. (2018), Salman et al. (2019), Puspita et al. (2020), and a great number of other researchers. These studies, along with a great number of others, have concentrated on the problems that exist inside the takaful business, particularly in terms of the contracts that are utilised.

In conclusion, the experts concur that the existing takaful models in Malaysia are based on *wakalah*, *mudarabah*, and hybrid models, each with its advantages. However, the profit-oriented approach in business takaful models, rather than mutuality and *taa'wun* concepts as being promoted in takaful, jeopardizes the basis of takaful. The burden of fulfilling the legal requirements for takaful operators is borne by management and shareholders, affecting the pricing of takaful and the benefits received by takaful participants. The experts recommend that these issues need to be addressed by the Syariah scholars and regulators to ensure that takaful models are aligned with Shariah principles and serve the interests of all stakeholders.

For future research, several areas could be explored, including a comparative analysis of regulatory frameworks for takaful in Malaysia and other countries, the impact of digital technologies on takaful practices, ethical issues in takaful practices, factors influencing customer trust and loyalty, and the potential of takaful to support sustainable development. Such research could contribute to enhancing consumer protection, promoting industry growth, and aligning takaful practices.

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