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Micro Takaful Insurance as a Tool to Guaranteeing Financing and Protecting Micro Enterprises

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Abstract

Micro Takaful insurance is considered an important incentive for the protection and financing of micro enterprise and low income families. Therefore, it encourages banks to finance these micro enterprises. Micro Takaful insurance mainly supports protecting micro enterprises by using Micro Takaful insurance to aid in financing these enterprises which results in higher return on investment and growth in developing countries.

Micro Takaful insurance should be the corner stone for development in developing countries since it provides the availability to finance catastrophe victims and supporting micro enterprises mainly in agriculture industry. Also, it targets the people living in isolated areas or in difficult living circumstances by supporting them in facing the risks they face, and as a result, it is an effective tools for facing poverty in developing countries.

It is fair to say that the success of micro finance- which is certainly supported by Micro Takaful insurance- is a positive indicator on the availability of protecting the poor people, saving their investments in an economical way, and supporting social security networks. We remind Takaful Insurance Companies that by practicing in Micro Takaful insurance, they are performing their social responsibility towards the society they live in.

We will study Micro Takaful insurance through the following sections:

Section One: Micro Takaful Insurance: its definition, origin, importance and benefits.

Section Two: Micro Takaful Insurance: covered risks and its characteristics.

Section Three: The importance of Micro Takaful Insurance for micro enterprise finance.

Section Four: Micro Takaful Insurance’s international experience and its marketing methods.

Section Five: Micro Takaful Insurance’s future, success requirements and challenges.

Section Six: Results and Recommendations.

Keywords: Micro insurance; Micro Takaful insurance; Micro finance; Micro enterprises; Economic development; Low income people

Introduction

Micro Takaful Insurance: Its definition, origin, importance and benefits

Definition of micro Takaful insurance: Micro Takaful insurance is a contract whereby the operator (insurer) undertakes as an agent of the participants (insured/policy holders) to pay the participant (insured) of the beneficiary a given sum of money or any other indemnity when the risk insured against occurs. The participant (insured) pays the contribution (premium) to the insurer on a donation basis.

Finally, it is the Shari 'a compliant version of Micro insurance.

The Main Differences between Takaful and Micro Takaful Insurance are:

1. Micro Takaful insurance provide protection mainly to the poor people,

2. Micro Takaful insurance provide protection mainly against specific risks,

3. Micro Takaful insurance help poor people to get finance,

4. Micro Takaful insurance is based on brotherhood and solidarity,

5. Micro Takaful insurance is sold through convenient and well-trusted delivery channels,

6. Micro Takaful insurance links with financial services and other services and purchases,

7. Micro Takaful insurance requires a large risk pool,

8. Micro Takaful insurance in most cases need subsidy from the government, charity organizations or the insurance companies (Corporate Social Responsibility) and can benefit from Zakat.

The concept and the origin of micro Takaful insurance: Micro Takaful insurance is not a new concept; it is a new name for a very old practice, a technique intended to provide protection against the risks, where the poor societies in the past developed informal insurance mechanisms to face the risks resulting from: selling assets, money transfers and diversifying crops. Also there was a form of group self-

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insurance in Africa and Muslim communities for wedding, death or any other unpleasant events [1].

Pro-poor Micro finance institutions (MFIs) have been came into existence in the early seventies to the semi-formal sector. Then Modern micro-insurance was developed to accompany the development of the MFI's and NGO's in developing countries; where their success has led to the recognition that poor people can and want to save.

The importance of micro Takaful insurance: There is an urgent, necessary and immediate need for Micro Takaful Insurance where a large portion of those who are below the poverty line live in Muslim countries and nearly 50% of the developing countries are located in countries with predominantly Muslim [2]. These countries characterized by low insurance penetration (which represents the ratio of insurance premiums to GDP), adding to that the religion plays an important and central role in the lives of the poor, and finally Takaful insurance in general, and by subsequently Micro Takaful insurance comply with the roles and teachings of Islam [3].

Keep in mind that micro Takaful insurance is so important that any funding can't be done without it, so it fills the existing gap in microfinance with respect to the need for the availability of security/collateral needed for poor segment on one hand- which represents an impediment to access to finance - and to provide adequate security to financing institutions against the risk of default on the other hand. Micro Takaful insurance encourage financial institutions to finance this category and thus contribute to the reduction of poverty on one hand and turning a large number of the unemployed poor and destitute segment to a working-one and well-off on the other hand. This will reduce the pressure on the state to provide financial assistance to this category forever. So micro Takaful insurance will helps to guarantee loan financiers and works to spread the culture of social responsibility and limit the economic risks and help to eradicate poverty.

The benefits of micro Takaful insurance

The main benefits of Micro Takaful Insurance are [4]:

1. Micro Takaful insurance help guaranteeing loans to financiers.

2. Micro Takaful insurance help reducing the cost of insurance and therefore low income people can afford its premiums.

3. Benefiting from the advantage of other insurance services (risk control and loss reduction).

4. Policyholders would participate in surplus in the event of it accomplished.

5. Limits the wasted economic energy of a large segment of society.

6. Helps in spreading the culture of social responsibility.

7. Contributes to the reduction of poverty and even improve the standard of living for the poor and low-income people.

8. Reinforcing cooperation and solidarity and its reference in all transaction would be the principles of Islamic law (Shari'ah), therefore it would be an alternative to traditional insurance.

The risks it covers and its distinctive characteristics

Members of the community are divided according to their income level and required type of insurance into three groups [2,5]:

First Group: Individuals with very low incomes (less than $ 1.25 per day according to the World Bank definition): They can buy micro insurance, whether private insurance or public insurance or private/public insurance. The number of this group reaches 1.4 billion people.

Second Group: Individuals with low income (1.25-$4 per day): They can buy commercial micro insurance (Press release Munich Re, ILO, 10th of April 2012).

Third: the rest of society: They can buy traditional insurance [6-9].

And bear in mind that there are approximately 4 billion potential customers for the insurance industry with estimated gross written premiums $ 40 billion (Sigma, Swiss Re 6/10), while the number of those who already have micro insurance is estimated to 500 million insured (Munich Re Foundation website: http://www.munichrefoundation.org/StiftungsWebsite/Topics/PovertyAndMicroinsurance/default.htm).

The most important risks that the poor people are exposed to: The poor people (less than $4 per day) and those who are below the poverty line (less than $1.25 per day) are exposed to many risks the most important of them are:

-Sickness, death or disability of the family breadwinner.

-Natural disaster, climatic changes (drought)

-Fire or theft of assets which represent the main source of income.

-Loss of job.

-Frequency of claims/disasters in some areas greater for this category.

The most important types of insurance needed by the poor people and provided by micro Takaful insurance:

a) Type I: Life Insurance:

-Term insurance [10].

-Credit insurance for small loans from the risk of death.

-Disability insurance.

-Savings insurance.

b) Type II: Medical Insurance:

-Treatment costs and hospital stay.

-Serious and chronic diseases.

-Loss of income due to illness.

c) Type III: Agricultural Insurance:

-Crops insurance.

-Animals and livestock.

d) Type IV: Assets and Property Insurance:

-Homeowners Insurance.

-Small and micro enterprises Insurance.

As availability of savings and credit facilities will help the poor to face and overcome unforeseen losses, but that due to the high recurrence of accidents and disasters in the areas where this category live, and a higher claims rate on one hand, and the ability to save or borrow is very limited or non-existent on the other hand. Beside the death or illness or disability of the head of household means inability to pay any outstanding balances of debt, so the insurance can play an important role, even it will be the only resort and the most effective way to confront risks to this category and at the same time maintaining optimum utilization of assets, savings and loans [11].

Takaful insurance is considered one of the economic services sectors that are expected to experience an increasing growth in the coming years at rates ranging between 20-25%, especially with the presence of a fertile environment for the growth. This sector is characterized by plenty of population and the increasing demand for Islamic financial products and services. Among the 100 poorest countries in the world there are 23 countries do not have any micro insurance activity, and out of the 2.5 billion poor around the world, there were only eight million beneficiaries of one form of micro insurance [12].

The following table shows the states that have at least one type of micro insurance [13-15] (Table 1).

The main characteristics of micro Takaful insurance: Takaful insurance is characterized as a mutual insurance as well as its commitment to Islamic Shari'ah/law, but micro Takaful insurance in addition to that is characterized by the following:

1. It focuses and concentrates on the poor and marginalized segment that is capable for production, but is not able to get the funding.

2. It targets a segment that represents a large segment of society that is dangerous to it and can be converted into positive and productive factor.

3. It needs and can benefit from grants, donations and Zakat.

4. It saves for the state a large part of aids and subsidies provided to this segment of society, which does not change its status and need help on an ongoing basis, but it will be turned into a productive and self-reliant by benefiting from micro Takaful insurance and consequently from micro finance.

5. It meets the urgent need for Islamic countries, which is located mostly within the poorer countries as it helps her cope and reduce poverty states.

6. Its premium does not depend on just the cost as it is subsidized.

Types of Insurance	States
Life/Endowment	-India, Bangladesh, Sri Lanka, Nepal, Vietnam, Pakistan, Indonesia, Laos -East Africa, South Africa, West Africa -Colombia, Guatemala, Mexico, Nicaragua
Health/Critical Illness	-India, Bangladesh, Philippines, Cambodia, China -East Africa, South Africa, West Africa -Colombia, Mexico -Georgia, Russia
Crop/Weather	-India -East Africa, North Africa -Mexico, Nicaragua
Property/Asset/Livestock	-India, Nepal, Bangladesh -East Africa -Albania
Funeral	-East Africa, South Africa, West Africa -Colombia, Mexico
Integrated Package	India
Rural Insurance Schemes	India
Group Personal Accident	West Africa
Unemployment	East Africa
Flood	China

Table 1: The states that have at least one type of micro insurance.

7. It is often available and easily accessed by targeted segment, and it understands and takes into account the nature of this segment [16].

The main conditions to be met in micro Takaful insurance:

1. Simplicity: its products should be designed to suit different categories of this group.

2. Cost: it must be reasonable for financial capabilities of this group.

3. Ease: it must be easy to be accessed to for all categories of this segment.

The importance of micro Takaful insurance for micro finance

Micro Takaful Insurance represents lifeblood of micro finance, and we will clarify the relationship between them as follow:

The relationship between micro insurance and micro finance: Takaful insurance market is a promising one, especially if we take into account the existence of nearly one billion borrowers in the micro finance system, which is targeted by micro Takaful insurance.

The following diagram explains the relationship between micro finance and the micro Takaful insurance and the relationship between both of them and reduction of poverty and achievement of security, safety and development [17] (Figure 1).

It is clear from the above diagram that both micro finance and micro insurance are contributing in fighting poverty, reducing its effects and achieving security and development where:

-Micro finance: increase productivity, creates new jobs and composition of assets.

-Micro insurance: raise awareness, protect assets and manage them in well manner and indemnify losses when they occur.

The difference between traditional insurance and micro insurance: There are several differences between traditional insurance and micro insurance, the following table shows the most important differences between them [2] (Table 2).

The difference between Takaful insurance and micro Takaful insurance: There are several differences between micro insurance and micro Takaful insurance, the following table shows the most important differences between both of them [18-23] (Table 3).

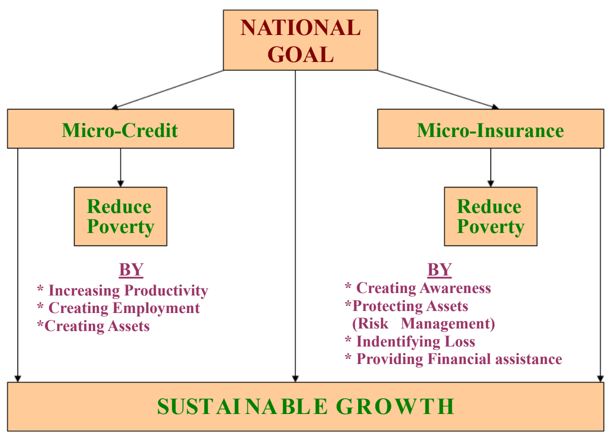

Figure 1: Relationship between micro finance and the micro Takaful insurance.

Consideration	Micro Insurance	Traditional Insurance
Target Market	- Low income individuals - Extremely limited insurance awareness/knowledge	- High and medium income individuals - market is largely aware of insurance benefits
Product design	- Simple product design with easy to understand features - Community of group pricing: limited actuarial data	- Multiple coverage and features - Risk based pricing driven by multiple parameters, good data quality
Marketing and Distribution	- Innovative distribution with multiple tie- up - Usually sold as combined product through microfinance institutions	- Employs conventional channels including agents, banks, internet - Insurance sold by licensed intermediaries
Underwriting	- Simple underwriting practices (often no screening), small sum assured - Simple policy language with minimal or no exclusions	- Comprehensive underwriting: large sum assured - Complex language with multiple exclusions and terms&conditions
Administration	- Irregular premium payments by cash or bundles with other products	- Regular payments paid by cheque, direct bank debit, credit card
Claims Handling	- Simple and quick claims turnaround process: limited documentation	- Comprehensive process: detailed documentation
Asset Management	- As per regulatory norms of investment rules of risk carrier	- As per regulatory norms of investment rules of risk carrier

Table 2: Difference between Traditional Insurance and Micro Insurance.

Consideration	Takaful Insurance	Micro Takaful Insurance
Can it cover high risks?	Normally excluded	Yes
Is it an extension of social insurance?	No	Yes
What about preexisting conditions?	Excluded	Difficult to exclude
Customer segmentation	Formal economy, mostly employed or self-employed	Informal economy, outside the social insurance coverage
Affordability considerations	Upper- to middle-income classes	Bottom of the income and social pyramid; subsidies needed from *zakat* funds, government, donor agencies
Underwriting considerations	Easier to mitigate adverse selection and exposure to fraud	Need to mitigate risk from adverse selection and fraud through links with economic benefits of microcredit, microfinance, or schemes for community and affinity groups
Distribution	Agency, brokers, commercial banks, direct, electronic	Microfinance institutions, rural banks, mosques; no brokers

Table 3: Difference between Takaful Insurance and Micro Takaful Insurance.

Micro insurance aims to reduce poverty and help those who are prone to confront it and not to fall into the clutches. It also provides service to a large segment of the society which no other one can provide it to them. In fact, this important producing segment of low-income which owns and/or works in small and micro-enterprises, which represent a large proportion of society in both developing and poor countries, could be protected by one of two methods [16]:

a) First: Commercial Insurance, which Aims to Profit.

b) Second: Micro Takaful Insurance which is based on Solidarity and takes into Account the Economic and Social Conditions for this Category.

In general, even though both methods are required, however, the first method is not suitable for this category because their inability to afford its cost because it depends on the degree of risk, which in turn is high for this category. As a result, this limits their ability to obtain the necessary funding because of the lack of adequate collateral and therefore they are neither able to get funding nor insurance.

The insurance sector is considered one of the most promising sectors for the national economy because it represents a significant volume of investments as well as it protects the ingredients of the national economy in one hand and adding jobs it's all various branches in the other hand.

At the same time, Takaful insurance contributes to the expansion of banks in financing several projects which result in achieving higher investment rate of return, especially in developing countries, as there is a positive and strong correlation between economic growth and both micro insurance and micro Takaful insurance. Takaful insurance is deemed one of the main tools of providing protection for microenterprises. At the same time, Takaful insurance market has a large segment of customers that is estimated at nearly one billion borrowers in the micro financial system, which is targeted by small micro Takaful insurance.

There is no doubt that there is a significant role lies on the insurance companies for the success of this insurance, where there must be innovation in the products creation and design and in the use of technology in marketing and distributing it. At the same time, it should be borne in mind that micro insurance will lead to an increase in the insurance companies' sales.

c) Small and micro enterprises in the Arab states: One of the positive indicators at the Arab states level is the increased attention to small and medium-sized enterprises such as the establishment of the Arab Union for Small Enterprises in May 31, 2004, which brings together all institutions, bodies, funds, unions, associations, societies, public and private and civil organizations that are engaged in the development, financing, taking care and supporting small enterprises. One of the positive actions, the decision of the economic summit in Kuwait in January 2009 to finance small and medium enterprises and the establishment of a fund for this purpose [16].

Available data for the Gulf Cooperation Council (GCC) indicates that the number of small and medium-sized industrial enterprises accounts for about 85% of the total industrial enterprises, and they occupy more than half of the industrial sector's employment with investments estimated at around 9% of the total investment in the manufacturing industry. It is expected for this project to be a locomotive for economic growth in the Arab countries in the coming decades, and to contribute to providing many jobs needed to meet population steady growth, where the role of small and medium enterprises sector in creating jobs is growing to meet the needs of the Arab countries to create 100 million jobs during the next twenty years.

The Arab Labor Organization report indicates that small and medium -sized enterprises account for more than 90% of the total workforce in the Arab countries' institutions, which employs about 60% of the workforce and its contribution is 50% of the GDP. So, it is considered one of the driving forces behind the growth of the national economy through creating jobs and opportunities for investment and exports. The Director-General of the Arab Labor Organization has announced that small and medium enterprises are the engine of development in the coming period, pointing out that the Arab world has about 12 million small enterprises employs about 30 million employees [22].

Micro, small and medium enterprises are considered the dominant pattern of investments in the Arab countries, they make up nearly 90% of the private enterprises in Kuwait, and small and medium enterprises accounted for about 94.3% of economic projects in UAE, and employs about 62% of the workforce and it contributes about 75% of the GDP [16].

In the Arab Gulf Countries, small and medium enterprises are the backbone of the industrial sector as it represents 85% of the total industrial enterprises, small and medium-sized factories reached (94%) of the volume of the UAE enterprises and (92%) of Qatar, Oman and Bahrain, (75%) of Saudi Arabia and (78%) of Kuwait. A study of the World Bank indicates that 25% of these enterprises in the Gulf Countries are women-owned [17].

In Saudi Arabia: small and medium enterprises, which their majority are led by young entrepreneurs recorded a marked increase, where about 90% of the registered companies in Saudi Arabia is small and medium enterprises (in terms of the total number of employees and turnover). Even though the contribution of small and medium enterprises is only about 15.5% of the GDP, however, Saudi Arabia is witnessing what was described as an explosion in the small and medium enterprises as much as the number is about 80,000 projects.

There are great efforts to find banks, mutual funds and financing companies that can guarantee loans to these enterprises, such as "Kafalah" (guarantee) program implemented by the Industrial Development Fund in Saudi Arabia, which covers part of the banks' risk in the event of small borrowers' default. Although the Kafalah program remains limited as described by the Saudi Shura's Council, but it is expandable.

Among the most important institutions working now in this area in Saudi Arabia are: Saudi Credit and Savings, Small Enterprises Development Denter, the General Organization for Technical Education, the Centennial Fund, Saudi Industrial Development Fund, the General Authority for Tourism and Antiquities, King Abdul Aziz City for Science and Technology, Human Resources Fund, the National Charity Fund, the General Authority for Investment, Saudi Chamber of Commerce and Industry, Abdul Latif Jameel Program for Community Services, Saudi Agricultural Bank, Abdullah Hamad Al Zamil Center for Community Service [16]. Examples from some Arab of countries are: the Tunisian Bank for Solidarity, the 21/21 Fund, the Export Credit Guarantee Company of Egypt, and Small and Medium Industries' loans guarantee in Algeria.

Banks started to use Islamic transactions such as risks sharing rather than the fixed rate. According to a survey conducted on a sample of 57 banks in the Arab Countries, it shows that 59% of the banks in the GCC are using Islamic transactions where only 30% in non GCC Arab Countries [12]. The reason behind this may be due to lack of care and interest of the Gulf Arab banks to finance these enterprises is that dealing with the large enterprises (more than 100 workers) is more profitable under normal circumstances [16].

Dr. Muhammad Yunus the founder of the Grameen Bank in Bangladesh in 1976 did not expect that his initiative will become a model for more than ten thousand program and micro finance bank around the world. So he deserved the Nobel Peace Prize in 2006 for his efforts in this area, as the many of the poor people have been benefited from the "Poor Banks" in more than 54 countries around the world in 2002, and culminated his efforts in the declaration of the United Nations the year 2005 as international year of micro-lending. As a result, it has been recognized its necessity in anti-poverty in micro-loans summit in Washington, 2 - 04/02/1997).

Gulf Fund (AGFUND) has cared of in the experience of Muhammad Yunus of Grameen Bank and even cooperates with him personally. UNFPA is working successfully in cooperation with governments and the private sector to create banks along the lines of the Grameen Bank to spread the culture of micro-finance and explore pilot projects, and honoring it by the award of the global (AGFUND) [16].

The Gulf Fund (AGFUND) has begun this project for the establishment of Poor Banks in 1997 and established the Hope Bank for micro finance in Egypt and Yemen, the National Bank for small enterprise in Jordan and the Creativity Bank in Bahrain, and has many projects in the near future in Sudan and Mauritania, Lebanon and Syria. The Grameen Bank initiative is considered a positive example of social responsibility of the for profit organizations as it makes a balance between the social aspect and the profit one without eliminating each other. At the same time, it has been proven that the repayment rates in this type of lending are high compared with other types of loans as the rate exceeds 90% [12].

Arab Fund for Economic and Social Development refers in his report for the year 2012 about microenterprises that the Arab region is characterized by less levels of access to micro-loans when compared to other regional groups, where the number of beneficiaries of these loans in 2010 is about 2.2 million, and the average value of the loan did not exceed micro $550. Studies show that the share of small and medium enterprise loans of the Gulf banks loans does not exceed 2%" [16].

The international experiences in the field of Micro-Takaful insurance and its methods of marketing

We clarify here the main methods of providing and marketing micro insurance:

Methods of Providing Micro-Takaful insurance: Micro Takaful Insurance can be provided through two models:

a) The first model, which focuses on the poor side that is:

- Focusses on reaching the poor people.

- Depends on its finance and success on subsidiaries (donations and Zakat).

- Delivered by not-for-profit organizations.

b) The second model, which focuses on the business side that is:

- Focusses on Continuity and self-financing (from the insureds' premium)

- Targeted capable people

- Delivered by for profits organizations

It should be noted that micro insurance has emerged before micro Takaful insurance and benefited from the development of conventional insurance and experience that has been gained, so micro Takaful insurance is considered to be in its initial stages.

The most important international practices and experiences in the field of Micro Takaful insurance: There are many successful experiences in the field of micro Takaful insurance in some countries, among them [23]:

a) Philippines: The Philippine government strives to make financial services, including insurance available to all citizens regardless of their income levels, including those with low-income levels. In 1997, the state has issued the necessary legislation to develop and implement a national strategy for microfinance, this led the financing institutions to finance poor people and therefore the savings and lending services became available to them, which let to increasing the number of these institutions from a handful in 1995 to more than 200 institutions in 2013, which provides services to more than 7 million low-income people.

These institutions are financing those articles of livelihood projects and simple activities, but these activities and these people are still exposed to the risks that may ruin their projects and even their lives and their families as a result of the risks of premature death, injury, illness, lose or damage of property etc. Here the state intervened not to provide micro insurance but to create the appropriate legislative environment and determining the risks that need to be covered and urged the private institutions to introducing the needed coverages, where these coverages are provided through commercial insurance companies and associations of cooperative insurance and reciprocal benefits societies in addition to the financial intermediaries (banks, cooperative societies and non-profit organizations and consumer outlets, all these parties participate in the process of underwriting, sales and distribution of the products of micro insurance). All these things lowered the cost of distributing and marketing of insurance in addition to increasing the number of beneficiaries and ease the access to them as a result of benefiting of a large network of financial institution intermediaries with its hundreds of thousands of members [11]. In addition, the state intervened in drafting and simplifying the policy wording and easing the required documents and conditions and adapted the number and methods of premium's payment to be commensurate with the financial flows of the insured in addition to determining the amount of insurance clearly. All these things have led to a boom in the micro insurance industry during the four years from 2009 to 2012.

So the Philippines experiment is considered a successful model in applying micro insurance, so all other countries should benefit from its model and identifying the elements of success particularly with regard to insurance companies and NGOs working in this area in addition to the identification of electronic payment and payment through the mobile service providers, which are used widely in the Philippines and all over the world. All the previous elements made the Philippines to be one of the highest percentage of the insurance coverage, where 20% of the population benefited from micro insurance through agricultural associations and banks.

b) Lebanon: the first type of micro Takaful insurance is appeared in Lebanon in 1997 where agricultural fund was created to submit micro Takaful medical insurance to cover the medical cost that is not covered by the government through the social security fund, which covers 85% of hospital costs. This micro Takaful insurance covers 5,000 families (approximately 23,000 beneficiaries) for monthly premium of $10 per a family, where the villagers and the policyholders bear the cost on behalf of those who do not have the financial ability to pay it. This insurance is available to all sectarians and religions, and there are preferential contracts between the Fund and among health service providers, where the fund members get up to 50% discount. This fund covers more than 180 villages in southern Lebanon and targets primarily the poor communities and weak economy regions. At the same time, the fund provides scholarships.

c) Indonesia: Indonesia is the largest Muslim country and at the same time it has tens of thousands of cooperative societies that are engaged in the field of Islamic microfinance. We can say that Indonesia is the most developed countries in the field of micro Takaful insurance. It goes back to 2006 when the United Nations Development Program-sponsored a study about microfinance in Indonesia resulted in two initiatives: the first represents a partner-agency model between Indonesia Takaful Company and Peramu company where there started Sakinah micro insurance program that is a credit Life Insurance program 2007 [13].

This initiative has introduced term mutual Takaful insurance for the same finance period ranging from six months to one year which was a mandatory group insurance for the Islamic micro finance institutions to secure the loans. These institutions have been established carefully and very close to the poor communities to make the collection of premiums per month very easy where the insurance premiums are paid as part of the finance payments and depending on the outstanding balance. At the same time there are no additional provisions of the insurance policy and the benefits are simple and easy to understand and, more importantly, any claim is settled within a week.

This type of insurance is marketing through conventional and Islamic financing institutions where they cooperate together to raise awareness of micro-insurance compliant with Islamic law. The used model is the agency with fees as the operator gets a fixed fee plus a share of both investment and underwriting surplus. The good thing is that Indonesia Takaful Insurance Company uses part of the Zakat amounts owed in launching and developing micro Takaful Insurance products. The company in partnership with the National Council of Zakat and charity has developed a micro Takaful insurance initiative to beneficiaries of Zakat and charity through a policy covering the risk of death as a result of accidents and natural disasters.

The second initiative was started in 2006 by Allianz, the German through offering micro Takaful insurance policies from a separate window as a copy of the Indonesian micro Takaful insurance, followed by a credit life insurance policy in 2007, with several options: the first option is to cover either the whole amount of finance or the outstanding balance, and the second one is that the beneficiaries get double the amount of insurance, and the third option is that the finance institution will get the benefits of the policy if the husband/wife dies (term insurance for the finance/loan period-mostly 20 months) . During that period, term insurance and natural disasters has been for more than 42,000 borrowers for micro enterprises for a premium of $0.66. An additional amount is paid off for the family as clients' need and the premiums are collected at the time of finance through a very simple procedures and the underwriting process is done by an external source [18].

d) Malaysia: despite the fact that Malaysia is one of the most advanced countries in the world in the field of Takaful insurance but the micro Takaful insurance is still in its early stages and is growing very slowly. In 2007 micro-Takaful Insurance was establishment with cooperation between Ikhlas Takaful Insurance company and the Farmers Malaysian Union (NGO Private not for-profit organization that taking care of the interests of the unemployed and the indigents). This insurance is compulsory, governmental-funded, offers compensation equivalent to $140 to cover the death expenses in lieu of $ 1.8 premium and covers nearly 100,000 farmers at this time. It also offers an optional personal accident insurance that provides compensation equivalent to $ 2,800 in the event of disability or death. The company signed an agreement with the Zakat Centre, which includes 10 agencies (including Post-Malaysian and the Commercial Bank of Malaysia) for the collection of zakat to form Takaful fund to be used to pay the premiums on behalf of the poor people and pays the benefits in case of death, disability, chronic diseases, costs of burial and the costs of hospitals.

e) Jordan: In 2007 it was inaugurated micro financing fund in cooperation with the Jordan Insurance Company to provide a compulsory insured funding for women's projects against the risks of death and partial and total disability for a premium of 0.11% of the loan.

f) Morocco: Microfinance began in the early nineties of the last century to finance small enterprises and to serve those who have been excluded from traditional bank loans. Amanah Foundation was established as the largest microfinance institution to serve nearly half a million clients in rural and urban areas and to provide them with many financial services, including insurance.

g) Egypt: the Credit Guarantee Company for small enterprise has been established by contribution of nine commercial banks and support from government to insure bank credit risks to develop and improve micro, small and medium enterprises by guaranteeing up to 100% of the loans that has been granted without guarantee or collateral by the banks that have an agreement with the company. This encouraged banks to extend loans and facilities for these projects which led to an increase in its number in the small and medium size and increase its contribution to the achievement of economic and social development and to as well as to ease the burden on the government and the public sector by absorbing manpower and forming a broad base of small investors [12].

The company has managed since the start of its activity in 1991 until the end of 2012 to issue of more than 10 billion pounds of guarantee to guarantee the credits that has been granted by banks for micro, small and medium enterprises operating in all economic sectors. Also, the central bank has encouraged banks to lend and develop this sector which allowed it to deduct these loans from their cash reserves that have to keep it.

This new law of the financial regulation of the insurance sector, which was issued in 2014 has allowed the establishment of companies that engage in micro insurance either life or property to have low capital to encourage and support this microfinance activity. Micro insurance is very important in Egypt because the number of small businesses (with fewer than 10 workers) represents 97% of the business volume and that 40% of the population lives below the poverty line.

h) Sri Lanka: Amana and Muslim Aid project was launched to cover 1000 beneficiary and is linked to microfinance (loans in the range of $100) where the annual cost is collected in a weekly base and gives indemnity in case of illness and accidents [22]. Also, Micro Takaful Support Center (MSC) has been established through the International Cooperative and Mutual Insurance Union (ICMIF) to provide micro-insurance products for low-income people.

The Takaful Insurance Company provides micro-Takaful insurance as a group insurance to pay the benefits in case of death, disability, and costs of burial education. And at the end of the year the company sponsor a concert for the group in which the surplus is distributed.

Pakistan: The Kashf company as an intermediary to provide Life Insurance and accidents linked to funding in collaboration with the insurance company, and the insurance is compulsory for anyone who wants funding.

i) Bangladesh: the beginnings of micro insurance go back to more than 25 years (where the first time the villages insurance is offered in 1988 and then the rural endowment insurance is offered. Micro insurance was not adopted in Bangladesh to cover death only but to collect the savings of the poor people, where these systems provide cash money unlike the other countries that provide term insurance with the right of renewal, which covers the risks of death and disability only.

The Bangladeshi experience is considered an extremely wealthy one, especially if we take into account the very low income levels (where the average income per family bread winner does not reach $ 100) and 40% of the population, i.e., more than 60 million people live below the poverty line. The Bangladeshi experiment can be understood from the Delta Insurance Company (a private insurance company), which serve the poor people where:

1. It provided life insurance to more than 80,000 insured.

2. The process of service delivery and the premiums collection is done by delegates from insured's homes.

3. The insured can get a loan using the insurance policy as collateral.

j) India: VIMO SEWA INDIA insurance company offers three types of integrated/composite insurance policies where:

1. It covers risks of death, illness and loss of property or assets.

2. Premiums are paid annually or through fixed periodic payments.

k) China: where the State in partnership with the People's Insurance Company deliver flood insurance as:

1. Compulsory insurance for all residents in the Yangtze River Basin area.

2. The government bears 70% of the premiums and the policyholders bear 30% with a maximum limit of indemnity.

l) South Africa: where there is a burial insurance as:

1. There are 100,000 service providers, whether they are officials or not.

2. The annual premium range between 7.5 - 50 dollars, and the average of indemnity range between 750-1500 dollars.

m) Malawi: where there was unemployment insurance which began in 2003 and which:

1. Launched in cooperation between the Bank of Malawi and a local insurance company

2. It covers three monthly installments in the event of default of the borrower due to unemployment

n) Trinidad and Tobago: in 1999, the Trinidad and Tobago Takaful insurance company has been founded by the Cooperative Islamic Credit Union that has more than 7,000 members and offers benefits for the burial costs in case of death by an Islamic investment fund. The members pay an annual membership of $20 that reduced to $5 for those who are less than 16 years old.

o) Sudan: Micro Takaful insurance experiment has begun in Sudan in 2008 through Shiekan Insurance Company, which provides credit insurance and Family Takaful insurance, property insurance, poultry and livestock insurance, fire insurance, burglary and agricultural insurance [6]. We can say that the micro projects finance system in Sudan consists of:

A) The organizer: The Central Bank of Sudan through the microfinance unit:

Based on Sudan's central bank instructions, the commercial banks allocate 12% of its loan portfolio to be allocated to micro-finance, which amounted to 3.6 billion Sudanese pounds (about 1.5 billion dollars).

B) The financiers: micro finance projects are financed through microfinance unit which consists of:

1. Banks: there are 30 commercial banks, out of them 20 banks financing micro enterprises.

2. Aman Fund to finance micro enterprises: its capital $75 million (200 million Sudanese pounds), 75% from banks and 25% from the Zakat Institution. It gives loans to microenterprises up to $ 4,000 (10,000 Sudanese pounds).

3. Social Fund: financed from the pension fund and Graduates Recruitment Project and others. It provides financial support for the poor and low-income people, including women and the elderly, graduates and retirees.

The most important supporters of microenterprises in the Sudan are:

1. The governments (central, province and municipality)

2. The banks

3. Insurance sector

4. Not for profit organizations

5. Private sector

6. Training centers and universities

Government support for financing micro-enterprises and micro-insurance on small micro enterprises:

1. The government pays 50% of the insurance premiums on crops to insurance companies.

2. The government pay 50% of the margin of speculation (interest) to the banks as an incentive for beneficiaries who repay the loan on time.

p) Ethiopia: in 2010 about 1,300 families have been insured from the risk of drought by micro insurance through cooperation between the two companies: Swiss Re and Oxfam America.

q) Haiti: micro insurance program has been established to help small women businesses to return to their activity after suffering from a natural disaster. Also, a Micro Insurance Authority has been established as a subsidiary of Munich Re.

Methods of marketing Micro Takaful insurance: It is known that Takaful insurance mirrors the investment of the Islamic religion because its underlying authority reference in transactions is the principles of Islamic law (shari'a) which makes it easier to market in Saudi Arabia in particular and in the GCC countries and Muslim countries in general. Therefore, it is the duty of the nation's scholars to raise the public awareness of the Takaful insurance and of its benefits.

With regard to the method of marketing Takaful insurance, mobiles can be used in distributing it to provide information, especially for farmers who know how to read and write. There is no doubt that it should not be the focus of this type of insurance to achieve faster returns but must rely on competitive pricing and innovative products in addition to the discovery of other segments through short- and long-term strategies.

As the micro Takaful insurance has its special characteristics with regard to the targeted segment and the covered risks, we demand to benefit from the high level of expertise available in the field of Takaful insurance and risk management for the deployment and development of micro Takaful insurance. In addition, it should to rely on social marketing, which provides service to the community and does not aim for profit. It also contributes to the development of both social and human factors of the company as opposed to commercial marketing, which focuses on increasing the company's sales only sales. In addition, the entry of multinational companies into the industry is a good addition which contributing to the development of this sector in order to achieve the desired goal. There is no doubt that there is a significant role that is expected from the insurance companies to the success of this type of insurance, where there must be an innovation in the design and creativity of its products and the use of technology in its marketing and distribution. Also, it should be borne in mind that micro insurance will increase the insurance distribution in general.

Who offers micro insurance: There are many key players who can provide micro insurance, such as:

1. Commercial insurance companies

2. Cooperative and Takaful insurance companies

3. Mutual insurance companies

4. Lending companies

5. State through Social insurance

Micro Takaful insurance: Its future, success requirements and challenges

The future of micro Takaful insurance: Takaful insurance is one of the economic services sectors that is expected to experience exponential growth in the coming years in most of the Islamic and Arab countries, at rates ranging between 20-25%, especially with a fertile environment for the growth of the sector which is characterized by abundant population and an increasing demand for Islamic products [12]. The micro insurance (Commercial or Takaful) is a promising market for the insurance sector that has to increase insurance awareness and introduce new products that fit this category, as is incumbent on the social responsibility of insurance companies towards this category.

There is no doubt that there is great hope in micro insurance (Commercial or Takaful) resulting from the concerted efforts and participation of both governmental and private sector, all other not for profits organizations that are interested in small and micro enterprises, the assistances provided by governments and international supporting institutions, grants, donations and Zakat to help this poor and important category at the same time.

The requirement for the success of micro Takaful insurance:

There are a set of requirements which must be met for the success of Micro Takaful Insurance, the most important are [20]:

1. Establishing an unofficially Micro Takaful Insurance System away from the administrative complexities

2. Interacting and communicating with the funder or donor (government, public or private) to raise awareness of the problem of the poor and low-income people

3. Takaful sector has to do an important and pivotal role at least in the following areas:

-Provide technical expertise

-Provide financial assistance

-Cooperation with Micro Takaful and Commercial Insurance providers and other agencies that deal with this layer

4. Issuing Micro Takaful insurance legislation to establish the legal framework for its practice

5. Establishing an independent regulatory body to control, organize and develop Micro Takaful Insurance.

6. Provide the necessary governmental support.

The most important challenges facing micro Takaful insurance: There is a dilemma related to this type of insurance with this layer that is the ability of the insurance companies to bring about a balance between providing the insurance service to a limited or no income layer which at the same time its exposure to risk is very high.

We can sum up the most important challenges that facing this type of insurance as follows [12]:

1. No attention or interest neither from states nor from the financial institutions to this poor layer, which due to:

- This layer does not have the required guarantees or collateral.

- High cost.

- Its success is not guaranteed.

- Its exposure to risk is high.

- Limited ability to meet the needs of this layer with special nature.

2. Failure of the traditional professional insurance institutions to provide insurance for this category has led it to resort to the organizations that are not-for-profit, loans donor agencies and cooperative insurance companies and Credit Unions which inherently suffer from many problems including:

- Lack of expertise in this area.

- Bureaucracy and lack of effective management systems.

- Weakness of the distribution and marketing style that rely on traditional systems that do not fit with this category.

- Unavailability of reinsurance.

- Low Level of education.

3. Absence of insurance awareness.

4. Lack of trust among the individuals targeted by this type of insurance.

5. Lack of an accurate insurance data for the targeted group.

6. Lack of credit information for the targeted group.

7. Lack of awareness of the majority of poor people in developing countries of the nature of micro insurance.

8. Delivering high quality services and credible commitment of the provision of insurance coverage and the speed of claims payment services.

We see that, a major effort must be made to convince the potential clients as borrowers to explain the legitimacy of these loans and at the same time discuss the expansion of the loans, which are described as Islamic as a practical alternative to commercial insurance. It should be understood that many of the young borrowers especially those who suffer poverty do not want to add to it what they may consider the divine disobedience to orders (conventional insurance).

Findings and Recommendations

Findings

Through this research, the researcher has reached the following set of results:

1. Large number of poor people in developing countries is not aware of the nature or even the presence of micro insurance.

2. Takaful insurance reflects the image of the Islamic investment because its underlying reference in dealing is the principles of Islamic law, making it easier to market.

3. The biggest challenge for Micro Takaful Insurance is the insufficient awareness of its importance and its nature in addition to the absence of accurate data, these two elements hamper its growth in developing countries.

4. Due to high risk of small and micro projects, financial institutions are reluctant to provide financing for this group.

5. The spread of micro insurance will lead to an increase of the insurance product' sales.

6. Micro Takaful Insurance contributing in the expansion of banks in financing small and micro enterprises that result in greater investment return and growth rates especially in developing countries as there is a strong positive correlation between economic growth in one hand and micro-finance and micro insurance on the other hand.

7. The entry of multinational companies to this industry is a good addition to contributing to the development of this sector in order to achieve its desired goals.

8. Takaful insurance companies have a great opportunity to take advantage of micro insurance as at the same time they fulfill their social responsibility to the communities in which they reside.

9. The financing conditions is the main problem that faces these small and micro enterprises, whether the scarcity of allocated financial resources from the governments or the tough conditions to borrow from traditional financial institutions.

10. There are some successful practices and experiences of some countries to resolve the problem of financing small and micro projects through creating a governmental body to guaranteeing the financing of commercial banks for these projects in the event of the default any of them. Some examples of the countries are carried out by the American and Indonesian governments as well as the Egyptian government, which established in 1991 The Export Credit Guarantee Company for

small enterprises with the contribution of nine commercial banks. Also, the Jordanian government has established in 1994 the Jordan Loan Guarantee Corporation with a capital of 10 million dinars, to guarantee 100% the financed projects by commercial banks. This experiment is characterized by developing tools to guarantee financing operations that are consistent with the provisions of Islamic Sharia law.

Recommendations

1. Activation of the initiatives of Micro-Insurance for supporting small and micro projects and reducing the cost of insurance for the poor people, especially in developing countries.

2. The legislature should pass laws and facilitate the procedures to allow poor people to take advantage of this type of insurance.

3. The need for strengthen cooperation between state institutions and insurance companies to provide financing for microenterprises.

4. Establishing a specialized body to provide microfinance for the most needed category in the developing countries.

5. Establishing a robust environment for Social Solidarity to benefit from its spread, growth and prosperity.

6. Risks should be management with a high degree of efficiency specially for the loans and life insurance.

7. Design, innovate and develop insurance products for this category and benefit from the use of technology especially the mobiles as channels for distribution and to provide information, especially for farmers and skilled craftsmen.

8. We recommend that Micro Takaful insurance shouldn't depend when setting the price on the actual cost, to be easily available to individuals and to take into account the nature of the targeted group.

9. The researcher recommends the nation's scholars to play an active role in raising awareness about Takaful insurance and its benefits because its reference in dealing is the principles of Islamic law and this will facilitate for them its spread and marketing.

10. We recommend all working Micro Takaful insurance companies to depend on the quality of services provided to customers and to follow a credible commitment of the provision of insurance coverage and in prompt and fair payment of claims when the risk occurs.

11. Developing and stimulating Takaful insurance activities and creating and developing new insurance products that conform to the needs and culture of our society, especially in the field of small, medium and micro enterprises, and adding to it the personal accidents and home insurance.

12. Paying more attention to human resource development for the insurance sector employees, where there is a clear shortage of specialized competencies which affects the provision of human resources to the practice of insurance in general and Micro Takaful insurance in particular.

13. We should rely on banks in the initial phase for the promotion of Micro insurance.

14. We recommend that the new products begin to cover the risks of micro, small and medium enterprises.

15. Relying on social marketing in marketing Micro Takaful Insurance as it offers a community service and does not aim for profit, in addition its contribution to the development of social, human and material elements of the company in the contrary from the commercial marketing, which aims to increasing the company's sales only.

16. Establishing a specialized body for providing Microfinance in developing countries that has among its structure a department for micro-insurance until it spreads, then establishing an independent and separate entity.

17. We recommend the service providers not to focus on achieving quick returns, but must rely on competitive pricing and innovative products in addition to reaching new segments through short- and long-term strategies.

18. Benefiting from the available expertise in the areas of Micro Commercial insurance, Micro Takaful Insurance and micro Takaful insurance and risk management for the deployment and development of Micro Takaful insurance.

19. Under the current situation and the difficulties, challenges and financing problems faced by small and micro enterprises and the tough terms to borrow from traditional financial institutions due to a high risk of these projects that has led to the reluctance of traditional commercial banks and Islamic banks to fund it. This problem can be solved through the establishment of specialized governmental institutions to guarantee these enterprises when the projects financed by the commercial banks in the event of default. We can apply this initiative with taking into account the successful experiences of some governments such as the United States, Indonesia, Egypt and Jordan.

20. We propose the establishment of an Arab institution with considerable capital to guarantee these loans from Arab Banks and Financing Institutions for these projects, which provides the required guarantee/collateral for the lenders, which will lead to expanding of the financing institutions in support this important sector.

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