

THE POTENTIAL MARKET OF ISLAMIC INSURANCE (TAKAFUL) BUSINESS IN INDIA

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ABSTRACT

Various reports in recent years have pointed out at Takaful as one of the growing commodities of the Islamic finance industry. Two important regions, the Gulf Cooperation Council (GCC) states and South East Asia (Malaysia), are practicing it rigorously. There are three major factors behind these developments: - (1) The financial liberalization and the growth of Islamic finance (2) The search of investment and product finance in the emerging Asian economies (3) The increasing awareness of the growing Asian Muslim population about Islamic finance and its various products like Takaful and Sukuk.

In the context of the above background this research paper aims to focus on the prospect of the Islamic insurance industry in one of the emerging Asian economies, India. With the changing dimensions of the Indian economy and market, the possibilities of practicing Takaful in India are increasing. However, we know at present, there is no room for Islamic Banking within the present regulatory framework in India. Speculating upon the application and practice of Takaful in this scenario would seem like day-dreaming. Till now the researchers have done substantial amount of work in this direction but to the best of the author's knowledge, no report has come up with any practical solution to this problem under consideration. The Indian Insurance Act does not stipulate any separate provision for such practice. Unlike the other available literature on the topic, this research paper is based on the discussion and reviews of the leading conventional insurance practitioners in the Indian insurance Market. So this entire discussion revolves around the question: What is the practical solution to this problem? This research paper aims to draw a road map through which Takaful can be introduced in the Indian subcontinent and practiced successfully as a product available for all.

KEYWORDS: Insurance, Islamic Insurance, Cooperative Society, Emerging Economy, Development