



Contemporary Takaful in Thailand: A Community-Empowerment oriented Analysis

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ABSTRACT

The current main-stream Takaful system has been developed and practiced with a great success worldwide. It is becoming a replacement of conventional assurances for the Muslims although currently its share is only a few percentage of the market. However, Fatwa on Takaful has largely ignored the essential concept of community empowerment as founded in Islamic traditions, focused mainly on head-to-head competition (or as alternative) with conventional assurances, thus may cause long-term, negative effects it intends to mitigate for the communities. This article systematically analyses the compatibility of current Takaful system with Qur'an and Sunnah using an Islamic socio-economic and political architectural framework and a state-transition diagram. A serious mode-mismatch was found that would need urgent awareness and remedies. One of the main source of strategic mismatch is the transfer of responsibilities of care-taking activities from the closet (extended families and neighbors within reachable proximity), which is encouraged by Islam, to the outsiders who are indifferent in term of relationship. However, we suggested that the side-effects can be mitigated by proper/partial role-transferring to communities while keeping the strength of commercial providers in place.

1. INTRODUCTION

The word Takaful is derived from the Arabic verb “Kafal”, it means to aid or help out. Literally, Takaful that is about shared responsibilities, solidarity and mutual cooperation. The ideal purpose of this system is not profits or gains but to uphold the principle of mutual assistance and shared responsibilities to take precautions against risks and misfortunes for all individual constituting the

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group. In addition, Funds collected through Takaful premiums are channeled into Shari'ah compliant investments that involve environmentally friendly and socially responsible business activities. Most of the profits from these funds are shared among the participants. Besides, Takaful involves each participant giving away as donation (Tabarru') a certain proportion of the full amount of the contributions required to be paid. Therefore, by joining Takaful, every participant is indirectly involved in charity and social welfare. Conceptually, Takaful is an essential tools for community welfare thus empowering the community via unity, brotherhood and enhancing its sustainability.

Takaful is normally associated with conventional assurances as their replacement or Shari'ah compliant alternative. However, fatwas on conventional assurances or Takaful were based on the contexts of either monolithic Muslim states or individual/business necessities in non-Islamic environment. Thus, contemporary Takaful has been perceived as extended financial arm of global/local financial players to exploit Muslims' wealth while satisfying their basic/religious requirements. So far we rarely come across articles which look at Takaful strategically as a tool for community welfare and community empowerment.

To explore its potential, this articles is a critical, community-oriented analysis of Takaful practices as manifested in the world, particularly in Thailand. There are three main models of Takaful in common practices, namely: Mudharabah model (profit-sharing), *Wakalah* model (expert-hiring) and Mixed model (Combination of both). Two main Takaful operators in Thailand (Finansa Shari'ah and Muangthai Takaful) provide the first and third models respectively. Based on an Tawhidic-empowered- community framework for welfare management as manifested in Ban Nua Community, we found that the current commercial Takaful as offered by both operators is incompatible and rather counter productive if without specific remedies. It is anticipated that current commercial Takaful will jeopardize the inherent value of Tawhidic approach, belittling the community brotherhood and welfare as well as interfering the integrity of mosque-centered community empowerment. One of the main source of strategic mismatch is the transfer of responsibilities of care-taking activities from the closet (extended families and neighbors within reachable proximity) which is encouraged by Islam to the outsiders who are indifferent in term of relationship. The other mismatch is the marketing practice of the Takaful operators which based on their success in penetrating conventional insurance markets. This mismatch could be the main source of improper exploitation which ultimately disunites the members of community. However, the strength of current Takaful is its financial viability and sustainability as seen from global view. Thus we have proposed a Community-based Takaful system by which the negative side-effect could be reduced.

2. CONVENTIONAL COMMUNITY EMPOWERMENT

Community empowerment refers to the process of enabling communities to increase control over their own ways of life and destination. "*Communities*" are groups of people that may or may not be spatially connected, but who share common interests, concerns or identities. '*Empowerment*' refers to the process by which people gain control over the factors and decisions that shape their own ways of life and partially destination. It is the process by which they increase their assets and attributes and build capacities to gain access, partners, networks and/or a voice, in order to gain control. "*Enabling*" implies that people cannot "*be empowered*" by others; they can only empower themselves by acquiring more of power's different forms (1). It assumes that people are their own assets, and the role of the external agent is to catalyze, facilitate or "accompany" the community in acquiring power (2).

Although the foregoing definition is lucid and clear, it does not give a practical guideline on how to empower the communities. That is good and natural because we would have enough flexibility to work on the most important part of community empowerment that is "*how to empower the communities*". It is would be misleading to provide a rigid guideline on the empowering methodologies because different communities would choose different set of goals, culture, values and so forth. However, The Community Development Exchange (CDX) and Change (3) proposed that an empowered community is one which is confident, inclusive, organized, co-operative and influential.

Community Development Values	Dimensions of Community Empowerment
<p>Learning: recognizing the skills, knowledge and expertise that people contribute, building on these and what has gone before</p>	<p>Confident ...working in ways which increase people's skills, knowledge and confidence, and instill in them a belief that they can make a difference</p>
<p>Equality: challenging discrimination and oppressive practices within organizations, institutions and communities</p>	<p>Inclusive ...working in ways which recognize that discrimination exists, promote equality of opportunity and good relations between groups and challenge inequality and exclusion</p>
<p>Participation: facilitating democratic involvement by people in the issues which affect their lives based on full citizenship, autonomy and shared power, skills, knowledge and experience</p>	<p>Organized ...working in ways which bring people together around common issues and concerns in organizations and groups that are open, democratic and accountable</p>

Co-operation:

working together to identify and implement action, encouraging networking and connections between communities and organizations

Social justice:

enabling people to claim their human rights, meet their needs and have greater control over the decision-making processes which affect their lives

Co-operative

...working in ways which build positive relationships across groups, identify common messages, develop and maintain links to national bodies and promote partnership working

Influential

... working in ways which encourage and equip communities to take part and influence decisions, services and activities

Source: The Community Development Exchange (CDX) and Change (2008) What is community empowerment? (www.cdx.gov.uk)

Probably this definition has more practical values because it contains some guideline for being further cascaded into characteristics and actions for empowering specific to a certain community. However, *one missing value (sympathy to the weaks) or dimension (community welfare)* is noticeable. This should not be a surprise because in most countries, particularly developed countries, social welfare is arranged by the governments in national level and thus is taken for grant, unnecessary to state explicitly. This is also true for many wealthy Muslim countries such as Saudi Arabia and most gulf states. Also, this is nothing wrong but, as we will show clearly while performing a careful analysis in next section, this contemporary social architecture is sub-optimal and in severe contexts it would endanger the Muslim communities to the extend that their existence is jeopardized.

The main purposes of the article are at least four-folds: firstly, we want to perform a critical analysis on how contemporary social welfare systems as practiced around the world affect Muslim communities; secondly, we will attempt to outline the general/desirable characteristics of social welfare system in Islamically-empowered community, particularly focus on Muslim communities in a minority context; Thridly, we will contemplate on contemporary Takaful systems as practiced worldwide to point out their incompatibility with community-based paradigm as outlined in Islamic tradition; Lastly, but not less, we will propose a community-based Takaful system which not only compatible with Islamic tradition but also strengthen other dimensions of community empowerment.

3. CLASSIFICATION OF SOCIOECONOMIC AND POLITICAL ARCHITECTURES

It is rare, or probably non-existence in literature, that any author has expounded on socioeconomic and political architectures surrounding the communities and how much influence they play on paradigms we use to empower the surrounded communities. This probably contributes to our ignorance of intrinsic Islamic paradigms for community empowerment. This section attempts to classify the variety of contexts Muslim communities, at various times and places, must expose to.

We will consider five types of socioeconomic and political architectures in existence today or in the past, as depicted in Fig. 1. Two dimensions are considered in this analysis, namely: degree of state secularity (or conversely, degree of state Islamization) and degree of community empowerment (or degree of micro-kernel).

Degree of state secularity is a scale to measure how far the separation between religions and state affairs. Purely secular state is a state that enforces a complete detachment from any religion in state level, thus all religious-oriented groups are treated equally. However, so-called secular states today enforce considerable suppression on some religious-oriented groups of people or communities. For examples, in many countries, religious-oriented Muslim communities, to some extent, is being oppressed by different means and with different levels of suppression.

Degree of community empowerment is another dimension in this analysis. It is a level of conformity with the definition purposed by *The Community Development Exchange (CDX) and Change (2008)* plus Islamic welfare dimension. To some extent we can use "*the degree of community micro-kernel*" as a rough approximation of the degree of community empowerment.

Micro-kernel architecture is the one that immerse communities exerts more independent existence or being more self-sufficient which is normally coincident with the level of community empowerment. Furthermore micro-kernel implies strong connections among empowered communities which enhance the strength of all connected communities. *Monolithic architecture* refers to the state that the communities in its control rely greatly on the support from the state level, particularly in their social welfare. That is, the communities only need to sustain compulsory religious or social functions, thus they are not empowered by definition. *Hybrid micro-kernel architecture* refers to the combination of both in a varying degree of exertion from the government (plus social contexts) and within the communities themselves. In somecases external and internal forces are all positive and synergize each others, for example in an Islamic state when looking from the perspective of empowered communities. In other cases internal

(from within communities) forces tend to counter-balance the suppression from the state and reach some form of equilibrium, for example a suppressive state when looking from the perspective of empowered communities. In general, hybrid micro-kernel is the one that closer to reality and, with its adjustable parameters, will fit well with the contexts of most Muslim communities.

Based on this classification, there are at least five architectural classes in existence, they are:

Islamic state with monolithic (non-empowered communities) architecture

This architecture assumes that all rules and regulations in the state follow the Islamic Shari'ah. The state government will do its best to satisfy the needs of its citizens in Islamic way. However, the state and the communities may ignore the important of community empowerment. This may not optimal however.

Secular state with (non-empowered communities) monolithic architecture

This is the worst case for Muslim communities. Since the state is not purely secular, it will exert a considerable suppression (possibly support as well). If the communities overlook its weakness against the state suppression, the communities are in the risk of social disintegration, diluting their identities and would finally disappear in the sea of suppression.

Islamic state with (empowered communities) hybrid micro-kernel architecture

This is the best situation for Muslim communities. All forces, internally or externally exerted, are in synergy. However, this architecture is counter-tendency, meaning it is not possible to achieve without community's full awareness of Islamic paradigms for community empowerment and with considerable efforts from both state and communities.

Purely secular state with (empowered communities) micro-kernel architecture

Purely secular is idealistic but useful for our analysis. This ideal architecture assume complete neutrality from the state's perspective. If the communities are sufficiently empowered, they will be competitive and posses sustainable positive tendencies.

Secular state with (empowered communities) hybrid micro-kernel architecture

This architecture is the best case for Muslim communities immersed in the non-Muslim states like in most parts of Thailand except in three south-most provinces (Pattani, Yala and Narathiwat) or in the Muslim-secular state. In practice this architecture (or model) should be applicable for a wide range of socioeconomic

and political contexts the communities is facing because of its adjustable parameters namely: the degree of state secularity and the degree of communities' micro-kernel.

Thailand is considered a secular country and most Muslim communities in the country would stay somewhere between monolithic (non-empowered) to micro-kernel (fully-empowered) architectures. Thus we are (always) in a transitional period from non-empowered or partially-empowered communities towards fully-empowered communities (Fig. 2). The question is how to move from a weak architecture to the stronger one in a full speed and in a sustainable way.

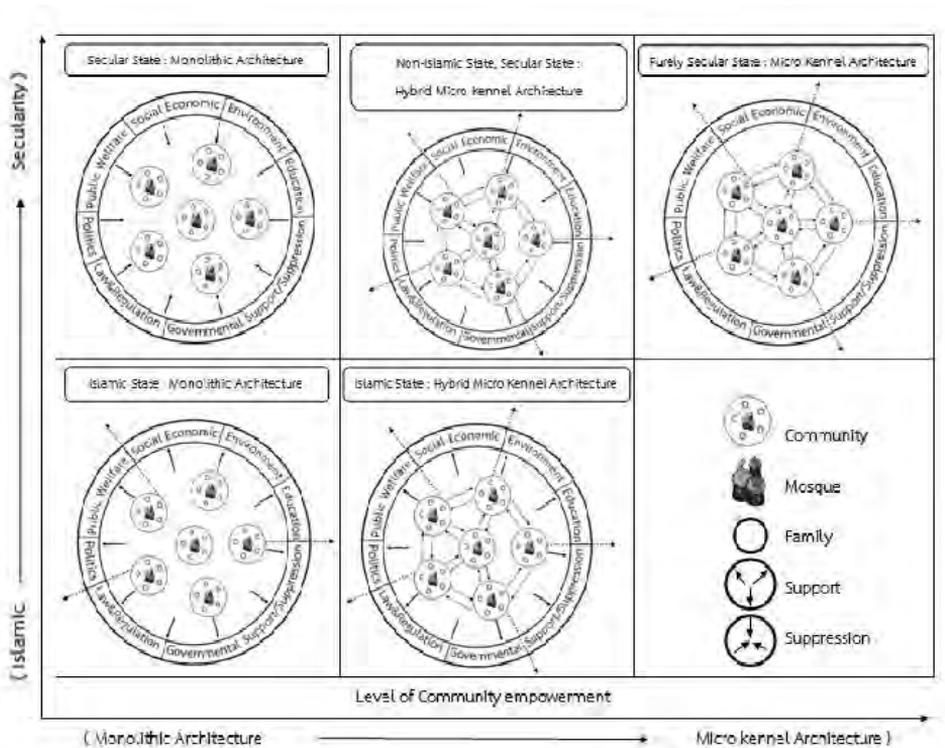


Figure 1: Socioeconomic and Political Architectures of communities

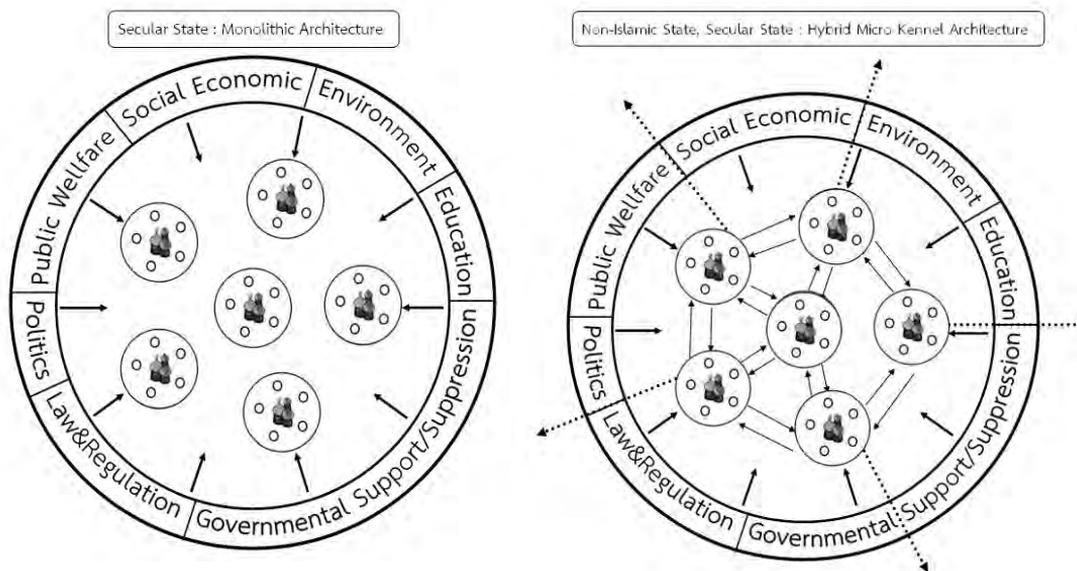


Figure 2: A generic transitional model for empowering Muslim communities: the state transitional view

4. HOW SOCIOECONOMIC AND POLITICAL ARCHITECTURE LIMITS THE CHOICE OF COMMUNITY EMPOWERMENT

All communities is struggling to survive, expressing their identities and trying to exert power beyond their geographical boundaries. Strong communities will prosper and weak communities will gradually dissolve, if without empowerment. However, most communities are not lucky enough to avoid severe competition in all levels of their presence. The situation of Muslim communities in middle and upper southern parts of Thailand is similar to that depicted in Fig. 2. That is we are in a secular state (not pure, however) that exerts some form of suppression, rendering us noncompetitive unless our communities is in the transitional process of empowering themselves. This is only option available if we want to remain competitive or become more competitive within our context. As mentioned earlier, there are at least six dimensions (or values) of community empowerment and social sympathy (or community welfare) is one of them. In this paper we will restrict our discussion on one dimension of Muslim communities' empowerment: *the community welfare*.

5. MUSLIM COMMUNITY WELFARE SYSTEM AS ESSENTIAL PART OF COMMUNITY'S FINANCIAL FLOW

Two special characteristics of Islamic paradigm for community empowerment are its mosque-centric approach and its emphasis on Zakat and community welfare. Any other approach which remotes itself from mosque-centric outlook will be counter-productive and non-sustainable. As Zakat and community welfare is inherently embedded into community's way of life, any attempt to take away this function (Zakat and community welfare) from the mosques will drive the community towards a sub-optimal and confusing states.

Thus it is worth looking closely at the financial mechanism driving a Muslim community. Although the following tree diagram for community's financial flow is oversimplified and written in quite an isolated manner, the reality is that no community is isolated and an isolated community is not sustainable.

A community can be considered rightly as a social enterprise of which its ultimate goal is to maximize shared values among its inhabitants (the community's members). While doing business, it reaches highest values when its clients (community's members) are fully empowered according to the aforementioned criteria. In this framework, all flowing wealth owned by all community's members are considered the community's capital, or the community's wealth. However, in this diagram we will focus on only the community's wealth which can be directly managed collectively by the mosque. At least seven sources of income for the community, they are as follows.

- **Donations:** Sadaqah Jariyah .
- **Investment fund for community's business:** The mosque owns some community businesses where community's members share their investment.
- **Saving fund for outside investment:** When saving fund exceeds community's capacity to manage profitably, the community saving group will invest it into a low-risk, Shari'ah compliant companies outside the community.
- **Zakat:** a part of wealth needed to "purify" the rest of personal or collective wealth. It is to be distributed among eight classes of needy people.
- **Loans:** Loans in the name of the mosque obtained from any pure sources.
- **Community product sales:** The sale managed collectively by the community.
- **Takaful fund:** To be elaborated in the next section.
- **Tabarru fund:** To be elaborated in the next section.

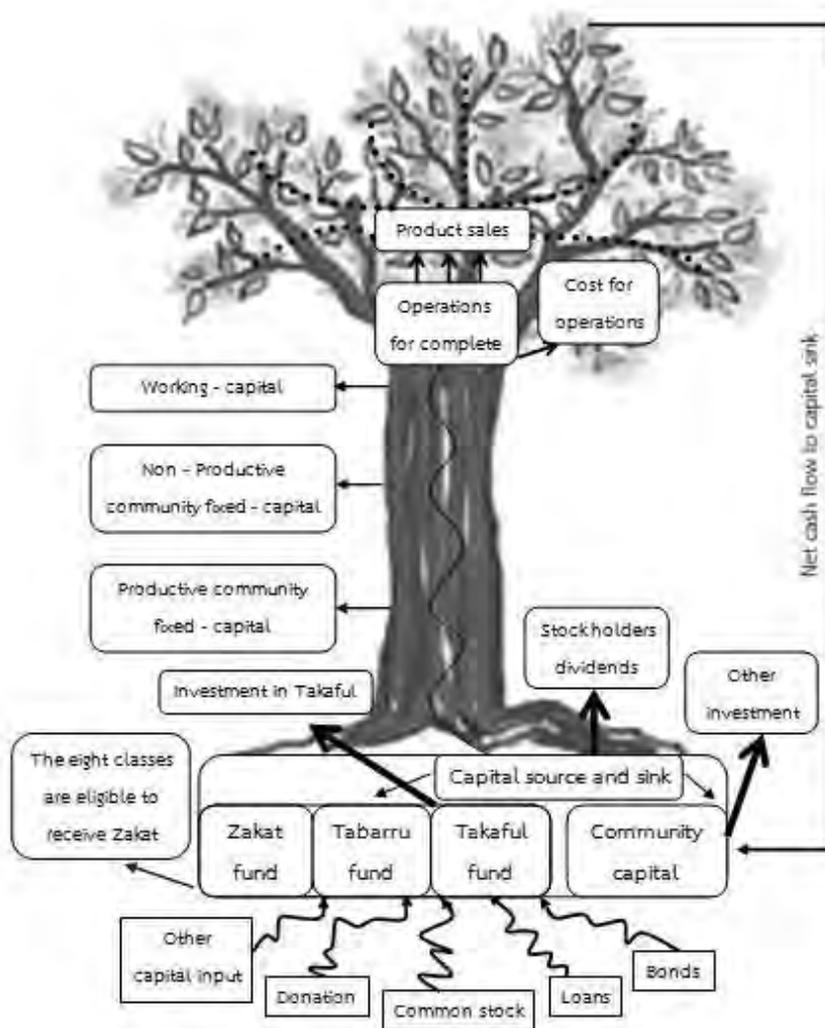


Figure 3: Tree diagram for community's financial flow emphasizing on Muslim community's welfare systems (zakat fund, takaful fund and tabarru fund)

The understanding of whole cycle of community finance as depicted in **Fig. 3** is essential to understand all relationships among various kinds of community funds as well as to understand the roles of Takaful in the context of community empowerment.

The growth of community's wealth is like the growth of a tree. It needs a continuous investment and wealth generation, not to mention social capital which

can not be measured easily or financially. The growth rate of community's wealth depends strongly on how fast the financial flow (cycle) within the community, the rate of external input in form of capital investment, donations and product sales and the productivity of community itself. Since we are focusing on community welfare, let us discuss mainly on the capital source and the sink (underground section of the tree) where welfare fund of the community is located.

There are two entities directly related to community welfare, namely: Zakat fund and Tabarru fund. *Zakat* is well-defined, calculated and collected from capable community members (or even outsiders) according to Shari'ah ruling. It must be distributed to eight categories of most needy people. *Tabarru*, however, is a risk sharing fund collected from Takaful fund according to a specified rate or directly from community members who want to join the scheme without investing in Takaful fund or from donation (Sadaqah). Tabarru is to be paid to Tabarru's members (or their relatives) who meet certain criteria such as having accident, death, having admitted into a hospital as in-patient, so forth.

6. WHAT IS TAKAFUL?

The word Takaful, or Islamic insurance, is derived from the Arabic verb “Kafal”, it means to aid or help out. Literally, takaful that is about shared responsibilities, solidarity and mutual cooperation. Technically, takaful is a legally binding agreement between all the participants of the scheme to pay any of the members who suffer a loss as specified in the takaful certificate (policy). Takaful scheme has been evolved from the teachings of Islam i.e. on the basis of the Qur'an and the Sunnah (Traditions of Prophet Muhammad). The Quran says:

“Help ye one another in righteousness and piety, but help ye not one another in sin and rancor”. (The Qur'an 5:2)

The Prophet Muhammad (P.B.U.H) said:

“The believers, in their affection, mercy and sympathy to each other, are like the body, if one of its organs suffer and complains, the entire body responds with insomnia and fever” (Muslim)

It is a generally accepted view that Islamic insurance was first established in the early second century of the Islamic era, when Muslim Arabs began expanding their trade to India, Malay Archipelago and other countries in Asia. Due to long journeys/voyages, they often had to suffer huge losses because of mishaps and misfortunes or robberies along the way. Based on the Islamic principle of mutual help and cooperation in good and virtuous acts, all the traders mutually agreed to contribute to a fund before they started their journeys. The fund was used to

compensate anyone in the group who suffered losses through any mishap. This was then copied by the Europeans who later used the concept to develop marine insurance. (5, 8)

The ideal purpose of this system is not profits or gains but to uphold the principle of mutual assistance and shared responsibilities to take precautions against risks and misfortunes for all individual constituting the group. In addition, Funds collected through Takaful premiums are channeled into Shari'ah compliant investments that involve environmentally friendly and socially responsible business activities. In order to ensure that a Takaful scheme operates within the principles of Islamic teachings, the transactional aspects of the system is subjected to Islamic contractual laws. Hence, Takaful contracts are based on the principles of Mudarabah, (limited partnerships) which means profit and loss sharing. Most of the profits from these funds are shared among the participants. Besides, Takaful involves each participant giving away as donation (Tabarru) a certain proportion of the full amount of the contributions required to be paid. Therefore, by joining Takaful, every participant is indirectly involved in charity and social welfare. Conceptually, Takaful is an essential tools for community welfare thus empowering the community via unity, brotherhood and enhancing its sustainability.

6.1 A brief history of Takaful

In January 1979 the Islamic Insurance Company Ltd. Sudan was the first ever insurance company established in the world to transact business according to the Islamic Shariah. The entire authorized capital of this company was subscribed to by the Faisal Islamic Bank. In Malaysia, the Islamic Insurance Company was established as a private limited company (in accordance with Companies Act 1965) in November 1984 and started its operation from August 1985 as a composite Islamic insurance company. It may be of interest to note that in Malaysia the Islamic Insurance Company (known as the Syarikat Takaful Malaysia) is practically a subsidiary of Bank Islami Malaysia Berhad, which owns 51% of the paid up capital of the Takaful company. The balance of 49% of the shares are owned by the various State Religious Councils and State Religious Foundations within Malaysia.

Currently, there are over 150 "Takaful" operators in Muslim countries worldwide. During last twenty seven years Islamic Insurance (Takaful) has developed mainly in Sudan, Egypt, Saudi Arabia, Iran, Kuwait, Lebanon, Malaysia, Brunei, Indonesia, Singapore, U.A.E., Bahrain, Bangladesh, Nigeria, Tunisia, Bahamas, Belgium, South Africa, Switzerland, Australia and in the USA. Interestingly Takaful is seen in the non-Muslim world as well. For example, in Singapore there are less than half a million (15% of total population) Muslims but at least two operators are now providing Takaful

scheme in Singapore. In non-Muslim countries, the scheme is also likely to grow if the operators can prove their worth in comparison to conventional insurance products. In Muslim countries, Malaysia seems to be the single most successful country in terms of Takaful. In Singapore, about 22% of the present Takaful policy holders are non-Muslims. (4, 6)

Currently, Islamic insurances share only a few percent of global insurance industry. However, according to recent statistics, global Takaful business have grown from 1.4 billion US\$ in 2004 to 4.3 billion US\$ in 2010 and predicted to reach 8 billion US\$ in 2012. Takaful is growing 35% faster than conventional insurance worldwide and continue to follow this trend for at least another decade. This reflects an early stage of the product cycle of Takaful business which is very attractive for both global and local investors. (6)

It is also interesting to notice that the wide-spread of contemporary Takaful business until today is a result of profit-driven strategies and based on the success of conventional insurances on one side and the need for Shari'ah compliant on the other side. The establishment of commercial Takaful ignores the present of physical communities (but assumes that now communities are virtual) as if they have no role at all in social welfare domain. In other words, commercial Takaful is a de facto alternative to the welfare system run by local communities and can replace it almost completely. However, this is not to say that community-driven Takaful system does not exist, but it simply reflect that they tend to be concealed by the giant brother, "the commercial Takaful".

7. FATWAS ON CONTEMPORARY TAKAFUL

Most of us would perceive that Takaful is an Islamic version of commercial insurances. This is quite true because the history of it development has been tightly coupled with the success of conventional insurances which are not permissible in Islam and constantly force Muslim Ummah to counter-balance them by creating Shari'ah compliant alternatives or otherwise accept them out of necessities.

Thus, Takaful is normally associated with conventional assurances as their replacement or Shari'ah compliant alternative. Although, fatawa on Takaful are not uniform (11), one can claim that a large majority of contemporary Islamic jurists approve it under a condition that no component or transaction involves Riba (interest), Gharar (uncertainty) and Maisir (gambling). However, fatwas on conventional assurances or Takaful were based on the contexts of either monolithic Muslim states or individual/business necessities in non-Islamic environment. Thus, contemporary Takaful has been perceived as extended financial arm of global/local financial players to exploit Muslims' wealth while satisfying their basic/religious requirements. (7) So far we rarely come across

articles which look at Takaful strategically as a tool for community welfare and community

8. CONTEMPORARY TAKAFUL MODELS

There are at least four Takaful models used commercially around the world, namely: Mudharabah (profit-sharing), Wakalah (agency), Mudharabah-Wakalah and Wakalah-Waqf. We will not discuss on the last one because it is currently not being practiced in ASEAN region.

There are quite a number of diagram presentations attempting to illustrate the mechanisms by which each type of Takaful model is operated. (6,9,10) However, we found that the one from *Syarikat Takaful Brunei Darussalam Sdn Bhd* (<http://www.takafulbrunei.com.bn/>) is most appealing and self-explained.

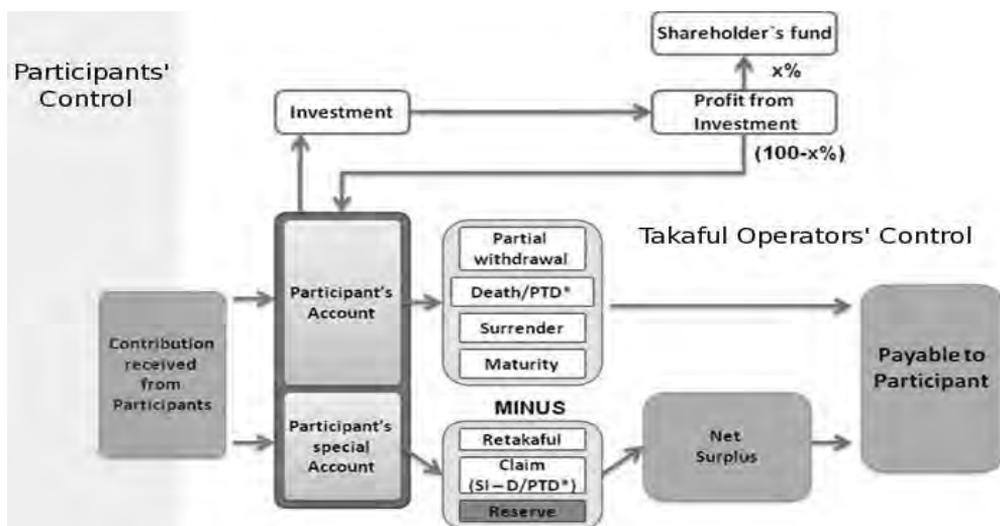


Figure 4: Takaful mechanisms: Wakalah (agency) model

Source: <http://www.takafulbrunei.com.bn/>

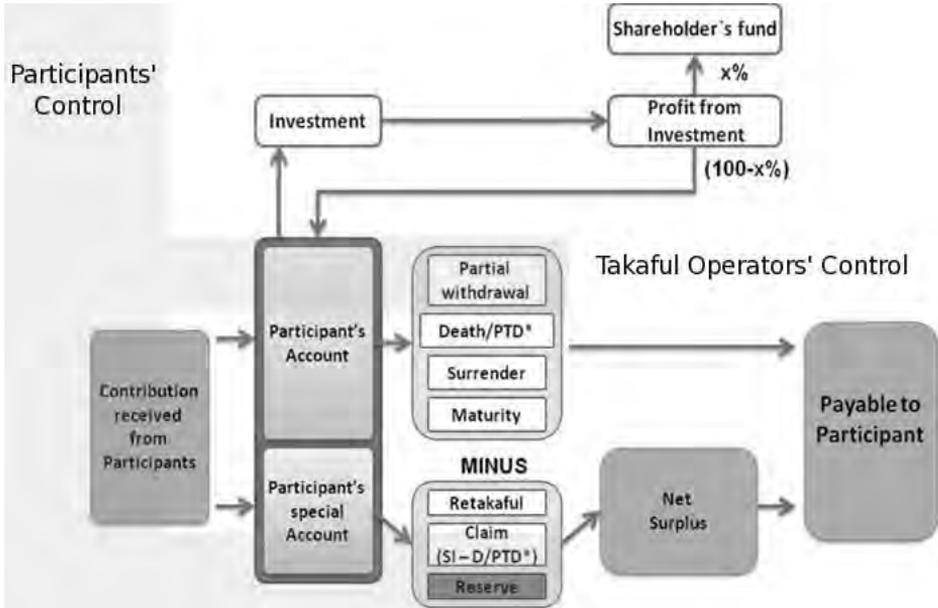


Figure 5: Takaful mechanisms: Mudharaba (profit-sharing) model

Source: <http://www.takafulbrunei.com.bn/>

D – Death

TPD – Total Permanent Disability

PA – Participant Account (Saving)

PSA – Participant Special Account (Tabarru` Fund)

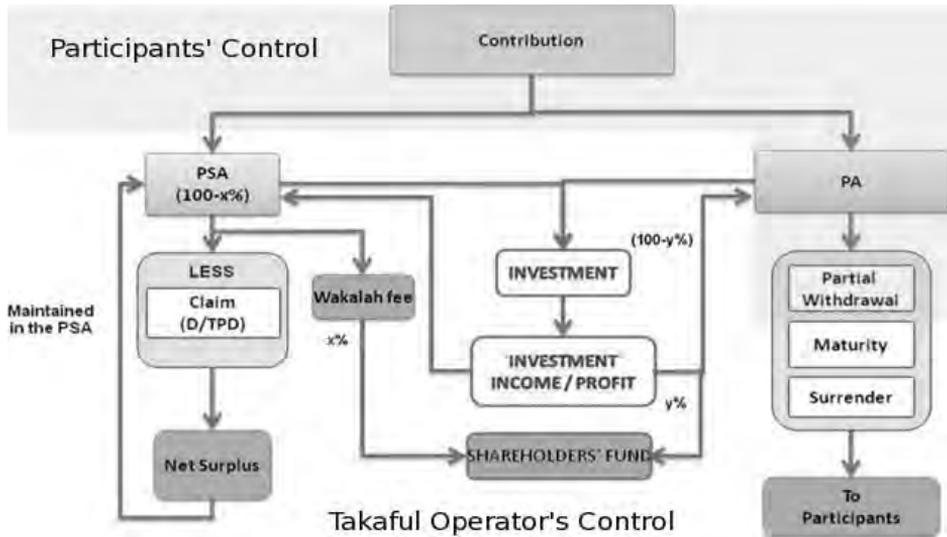


Figure 6: Takaful mechanisms: Mudharaba-Wakalah (mixed) model

Source: <http://www.takafulbrunei.com.bn/>

Contemporary commercial Takaful models are purely client-server or client-provider architecture/relation such that physical/geographical-oriented communities are left out completely. Again, it is of no surprise because they have been developed in-line with the conventional insurance practices although we are claiming that contemporary Takaful models differ from those of conventional ones in a big ways. For example, the following claims are due to Omar Fisher and Dawood Y.Taylor (12)

Conventional Insurers	Takaful Operators
Sources of laws & regulations are set by state and man-made.	Sources of laws are based upon Divine revelations (Holy Quran and Hadith)
Profit-motive, maximizing returns to shareholders.	Community well-being optimizing operations for affordable risk protection as well as fair profits for the operator.
Profits and/or Bonus units to be returned to policyholders as determined by managers and Board of insurer.	Takaful contract specifies in advance how and when profit/surplus and/or Bonus units will be distributed .
Initial capital supplied by shareholders.	Initial capital supplied by Rabb al Mal (Agent) or paid in via premiums from participants.
Separation of policyholder and insurer with differing interests.	Coincidence of interests between policyholder and operator as appointed by participants.
Transfer of losses among insurance pools and from policyholders to shareholders.	Losses retained within classes of business written and sole obligation of Participants.
Right of insurable interest is vested in the Nominee absolutely in Life insurance.	Right of insurable interest is determined by Islamic principles of Faraid (inheritance).
Insured may elect cost or replacement cost valuation and claim accordingly whether or not they chose to rebuild property.	Insured may not "profit" from insurance and entitled to compensation only for repair or rebuild or replacement.
Agents and Brokers are typically independent from insurer and paid a fee from the premium charged to policyholders that is not disclosed that is not disclosed.	Agents are employees of the Takaful and any sales commission should be disclosed.
Investment of premiums conducted by insurer with no involvement by policyholders.	Takaful contract specified under principles of al Mudharabah how premiums will be invested and how results are shared. Under al Wakalah, similar practice plus Participant can direct his investments into a range of unitized funds.
Insurer invests premiums consistent with profit-motive with no moral guidelines; hence	Takaful invests premiums in accordance with Islamic values and Shariah

Conventional Insurers	Takaful Operators
co-existence of Al Riba and Al Maisir.	guidelines.
Dissolution - reserves and excess/surplus belong to the shareholders.	Dissolution - reserves and excess/surplus could be returned to Participants, although consensus opinion prefers donation to charity.
Taxes - subject to local, state and federal taxes.	Taxes - subject to local, state and federal taxes (if any) plus obligated to arrange annual tith (Zakat) donations to charity.
Benefits paid from general insurance account owned by insurer.	Benefits paid from contributions (Al tabarru') made by participants as mutual indemnification.
Accounting consistent with GAAP and prevailing statutory rules Auditing for uniform application of accounting standards.	Accounting standards consistent with national rules (with may be GAAP) plus prevailing statutory rules. Auditing same standards plus conformance with Islamic rules; typically with Sharia Advisory oversight.

Source: *Prospects for Evolution of Takaful in the 21st Century* by Omar Fisher and Dawood Y. Taylor (Copyright and reserved by Fellows and President of Havard University, Mass , USA . April 2000)

Takaful Ta'awanu, Bank Al-Jazira even argue the validity of Wahalah model as opposed to community-run Takaful as follows.

1. It is difficult for takaful members to voluntarily carry our the administrative works as the scheme gets bigger.
2. To set up a takaful operation system during the initial phase of the program requires heavy expenditure on the part of members. The question now is whether all members agree or can afford to contribute towards meeting this high start up cost.
3. During the early phase of implementation, it is possible that claims, retakaful cost and expenses could exceed collected contributions together with investment income. This would mean a loan to the participants is needed to avoid insolvency of the takaful program (i.e. inability to pay claims). From an Islamic perspective this is undesirable for it may reflect poor management of the takaful program.
4. Members may not have all the technical expertise associated with managing the takaful funds. The skills required are underwriting, marketing, claims management, legal, accounting, actuarial, IT and so on.
5. The takaful program may not be managed in an organized or structured manner unless a dedicated, professional, highly skilled and financially reputable party is involved.

It is no doubt that commercial Takaful as practiced in current forms is viable, profitable and will continue to play major roles in Islamic finance, However, negligence of the roles of local communities will cause long-term negative effect to the empowering process of Muslim communities particularly those which are bounded in secular non-Muslim countries. And this will need urgent remedies.

9. CONTEMPORARY TAKAFUL PRACTICES IN THAILAND

There are three main models of Takaful in common practices, namely: *Mudharabah* model (profit-sharing), *Wakalah* model (expert-hiring) and Mixed model (Combination of both). Two main Takaful operators in Thailand (Finansa Shari'ah and Muangthai Takaful) provide the first and third models respectively. Both Takaful operators offer a wide-range of products mimicking the conventional insurance products. In general, what was explained in previous section is also applicable to Thai context. Again, communities are completely neglected from Takaful equations.

10. MODES MISMATCH: THE CASES OF THAI TAKAFUL PRACTICES

What is modes mismatch?

In this article, modes mismatch refers to *a situation by which one/some solutions developed from a certain contexts or circumstances are applied to a situation governed by different sets of constraints*. The constraints can be social architecture and norms, strategical approaches, religious obligations, law and regulations, technology, geographical location, historical background, etc. Just like a food formulated for weight control purpose is being used to feed a starving group of people! Or just like a doctor wrongly prescribes a same set of medical to all patients who seem to show similar abdominal pains despite the pains could be derived from completely different root-causes.

Why modes mismatch is serious?

In many cases, temporary modes mismatch is quite natural and acceptable and may be a part of trial-and-error process to search for better solution to a problem. However, when it comes to life-and-death type of decision making, social disintegration, inability of current/next Muslim generation to counter dragging force of capitalism, the loss of long-term competitiveness of grass-root people, or the loss of community's integrity, solidarity, essential religious/social structures, Islamic values and finally the dilution of correct believe in our descendants, we will certainly take it very seriously.

What is really Takaful's modes mismatch?

Since the developers of commercial Takaful, from the past to present time, they have forgotten to put concrete communities (one of a central focus of Islamic tradition) into their equations, we may guess that mode mismatch would occur.

Let us start with the situation of Muslim minority in Thailand, particular focus is on most parts of the kingdom except the three south-most provinces. In this case, one of the easiest way to visualize the situation is to analyze the transition diagram depicted in Fig. 2. Like it or not we have no choice, and must transform the Muslim communities from being floating around (weak and dissolved into a monolithic society) into connected strong-micro kernels (strong, competitive, well-organized and fully connected). In the process of transformation we must observe Islamic traditions very carefully and we strongly believe that unless we can grasp the essence of the traditions we would move into the sub-optimal paths. We also believe that Qur'an and Sunnah not only guide us to do good deeds (Halal and Tayyiban), abstaining from any degrading behavior but also provide many strategical hints (Hikmah) for us to explore, extend, and further develop to obtain the best answers to our current challenges.

We will not elaborate on why the most encouraging approach to build strong communities is so-called "mosque-centric" approach because it is now very well-recognized and proven in many places and times. In Thailand, Ban Nua Community, Hai Yai, Songkhla, provides an excellent model based on this traditions. (13) However, let us focus only on the following question:

How social welfare should be arranged in mosque-centric, empowered communities?

Let us observe the following traditions from Qur'an and Sunnah.

"They ask you (O Muhammad) what they should spend in charity. Say: 'Whatever you spend with a good heart, give it to parents, relatives, orphans, the helpless, and travellers in need. Whatever good you do, God is aware of it.'" - The Holy Quran, (2:215)

"Righteousness is this that one believes in Allāh and the last day and the angels and the Book and the prophets, and gives away wealth out of love for Him to the near of kin and the orphans and the needy and the wayfarer and the beggars and for the emancipation of the captives, and keeps up prayer and pays the zakāt" (2:177).

'When one of you is poor, he starts with himself. If anything is left, he spends it on his dependents. If anything is (still left) then on his relatives,

and then, if more is left, he spends it here and there.' (Prophet of Allah (SAS) related from Jabir.)

The Noble Prophet said, "Whatever you feed yourself with is a charity, and whatever you feed your children with is a charity, and whatever you feed your wife with is a charity, and whatever you feed your servant with is a charity." (14)

The Prophet Muhammad (peace be upon him) said: "Shall I guide you to the best (form of) charity? It is to provide for your daughter when she (returns) to you (because of divorce or other circumstances) and has no one but you to provide for her." - Al-Tirmidhi, Hadith 1296

The Prophet also said: "Charity given to a relative it serves a double purpose, being both charity and a connecting link." - Al-Tirmidhi, Hadith 606

Abu Hurairah narrated that Prophet Muhammad (peace be upon him) said: "You spent one Dinar for the fight for the sake of God, one Dinar to liberate a slave, one Dinar to a poor person, and one Dinar to support your family. The most rewarded Dinar is the one that you spent on your family." (Muslim)

Thawban, the Prophet's servant, narrated that Prophet Muhammad said: "The most rewarded expenditure is what a man spends to support his family, on his horse that he uses to fight in the way of God, and on his friends for the sake of God." The narrator commented: "Notice that the Prophet started with the family." (Al-Bukhari)

Sa`d ibn Abi Waqqas narrated that the Prophet said: "Everything you spend for the sake of God gets you a reward, even when you feed your wife with your hand." (Al-Bukhari)

Abu Mas`ud Al-Badri narrated that the Prophet said: "If a man supports his family with the intention to get a reward from God, he will be rewarded the reward of charity." (Al-Bukhari)

It is so obvious that Islam prioritizes the charity into two ways. The first ways is to satisfy the badly needs of eight types of needy people by the Zakat channel. This is the thing everyone know and need no explanation here. The second way is through voluntary donations appearing in many forms. For this type of welfare fund, Islamic tradition both from Qur'an and Sunnah, prioritizes its use according to the nearness/closeness to donators or the closeness to the local mosque (if it is to be managed by the mosque). This implies that the best model for empowering

the Ummah is to start from yourselves, your families, your closed relatives, your communities, then expending your generosity outward according to your capacities.

Thus, in current practices world-wide, commercial Takaful is moving in the opposite direction of the one recommended by Islamic traditions. This is not to say that the contemporary Takaful should be discouraged in all cases, because by doing so we would jeopardize the competitiveness of Islamic financial system as a whole. However, we need to activate the right modes for the right tasks. Since the contemporary Takaful is working in the global mode to defend Muslim Ummah from capitalists' financial onslaught, and in no way the micro-kernel mode would be able to counter-balance the huge financial force within a few decades to come. Furthermore, in many cases one can resort the commercial Takaful for his own or his family's financial protection while the right-mode, community-based Takaful system could not be well-developed within a required time frame and within his reach. Nevertheless, the most striking fact is that we need to develop the Takaful system which is designed to run effectively in micro-kernel mode as soon as possible. It is actually incumbent for authorities in all levels of the Ummah to realize these neglected Islamic traditions and put it into practice in modern, well-organized, effective manners as soon as possible. Otherwise, contemporary Takaful would penetrate more into the floating, weak communities and its modes-matching could cause a severe damage to the communities particularly the disadvantage group of communities' members.

Based on an Tawhidic-empowered- community framework for welfare management as manifested in Ban Nua Community, we found that the current commercial Takaful as offered by both operators is incompatible and rather counterproductive without specific remedies. It is anticipated that current commercial Takaful will jeopardize the inherent value of Tawhidic approach, belittling the community brotherhood and welfare as well as interfering the integrity of mosque-centered community empowerment. One of the main sources of strategic mismatch is the transfer of responsibilities of care-taking activities from the closet (extended families and neighbors within reachable proximity) which is encouraged by Islam to the outsiders who are indifferent in term of relationship. The other mismatch is the marketing practice of the Takaful operators which based on their success in penetrating conventional insurance markets. This mismatch could be the main source of improper exploitation which ultimately disunites the members of community.

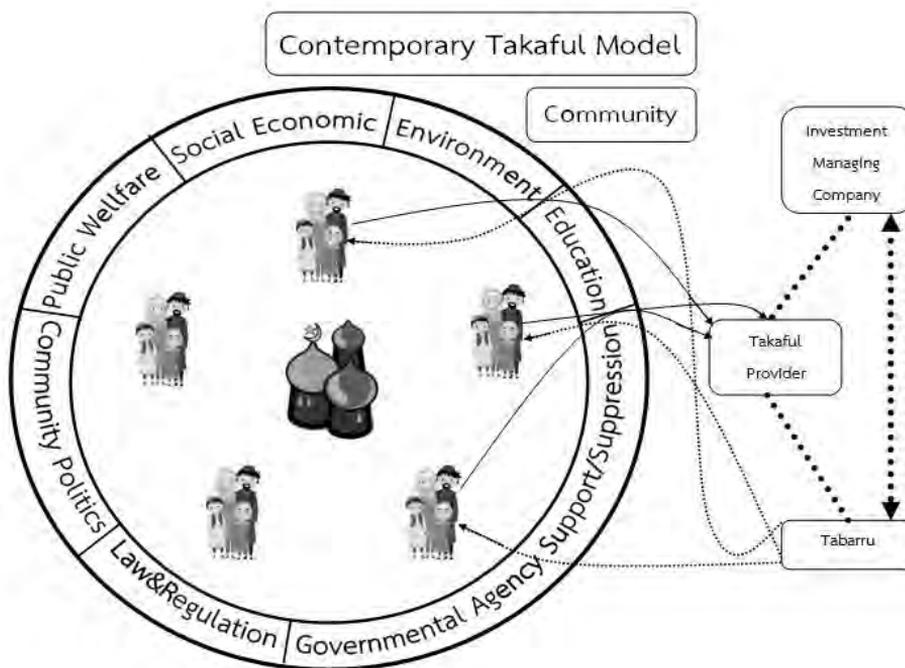


Figure 7: Contemporary Takaful model as manifested in purely secular state

11. A HOLLISTIC, TAKAFUL MODEL FOR COMMUNITY EMPOWERMENT

In the most simplified form as depicted in Fig. 7, current Takaful models pose a serious modes-mis match when looking at them from community empowerment perspectives. However, the strength of current Takaful is its financial viability and sustainability as seen from global view. Thus we are looking for some new Takaful models by which the negative side-effect could be reduced, as the same time the strength of current Takaful systems could be retained thus we have proposed a Community-based Takaful system as simplifiedly depicted in Fig. 8.

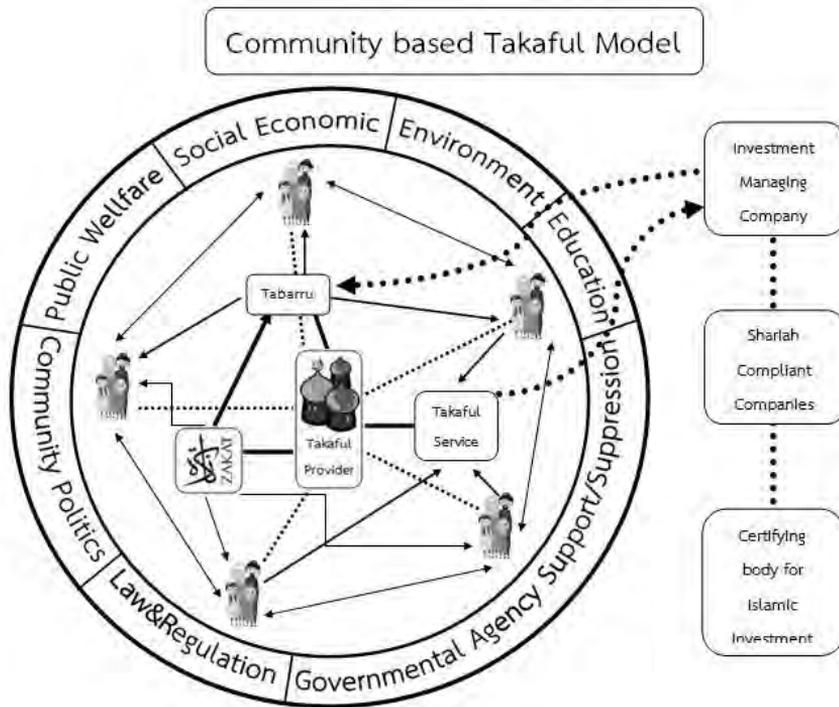


Figure 8: A sustainable Community-based Takaful model as manifested in purely secular state

Perhaps, we need to illustrate further on how to apply this concept to create a modified versions of contemporary Takaful. One of the most obvious change we need to do in the formulation is to put communities into Takaful equations, let us see whether we can do it without affecting the three most popular Takaful models.

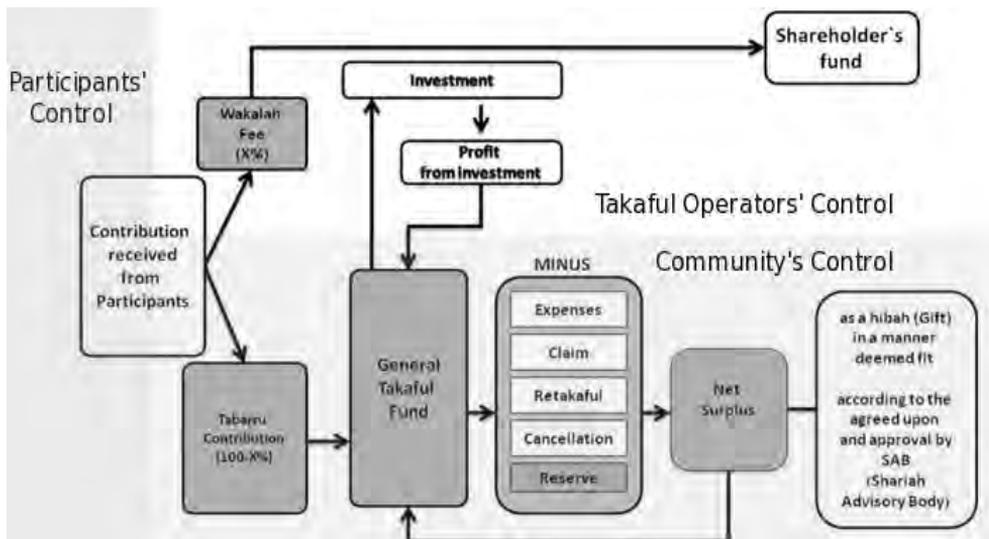


Figure 9: A community-based Takaful mechanisms: Wakalah (agency) model. (No other modification except transferring some essential roles to an empowered community)

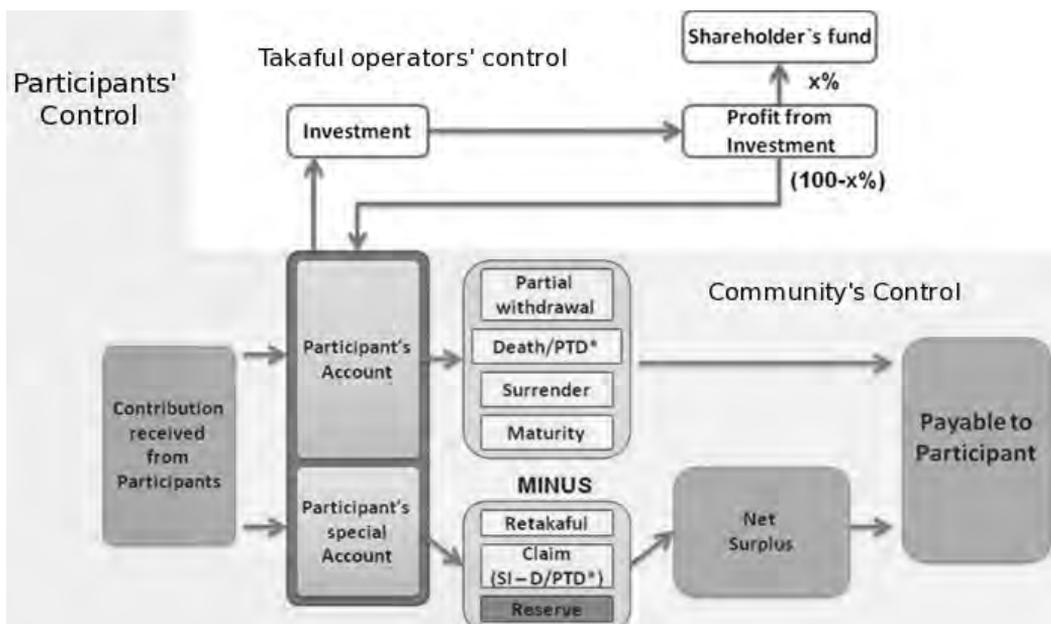


Figure 10: A community-based Takaful mechanisms: Mudharaba (profit-sharing) model

(No other modification except transferring some essential roles to an empowered community)

D – Death

TPD – Total Permanent Disability

PA – Participant Account (Saving)

PSA – Participant Special Account (Tabarru` Fund)

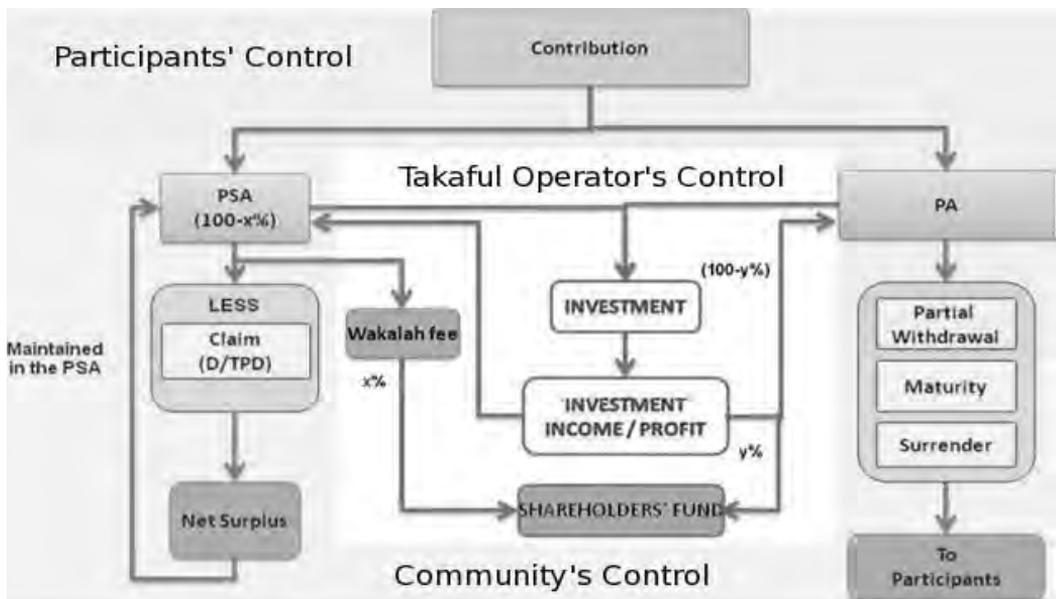


Figure 11: A community-based Takaful mechanisms: Mudharaba-Wakalah (mixed) model

(No other modification except transferring some essential roles to an empowered community)

Fig. 9, 10, 11, however, are not well-thought models. They are presented just to show the possible direction the Ummah should take in order to align the contemporary Takaful such that it will not only comply to Shari'ah but also strategically more compatible with Islamic traditions.

12. CONCLUDING REMARKS

In relation to community empowerment, it is prime time to look at the Islamic traditions in more strategic manners. It is not adequate just to make sure that all financial dealings are in accordance with Shari'ah. But we need to apply a holistic, integrated, multidimensional paradigms to cope with the complex socioeconomic and political systems of today and the future. This is the new area need urgent focus and explore.

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