Pave the Way for Takaful System in Turkey: Lessons to Be Learned From Malaysian Experience

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ABSTRACT

Islamic financial institutions offer an alternative way for Muslims to carry out their financial transactions. Takaful is an Islamic alternative to conventional insurance, which eliminates the problematic issues involved in insurance business such as gharar (uncertainty), meysir (gambling) and riba (interest). Globally, the total takaful assets have reached US $38 billion by the end of 2015. Among Muslim countries, Malaysia is considered as one of the largest takaful markets with a total asset of US $7.3 billion and a 12 % CAGR over last 5 years. While a significant growth in takaful has been seen around the world, Turkey has neither listed, nor reported the takaful market due to the absence of an “official” takaful company. Although Turkey has established the Islamic financial institutions since 1980s, their development, especially in takaful business, seems to have fallen behind comparing to that of Malaysia where the Islamic financial institutions were established around the same time with Turkey. There are several obstacles affecting this development, which are deficient of concordant regulation, Shariah governance, and public awareness towards Islamic financial products. In turkey, there does not even exist a definition of takaful in its insurance law, whereas in Malaysia, the first regulation has been announced by The Takaful Act back in 1984 and the takaful market has grown even more rapidly since the Financial Master Plan was introduced. Recently, Turkey has started to step forward in global Islamic financial markets. The aim of this paper is to enlighten the development of takaful in Turkey. Firstly, the main problems that cause deficiency of development of takaful in Turkey will be examined. Secondly, business professionals and Shariah advisory board members of takaful companies from Malaysia will be interviewed to obtain an in-depth comprehension of the achievements and obstacles of the takaful market in Malaysia. At the end, policy recommendations for Turkey will be proposed in the light of Malaysian experience.