

# THE STATE OF TAKAFUL AL-IJTIMAI' DURING COVID-19 IN MALAYSIA:A REVIEW

Junaidah Abu Seman<sup>i</sup>, Hisham Sabri<sup>ii</sup>, Wan Nur Fazni Wan Mohamad Nazarie<sup>iii</sup> &  
Nur Adilah Othman<sup>iv</sup>

<sup>i</sup> Senior Lecturer, Universiti Sains Islam Malaysia. junaidah@usim.edu.my

<sup>ii</sup> Senior Lecturer, Universiti Sains Islam Malaysia. hishams@usim.edu.my

<sup>iii</sup> Lecturer, Universiti Sains Islam Malaysia. fazni@usim.edu.my

<sup>iv</sup> Tutor, Universiti Sains Islam Malaysia. nuradilah@usim.edu.my

## Abstract

*Risk is present in every aspect of human life. Labelled as a black swan event and equated to the economic scene of World War Two, the deadly infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), called coronavirus disease 2019 (COVID-19), signifies a grave risk to public health. As far as the COVID-19 is concerned, people striving to spread risk from one party to another, seeking assistance which is not limited to the financial aspect. In the case of the COVID-19 pandemic relief mission, the concept and practices of takaful al-ijtimai' is more applicable as it's meaning and scopes are broader; covers both financial and non-financial assistance and not limited under the purview of the country's laws. Using secondary data, this study aims to explore the concept and scopes of social security or takaful al-ijtimai' from an Islamic point of view and present the current state of the art in the implementation of takaful al-ijtimai' during the COVID-19 pandemic in Malaysia. It is hoped that the review would be useful for understanding and promoting the concept of takaful al-ijtimai' as one important tool to achieve sustainable development goals.*

**Keywords:** *Islamic finance, takaful al-ijtimai, COVID-19, risk.*

## INTRODUCTION

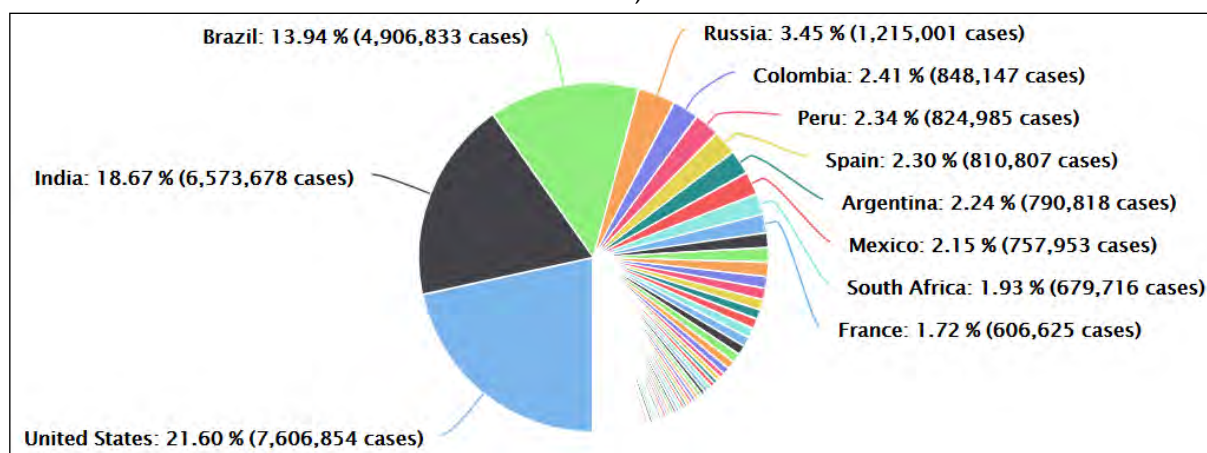
Invariably, risk is present in every aspect of human life. The human race is constantly exposed to the possibility of adversaries of uncertain events, giving rise to misfortunes and sufferings in many ways (Alhabshi, Sharif, & Shaikh Abdul Razak, Shaikh Hamzah Ismail, 2012). This has set the grounds for various practices of risk management since ancient times and evolved over years. This has led to innovation to achieve competitive advantage and sustainable growth (A. H. Hassan et al., 2018a;

H. Hassan et al., 2018b; H. A. Hassan et al., 2018c). Hence, the concept of risk management evolved to mitigate the calamities of facing the catastrophes and disasters (Billah, 2003). Without a doubt, the deadly disease of COVID-19 became a major risk to all countries which affect humankind beyond public health.

Labelled as a black swan event (Renjen, 2020) and equated to the economic scene of World War Two (Reuters, 2020), the deadly infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), called coronavirus disease 2019 (COVID-19)(WHO, 2020), signifies a grave risk to public health. The COVID-19 outbreak was declared as a global emergency on January 30, 2020, by the World Health Organisation (WHO) (Sohrabi et al., 2020). In an attempt to 'flatten the curve' (Burket & Loeb, 2020), governments have enforced border shutdowns, travel restrictions and quarantine (Nicola, Alsafi, Sohrabi, Kerwan, & Al-jabir, 2020). On top of the direct health consequences (Cevik, Bamford, & Ho, 2020), the turmoil effect on the economy has been confounding which impact both the morbidity (those who are unable to work/loss jobs for a period of time) and financial landscape (Wren-Lewis, 2020).

At the time of writing, COVID-19 was continuing spreading around the globe. Figure 1 shows the top 10 countries with the highest numbers of its cases reported as of October 4 2020. In Malaysia, a total of 11,224 positive cases had been reported to the Ministry of Health (MoH) as of September 30, 2020, with 9,967 recovered cases and 136 deaths (Kementerian Kesihatan Malaysia, 2020).

Figure 1 Top 10 countries with the highest numbers of COVID-19 cases as at October 4, 2020



Source: Worldometer (2020)

Insurance is one of the risk mitigation measures. As far as the COVID-19 is concerned, people striving to spread risk from one party to another, seeking assistance which is not limited to the financial aspect. Hence, insurance (Alhabshi et al., 2012; Baymuratov & Narbekov, 2019) and social security (Gruziel, 2018) came to existence.

Both insurance and social security have more or less different meanings and scopes, conventionally and Islamically. On the conventional side, insurance is a method of risk management in which risk is transferred from one party to another to compensate for some settlement. Social security is the collective activities of public institutions, with the help of the society which tries to protect and bring reassurance to its citizens (Alabady & Ghazaleh, 2019) against a lack of liability and to satisfy basic and socially recognized as important needs (Gruziel, 2018). In common understanding, it is worth noted that the social security system is a law that has an established constitutional position in a country (Alabady & Ghazaleh, 2019; Gruziel, 2018; Suryahadi, Febriany, & Yumna, 2017). Whereas, Islamic insurance or *Takaful* is a scheme based on brotherhood, solidarity and mutual assistance which provides mutual financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose (Bank Negara Malaysia, 2008). Under the purview of the Islamic perspective, social security or *takaful al-ijtimai'* is a general term on the concept of mutual co-operation among members of society. It takes into account the duties and responsibilities of each individual in a society to promote well-being and quality of life (Abu Seman, 2010) and it is not necessarily governed under specific constitutional law. Therefore, in the case of the COVID-19 pandemic relief mission, the concept and practices of *takaful al-ijtimai'* are more applicable as it's meaning and scopes are broader; covers both financial and non-financial assistance and not limited under the purview of the country's laws.

The term *takaful al-ijtimai'* has been used in many different ways to cover a broad range of phenomena (Ulwan, 2001; Rubi', 1998; Al-Sibai', 1998; Ahmad, 1982; Hanna, 1969). The manifestation of *takaful al-ijtimai'* itself can be theoretically observed through the objectives of Islam. The goals of Islam are to lead a life with a balanced combination of material and spiritual, compliance with the teachings of *Al-Quran* and *Sunnah* of the Prophet Muhammad (SAW) (Chapra, 1992).

Currently, the concept of *takaful al-ijtimai'* has been institutionalized within the various levels of society, i.e the micro-level (individual/household/neighbourhood), the meso level (institutions) and the macro-level (national). In Islamic economics, *takaful al-ijtimai'* is one of the important aspects that have been discussed by Muslim scholars under the sphere of Islamic socio-economic principles, specifically in *takaful* market (Kwon, 2007; Khurshid & Petriect, 2003; Maysami & Kwon, 1999).

The contributions of this paper are twofold; to explore the concept and scopes of social security or *takaful al-ijtimai'* from Islamic point of view and to present the current state of the art in implementation of *takaful al-ijtimai'* during the COVID-19 pandemic in Malaysia. This paper is organized as follows. In the next section, the background of *takaful al-ijtimai'* is presented, followed by a review of the implementation of *takaful al-ijtimai'* during the COVID-19 pandemic in Malaysia. The final section concludes the paper.

## BACKGROUND

### *Takaful al-Ijtimai': An Overview*

Many attempts have been made by previous studies to define *takaful al-ijtimai'*. Hanna, SA. (1969) defines *takaful al-ijtimai'* as the responsibility of society in providing quality of life for an individual. Muslim scholars also contribute to defining the term. Salih (1993) and Abu Zahrah (1991) describe *takaful al-ijtimai'* as an individual of a society who helps to guarantee and support his/her group by putting efforts and exercising power to serve the society. As the result, the whole community will be safeguarded. In a similar vein, El-Gamal (1992) refers to *takaful al-ijtimai'* as an act of each member in society who helps disfavoured people to meet their basic needs. Also, 'Ulwan (2001) defines *takaful al-ijtimai'* as the act of guarantee and support each member in the society, individually or in a group. It is driven by a deep sense of empathy and faith. Furthermore, according to Al-Morsy (2006) *takaful al-ijtimai'* is the solidarity of all members of society to serve the public interest.

On this note, it is reasonable to assume that *takaful al-ijtimai'* is a general term pertaining to the concept of mutual co-operation among members of society. It takes into account the duties and responsibilities of each individual in a society to promote well-being and quality of life.

Muslim scholars have listed the sources of *takaful al-ijtimai'* practice (see, for example in As-Sibai',1998; Al-Rubi, 1998; Billah, 1998). First and foremost is from the Holy *Quran*. There are five hundred verses in the Holy *Quran* which deal with the legal sanctions and there are true, several verses justify the practice of *takaful al-ijtimai'*. Among others:

إِنَّمَا الْمُؤْمِنُونَ إِخْوَةٌ

"Surely all believers are brothers"<sup>49</sup>.

The word 'brothers' refers to the concept of mutuality, namely, mutual help, mutual responsibility and mutual protection from losses. Although the word *takaful* is not directly mentioned in the Holy *Quran*, it is derived from the term *ta'awun*, or mutual assistance which brings the same meaning:

... وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ

"And help one another in righteousness and piety; but help not one another in sin and transgression"<sup>50</sup>.

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<sup>49</sup> al-Qur'an, al-Hujurat 49:10.

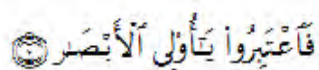
<sup>50</sup> al-Qur'an, al-Maidah 5:2.

The *Sunnah* or the traditions of the holy Prophet (SAW) is a second source immediately after the Holy *Quran*. The most definitive statement in the *hadith* based on *takaful al-ijtimai'* is the Prophet's saying:

"None of you can be a believer unless he would love for his brother what he loves for himself."<sup>51</sup>

As far as the practices of the companions are concerned, the practice of *al-aqila* had been further practiced during the later period of the second caliph i.e., Saidina Umar. Equally important, through *ijma'* (consensus of legal opinion), Muslim scholars have unanimously agreed and accepted the practice of *takaful al-ijtimai'* as it is very much related to *maslahah* (public interest) which aimed to achieve *maqasid al-shariah* (objectives of *Shariah*) (Bakar and Adawiah, 2008).

Besides, analogical sources such as *qiyas*<sup>52</sup>, *istihsan*<sup>53</sup> and *istishab*<sup>54</sup> are also important sources for the practice of *takaful al-ijtimai'* as Allah (SWT) says in Quran:



"... Think deeply o ye who are understanding..."<sup>55</sup>.

Furthermore, the practice of *takaful al-ijtimai'* is also considered under *urf* (i.e., customs or practices of a society). *Takaful al-ijtimai'* is, in fact, originated from ancient Arab tribal custom i.e., *al-aqila* which had also been approved by the Prophet Muhammad (Billah, 1998).

### Scope of *Takaful al-ijtimai'*

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<sup>51</sup> Bukhari, Muslim, Ahmad and Tirmizi, *op. cit.*

<sup>52</sup> Qiyas can be defined as taking an established ruling from Islamic Law and applying it to a new case, in virtue of the fact that the new case shares the same essential reason for which the original ruling was applied.

<sup>53</sup> Literal meaning, *istihsan* means to approve or to deem something preferable. Technically, there are many definitions given by the jurists. In summary, it is a method of exercising personal opinion in order to avoid any rigidity and unfairness that might result from literal enforcement of the existing law. It is also referred to as juristic preference i.e., it involves setting aside an established analogy in favour of an alternative ruling which serves the ideals of justice and public interest in a better way.

<sup>54</sup> Literally, *istishab* means accompaniment and keeping close association or attachment. Technically, it means "maintenance of status quo until a proof is furnished in favour of its changes." In other words, *istishab* is the presumption of the continuation of both the positive and the negative until the contrary is established by evidence.

<sup>55</sup> al-Qur'an, al-Hasyr 59:2.

The scope of *takaful al-ijtimai* is much broader as compared to the *takaful al-tijari*, even social security per se. Such a wider and flexible scope is for, *inter alia*, upholding a better life in society as Quranic verse quotes:

“... Our Lord, give us happiness in this world and happiness in the hereafter...”<sup>56</sup>

The scope of *takaful al-ijtimai* under the Islamic economics system can be viewed through several different aspects as follows:

i. Parties involved in promoting and developing *takaful al-ijtimai*

According to Muslim scholars including Yousuf (1996), Liaquat (1991), Sadeq (1989) and Siddiqi (1984), the implementation of *takaful al-ijtimai* can be observed through the roles and functions played by three different parties: an individual/private sector, quasi-autonomous corporations (i.e *takaful* operators) and ruler/government. Under the concept of *daman al-ijtimai* (social security), the state is responsible for fulfilling the social needs by supporting the underserved segment through *zakat*. This responsibility should be further supported by the *takaful* operators through *takaful al-tijari* or *takaful al-taawuni*. Private sectors/individuals also play an important role and should always work hand in hand holding in promoting the practice of *takaful al-ijtimai*.

ii. Beneficiaries

The practice of *takaful al-ijtimai* should benefit all, i.e., individual, immediate family, neighbourhood as well as society as a whole (Farooqi, 2006; 'Ulwan, 2001; Al-Sibai', 1998; Abu Zahrah, 1991), be it in the form of an individual or a specific group (including the financial sectors).

iii. Financial and non-financial sources

'Ulwan (2001), As-Sibai' (1998) and Abu Zahrah (1991) have listed several available sources to support the practice of *takaful al-ijtimai*; financial and non-financial aspects. It consists of *al-zakat* (almsgiving), *al-nafaqat* (adequate support), *sadaqat* (donation), *al-waqf* (endowment), *al-wasiyyah* (wills), *al-qanaim* (booty), *al-rikaz* (buried treasure of the earth), *al-nuzur* (vows), *al-kaffarat* (expiation), *zakat fitrah* (almsgiving of Ramadan), public treasury and *al-kifaya* (charity above and beyond *al-zakat*).

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<sup>56</sup> al-Qur'an, al-Baqarah 2:201.

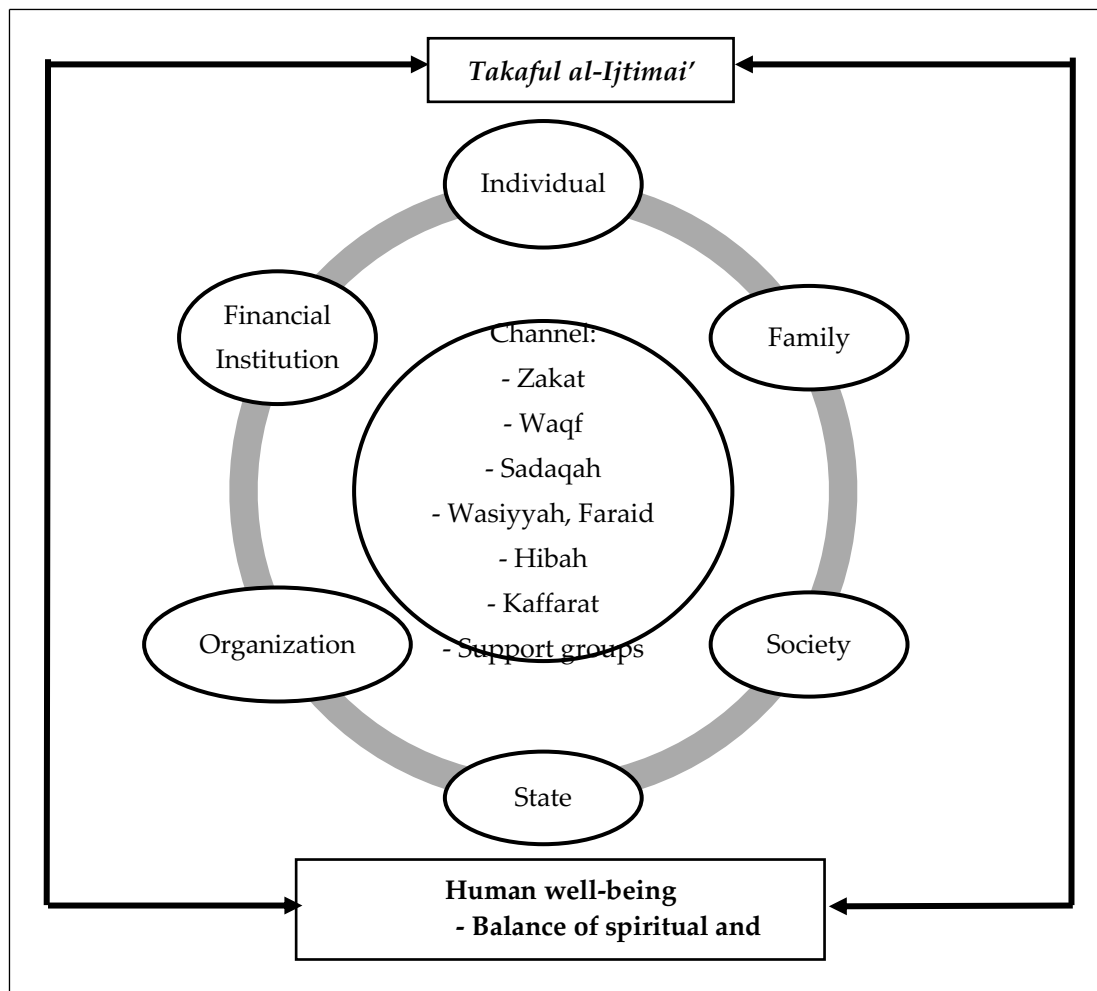
Based on the above discussion, the framework of *takaful al-ijtimai'* could be proposed and outlined as follows (Refer to Table 1):

Table 1 General Framework of *Takaful al-Ijtimai*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Aim</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                 |
| To promote a balance of both spiritual and material aspects of life following the teachings of <i>Quran</i> and <i>Sunnah</i> of the Prophet Muhammad (SAW) through the concept of brotherhood and justice.                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                 |
| <b>Parties involved in promoting and developing <i>takaful al-ijtimai</i></b>                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                 |
| <b>Individual</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Each individual in society needs to fulfill his/her duties and responsibilities. Hence, self-interest is automatically held within bounds and the rights of all members in society are undoubtedly safeguarded. |
| <b>Family</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | As an integrated system, the practice starts with an individual who practices within his/her family.                                                                                                            |
| <b>Society</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Through the families, the practice is further embedded in society and throughout the nation as a whole.                                                                                                         |
| <b>State</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The state is responsible to support the poor and needy groups through the collection and distribution of <i>zakat</i> .                                                                                         |
| <b>Organization &amp; financial institutions</b>                                                                                                                                                                                                                                                                                                                                                                                                                           | Organization as an institutional setting is a good channel to promote <i>takaful al-ijtimai'</i> .                                                                                                              |
| <b>Beneficiaries</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                 |
| The practice of <i>takaful al-ijtimai</i> should benefit all, i.e., individual, immediate family, neighbourhood as well as society as a whole.                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                 |
| <b>Financial and non-financial resources</b>                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                 |
| <i>Takaful al-ijtimai'</i> also can be achieved of <i>al-zakat</i> (almsgiving), <i>al-nafaqat</i> (adequate support), <i>sadaqat</i> (donation), <i>al-waqf</i> (endowment), <i>al-wasiyyah</i> (wills), <i>al-qanaim</i> (booty), <i>al-rikaz</i> (buried treasure of the earth), <i>al-nuzur</i> (vows), <i>al-kaffarat</i> (expiation), <i>zakat fitrah</i> (almsgiving of Ramadan), public treasury and <i>al-kifaya</i> (charity above and beyond <i>al-zakat</i> ). |                                                                                                                                                                                                                 |

The above framework can be extended by integrating the role of Islamic financial institutions towards the realization of *takaful al-ijtimai'*. Figure 2 presents the general framework of *takaful al-ijtimai'*.

Figure 2 General Framework of *Takaful al-Ijtimai*



## Historical Origin and Development

Even though it is unclear when the *takaful al-ijtimai* began in Islam, it might be concluded that the practices of *takaful al-ijtimai* by their very nature, had been practiced before the time of the Holy Prophet Muhammad (SAW), and have been gradually developed until the beginning of the nineteenth century when Ibn Abidin (1784-1836) became the first scholar who introduces the meaning, concept and legal entity of the *takaful* contract (Yon Bahiyah, 2004, Billah, 1998; Klingmuller, 1969). As a result, there is a number of *takaful* companies that are now operated based on divine principles.

The growth of *takaful al-ijtimai* practices can be classified into a few stages (Billah, 1998; Rashid, 1993). During the ancient Arab, *takaful al-ijtimai* as practiced in the sixth century was evolved from tribal practices of mutual assistance since pre-Islamic times. There are a few practices during pre-Islamic history where families, tribes or related members throughout the Arab peninsula pooled their resources as a means to help the needy on a voluntary and gratuitous basis. These can be observed

through several occasions, for example, merchants of Mecca formed funds to assist victims of natural disasters or hazards of trade journeys and surety called *daman khatr al-tariq* (surety for hazards on the highway) was created to protect traders against losses suffered during a journey. Moreover, financial assistance was provided to captives and the families of murder victims through a concept of *al-a'qila* while *'aqd muwalat* (contract of mutual amity) was practiced for bringing about an end to mutual amity or revenge. Additionally, confederation was initiated utilizing a *hilf*, or an agreement for mutual assistance among people. These practices were validated by Prophet Muhammad (PBUH) and incorporated in the institutions of the early Islamic State in Arabia around 650 C.E.

Meanwhile, the development of *takaful al-ijtimai* practices during the time of the Holy Prophet (SAW) could be observed from two situations. Firstly, the acceptance of the ancient Arab's practices of *al-aqila* by paying *dyat* (blood-money). Secondly, the relevant legislation was passed in the first Constitution of Medina in 622 BC in which *takaful al-ijtimai* was applied in three occasions; the practices of *dyat* (blood money), the payment of *fidya* (ransom) and other forms of social insurance (i.e., the establishment of a joint venture to provide necessary aids for the needy, ill and poor). During the period of the second Caliph, the practice of *al-aqila* had been further encouraged by the government. Saidina Umar (RA) had commanded the establishment of *Diwan* of *Mujahideen* by various districts. Hence it is reasonable to assume that the application of *al-aqila* had been further developed during this period. During the fourteenth to the seventeenth centuries, a *Sufi* Order of the *Kazeruniyya* was implemented especially in cities in Malabar and China. This order served as a kind of marine travel insurance company. Later in the nineteenth century, Ibn Abidin, a Hanafi lawyer was the first to discuss the idea of insurance and its legal entity. His opinion on insurance as a legal institution served as an eye-opener to many Muslims.

In the period of the twentieth century, a well-known Islamic jurist Muhamad Abduh, issued two *fatwas* between the year 1900 to 1901, permitting insurance practice. The *fatwas* among others stated that an insurance transaction can be implemented through *al-mudharabah* financing and endowment methods. In addition, in 1985 and 1997, the International Council of Fiqh Academy and the Council of Head of Scholars of Saudi Arabia issued *fatwas* relating to commercial insurance (*takaful al-tijari*), co-operative insurance (*takaful al-taawuni*) and reinsurance. Among others, the *fatwas* mentioned that an alternative to commercial insurance is the contract of cooperative insurance, which is founded based on charity and mutual cooperation (i.e. *takaful al-ijtimai*). A similar ruling is extended to reinsurance, which is founded based on co-operative insurance. According to the *fatwa*, Islamic cooperative insurance is a viable alternative to commercial insurance, as it will help to fulfil the needs of the Muslim society. In Malaysia, the *Shariah* Advisory Council of Bank Negara Malaysia (SAC) was established in May 1997 as the highest authority for the ascertainment of

Islamic law for Islamic finance development, which include *takaful* businesses. This council is supervised and regulated by Bank Negara Malaysia.

Since the twenty-first century, many issues pertaining to *takaful* business have been addressed. In 2005 for example, the International Council of Fiqh Academy issued *fatwa* on health insurance by stating that if the health insurance contract is concluded directly with the hospital, it is permissible. The *fatwa* also recommended Islamic governments, charitable foundations and *waqf* institutions to provide health insurance coverage for free, or for a minimum charge, to those that are incapable. On top of that, the Malaysian Takaful Association (MTA) was established in November 2002 to foster awareness and understanding on mutual co-operation amongst its registered members, whilst promoting the *takaful* concept in Malaysia. Currently, there are fifteen Takaful operators operated in Malaysia under both Family and General businesses (See Table 2).

Table 2 Takaful operators in Malaysia

| No | Takaful Operator                          | Ownership |
|----|-------------------------------------------|-----------|
| 1  | AIA PUBLIC Takaful Bhd                    | Foreign   |
| 2  | AmMetLife Takaful Berhad                  | Local     |
| 3  | Etika Family Takaful Berhad               | Local     |
| 4  | Etika General Takaful Berhad              | Local     |
| 5  | FWD Takaful Berhad                        | Local     |
| 6  | Great Eastern Takaful Berhad              | Foreign   |
| 7  | Hong Leong MSIG Takaful Berhad            | Local     |
| 8  | Prudential BSN Takaful Berhad             | Local     |
| 9  | Sun Life Malaysia Takaful Berhad          | Local     |
| 10 | Syarikat Takaful Malaysia Am Berhad       | Local     |
| 11 | Syarikat Takaful Malaysia Keluarga Berhad | Local     |
| 12 | Takaful Ikhlas Family Berhad              | Local     |
| 13 | Takaful Ikhlas General Berhad             | Local     |
| 14 | Zurich General Takaful Malaysia Berhad    | Foreign   |
| 15 | Zurich Takaful Malaysia Berhad            | Foreign   |

Source: Bank Negara Malaysia (<http://www.bnm.gov.my>)

The gradual growth and development of *takaful al-ijtimai* practices are remarkable. On this note, it is reasonable to assume that mutual assistance amongst members was not originally a commercial transaction and contained no profit or gain at the expense of others. Rather, it evolved as a social institution to mitigate the burden of an individual by dividing it among his fellow members. However, currently, the

building interest in *takaful* market is by no means, accentuated on *takaful al-al-tijari* (Kamaruzzaman, 2008; Nik Ramlah, 1991) and it seems that Muslim tend to overlook the term and real concept of *takaful al-al-ijtimai*. In a similar note, Siddiqi (1984) highlights that to bring about this cooperation (i.e *takaful al-ijtimai*) based on profit (i.e commercially-driven activity) is fraught with some problems.

## **TAKAFUL AL-IJTIMAI' DURING COVID-19 IN MALAYSIA: STATE OF THE ART**

Malaysia's Recovery Movement Control Order (RMCO) which was earlier scheduled to end on December 31 has been extended to December 31, 2020 (Babulal, Tharanya, & Solhi, 2020). The Movement Control Order (MCO), first imposed on March 18 to curb the spread of COVID-19, was previously extended four times until May 2020. Table 3 shows the phases of preventive measures taken by the Malaysian government to counter COVID-19 infection under the Prevention and Control of Infectious Diseases Act 1988 (Act 342).

Table 3 The phases of preventive measures taken by the Malaysian government to counter COVID-19 infection

| Phase   | Preventive measures                                                             |
|---------|---------------------------------------------------------------------------------|
| Phase 1 | Movement Control Order (MCO) from 18th till 31st March 2020                     |
| Phase 2 | Movement Control Order (MCO) from 01st till 14th April 2020                     |
| Phase 3 | Movement Control Order (MCO) from 15th till 28th April 2020                     |
| Phase 4 | Movement Control Order (MCO) from 29th till 3rd May 2020                        |
| Phase 5 | Conditional Movement Control Order (CMCO) from 4th till 11th May 2020           |
| Phase 6 | Conditional Movement Control Order (CMCO) from 12th May 2020 till 9th June 2020 |
| Phase 7 | Recovery Movement Control Order (RMCO) from 10th June till 31st August 2020     |
| Phase 8 | Recovery Movement Control Order (RMCO) from 1st September till 31 December 2020 |

In this section, the practices of *takaful al-ijtimai'* during COVID-19 in Malaysia is presented, limited to the period up until August 31, 2020. The state of the art is organized by parties involved in the implementation of *takaful al-ijtimai'* but there is a significant overlap in beneficiaries and kind of support reliefs across these domains. The goal is to capture the practices of *takaful al-ijtimai'*, concerning the capabilities that it enables for relief programme initiatives during the crisis.

### **Government of Malaysia and the Ministry of Health (MoH)**

The government has launched several initiatives as part of the economic stimulus package to help the citizens during the MCO and COVID-19 outbreak. In February 2020, the Malaysian government issued an emergency stimulus package worth US\$4.8 billion to cushion the impact of the COVID-19 pandemic. The package aims to spur economic growth, promote investments, and encourage businesses to adopt automation and digitalization in their processes. Some US\$453 million is allocated

towards the tourism industry, which is one of the hardest hit by the outbreak (New Straits Times, 2020).

On March 27, 2020, the second stimulus package is issued by the Malaysian government to battle the economic impact of the COVID-19 pandemic. Valued at 250 billion ringgit (US\$57 billion), this second package hopes to improve the existing financing facilities issued in the first stimulus package. It also focuses to assist businesses, especially small and medium-sized enterprises (SMEs), support low and middle-income households, and offer fiscal injections to brace the national economy. The government also projects to provide free internet during the lockdown period as well as improve the country's telecommunication network (Medina, 2020). Table 4 provides the key features of the stimulus packages initiated by the Malaysian government.

Table 4 The key features of the stimulus packages initiated by the Malaysian government

| First Stimulus Package                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Second Stimulus Package                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>▪ Restructuring and rescheduling of loans</li> <li>▪ Assisting the cashflow of small and medium-sized enterprises</li> <li>▪ Tax exemptions and deferments</li> <li>▪ Discount vouchers for tourism</li> <li>▪ Tax relief for domestic tourists</li> <li>▪ Extra funding for skills training</li> <li>▪ Reducing the employee contribution towards the Employee Provident Fund (EPF)</li> <li>▪ Financial assistance to low-income households</li> <li>▪ Implementing small scale infrastructure projects</li> <li>▪ Funding for startups</li> <li>▪ SME digitalization and automation</li> <li>▪ Sales tax and import duty exemption on equipment and machinery</li> <li>▪ Waiver of listing fees</li> </ul> | <ul style="list-style-type: none"> <li>▪ Special relief fund for SMEs</li> <li>▪ Micro-credit scheme</li> <li>▪ Credit guarantee corporation program</li> <li>▪ Increasing financing for Syarikat Jaminan Pembiayaan Perniagaan</li> <li>▪ Deferment of income tax and loan repayments</li> <li>▪ Guarantees for corporate entities</li> <li>▪ Extra support to fight COVID-19               <ul style="list-style-type: none"> <li>- Purchase medical equipment, such as ventilators, personal protective equipment, lab equipment, and ICU equipment.</li> <li>- Deferment of family insurance and takaful premiums for three months for affected individuals.</li> </ul> </li> <li>▪ Wage subsidy</li> <li>▪ Food security</li> <li>▪ Cash handouts for households</li> <li>▪ More funding for Bantuan Sara Hidup</li> <li>▪ Telecommunication services incentives</li> </ul> |

The MoH played a crucial role in ensuring maximum readiness to curb the spread of the virus. Among the efforts taken by the MoH; the enforcement of health screening at all points of entry, increase the number of hospitals that could treat COVID-19 cases, establishment of an alliance involving 38 professional medical societies on March 1, 2020, to support the MoH in the area of healthcare, setting up of a special fund known as the COVID-19 Fund, to raise money to be channeled to patients, particularly those affected financially due to the quarantine procedure,

arrangement on various disinfection activities as well as providing sufficient and up-to-date information to the public (Shah et al., 2020).

### **Mainstream and Social Media**

COVID-19 has caused fear, anxiety, and confusion. The media, celebrities and other influencers have appealed to the public to stay at home and avoid mass gatherings. The media uses the hashtag #stayhome which has been used widely, and it is hoped that important messages to stop the spread of COVID-19 can reach all levels of society (Shah et al., 2020).

### **Non-Government Organizations (NGOs)**

The MCO has affected Malaysia's economy as a whole. Most companies impose working from home (WFH), and some employees have had to stop working. NGOs have been actively helping those who are impacted by this pandemic. They have been providing basic needs, shelters for the homeless, as well as money to help those in need. A few NGOs have assisted by providing protective masks, disinfection chambers (Bernama, 2020), and educating citizens on the disease (The Star, 2020). Furthermore, due to the shortage of PPE, some NGOs and public figures have helped to prepare PPE for medical frontliners. This includes several Malaysian fashion designers associated with the Malaysian Official Designers Association (Moda), and prison inmates, and other volunteer tailors (Shah et al., 2020).

As taking care of the mind as well as body is important while staying at home during the COVID-19 outbreak, mental health helplines are also been operated. These helplines offer expert advice to overcome mental health issues. The helplines that offer the support are comprised of Mercy Malaysia (i.e., can get access to qualified mental health first aiders and get practical support to cope with the MCO), 24/7 Talian Kasih (i.e., 528 counsellors are on standby to help citizen deal with the effects of COVID-19 and the MCO) and Befrienders KL (i.e., the non-profit organisation is offering emotional support to those feeling depressed, distressed or suicidal).

### **Public Institutions**

Educational institutions, schools, and higher education institutions have had to close due to COVID-19. However, this has not stopped researchers from various universities from helping citizens in fighting COVID-19. Universiti Sains Islam Malaysia for example has produced hand sanitizer (Kasim, 2020) and PPE ((Jalil, 2020), while Universiti Putra Malaysia (UPM) has also produced instant hand sanitizer (Sinar Harian, 2020) and face shields (New Straits Times, 2020b). Universities and colleges have also raised funds to help students affected by the virus; for example,

UPM, Universiti Teknologi Malaysia (UTM), and Universiti Malaysia Kelantan (UMK) (Shah et al., 2020).

### **Malaysian researchers**

This pandemic has created opportunities for Malaysian researchers to play their part by contributing ideas through the development of technologies to help Malaysians facing the pandemic. The developments include COVID-19 rapid test kits, the creation of face shields using 3D printing, laser cutting, or DIY builds, and the manufacture of sanitizing tunnels (Mohamad, 2020). All of these creative ideas show that Malaysians are acting together to combat COVID-19 (Shah et al., 2020).

### **Individual Citizen**

Since the COVID-19 pandemic declaration by the WHO, the 'new normal' life has had an impact on Malaysian lives. The individual citizen has contributed to the effort of the COVID-19 war by staying at home for future protection from germs and viruses. Wearing a protective face mask is a must when out in public, with frequent hand-washing, and avoiding mass gatherings.

## **CONCLUSION**

*Takaful al-ijtimai* is practiced even before the era of Prophet Muhammad SAW and continue to evolve ever since. With the exponential growth and interest of Islamic economics in the past few years, *takaful al-ijtimai* is expected and hoped to promote greater welfare in the Islamic economics system since its scope is much broader and could serve as a powerful tool in the realization of *maqasid al-shariah*.

It is clear that *takaful al-ijtimai* is a comprehensive term that directly reflects the concept of mutual cooperation. During the COVID-19 pandemic, *takaful al-ijtimai* is widely implemented with the help of various parties. It is indeed the duties and responsibilities of all individuals in society to promote human welfare to achieve *maqasid al-shariah*. This can be materialized in many ways, from individuals, state to organizations/institutions through several channels.

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