

Relevance of Takaful in Achieving Sustainable Development Goal 3 in Muslim Majority and Developing Countries: A Literature Review

Farida Mohammed Shehu

Department of Finance, Bayero University Kano, Nigeria

**Correspondence Email : fmshehu@yahoo.com*

<https://doi.org/10.33003/fujaf-2025.v3i3.199.33-40>

Abstract

The growing focus on sustainable development has highlighted how important it is to have inclusive financial systems, especially for achieving health goals under SDG 3: "Good Health and Well-being." This study examines how *Takaful*, an insurance concept that complies with Shariah, might help accomplish SDG 3. The study synthesizes the body of academic and policy-based research on *Takaful* and its benefits for community resilience, financial risk protection, and healthcare accessibility in Muslim-majority and developing nations using a literature review methodology. According to the review, by providing moral risk-sharing models, lowering out-of-pocket medical costs, and encouraging social cohesion during medical emergencies, *Takaful* can remove structural obstacles in health finance. Furthermore, incorporating *Takaful* into national health insurance programs holds promise for advancing universal health coverage, a key SDG 3 goal. However, as barriers to its wider influence, the study also points to deficiencies in public awareness, product diversification, and regulatory frameworks. The study concludes that, even though *Takaful* by itself is not a cure-all, it is a highly relevant supplementary mechanism in sustainable health systems, especially when traditional insurance models encounter sociocultural opposition.

Keywords: *Takaful*, SDG3, Health, Well-being, Muslim Majority Countries.

1. Introduction

Less than 2 percent of people in nations with sizable Muslim populations, like Indonesia, Pakistan, Bangladesh, Nigeria, and Egypt, have access to insurance (United Nations Development Programme [UNDP], 2023). This restricted access is frequently brought on by cultural and religious concerns over traditional insurance methods, which are thought to have aspects that are forbidden in Islam, such as gambling (*Maysir*), interest (*Riba*), and uncertainty (*Gharar*) (Uddin, 2015). *Takaful* encourages participants to work together and share responsibility, making it a Sharia-compliant substitute for traditional insurance. In accordance with Islamic values of solidarity and ethical finance, participants make contributions to a common fund, which is then used to support the impacted individual in the event of a loss (University of Helsinki, 2024). By offering morally and culturally appropriate insurance choices, it could improve financial inclusion. *Takaful* can be used as a tool for risk management and financial resilience in poor nations, when access to traditional insurance is restricted (World Bank, 2021).

Therefore, *Takaful* can help achieve SDG 3 by enhancing access to healthcare and financial protection in "underserved communities by providing easily accessible and reasonably priced insurance solutions that adhere to Islamic principles. According to the United Nations (2015), this is particularly important in areas where conventional insurance models are not easily accessible or widely accepted. *Takaful* has the potential to further SDG 3 goals, according to recent studies. Micro-*Takaful* programs, for example, have been acknowledged for their contribution to increasing financial inclusion among Ethiopia's low-income households, which in turn has improved access to healthcare services. According to Beshir et al. (2023) and Mokhtar and Salim (2021), the incorporation of *Maqasid al-Shariah*, or the purposes of Islamic law, into *Takaful* activities has also been demonstrated to be in line with the more general objectives of sustainable development, such as health and "well-being."

In many Muslim-majority and developing countries, access to high-quality healthcare is a significant barrier to achieving Sustainable Development Goal 3 (SDG 3): "Good Health and Well-being" due to high out-of-pocket expenses, limited insurance coverage, and inadequate healthcare infrastructure (UND, 2025). In this sense, Takaful, an Islamic insurance model founded on the principles of collaboration, shared accountability, and moral funding, has emerged as a viable substitute for conventional insurance systems (Sikander, 2024).

This study explored the relevance of Takaful in advancing SDG 3 in Muslim-majority and developing countries, looking at both its potential benefits and the barriers to its implementation. Despite these encouraging developments, there are still issues with the widespread adoption of Takaful, including limited regulatory frameworks, a lack of awareness, and socioeconomic disparities.

2. Literature Review

Sustainable Development Goal 3

Ensuring healthy lives and promoting well-being for people of all ages is the goal of SDG 3. Despite international efforts, there is still uneven progress in reaching this objective by 2030, with major obstacles made worse by systematic injustices, economic disparities, and overlapping health crises (Pan American Health Organization [PAHO], 2023).

In its "2023 status report on the Global Action Plan for Healthy Lives and Well-being for All, the World Health Organization (WHO) outlines both successes and failures. The research pointed out that although multinational organizations have become more cooperative, progress has been hampered by overlapping health problems, including the COVID-19 pandemic, conflict, food insecurity, and climate change. Economic conditions are imposing significant strain on domestic and external financing for development, making it increasingly challenging to attain SDG 3 targets (World Health Organization [WHO], 2023). In a similar vein, the Pan American Health Organization (PAHO) stated in April 2023 that disparities still exist in the Americas despite slight advances in SDG 3 metrics. For example, although maternal mortality rates have declined, there is still a sizable disparity between more and less developed nations. New obstacles have emerged in the post-pandemic environment, necessitating greater work to meet SDG 3 goals and move closer to" equity. SDG 3 has 13 aims, from preventing communicable and non-communicable diseases to lowering mother and child mortality. In 2023, the World Health Organization (WHO) aims to reduce the global maternal mortality ratio to less than 70 per 100,000 live births, eliminate newborn and child mortality that can be prevented, and reduce premature mortality from non-communicable diseases by one-third via prevention and treatment.

Persistent gender inequalities continue to adversely affect health outcomes worldwide. As highlighted by UN Women, despite a 34% reduction in the global maternal mortality ratio between 2000 and 2020, approximately 800 women still die each day from preventable causes related to pregnancy and childbirth. Progress is hampered by harmful gender norms, a lack of emphasis on safe, high-quality, and reasonably priced sexual and reproductive health treatments, and weak health systems in low- and middle-income nations. These pressures are increased in times of crisis, which also prevents access to vital resources like" healthcare (United Nations Women [UN Women], 2023).

Takaful Models

The Islamic substitute for traditional insurance, Takaful, is based on the ideas of shared responsibility, reciprocal aid, and moral funding. Many models have been created over time to satisfy the unique needs of participants in various geographical areas while adhering to Shariah, or Islamic law.

1. Traditional Models

- *Mudharabah* Model: In this profit-sharing arrangement, participants serve as capital contributors (Rabb al-Mal) while the Takaful operator acts as a manager (*Mudharib*). Profits from investments are shared between the operator and participants depending on the pre-agreed ratio. However, this strategy has been criticized for its short-term low profitability for operators, which has hindered its acceptance worldwide (Htay & Salman, 2013).
- *Wakalah* Model: Under this agency-based model, the Takaful operator charges a set fee for services delivered while acting as an agent (*Wakeel*) on behalf of the participants. The operator's incentives to maximize performance may be limited by this paradigm, which provides transparency and conforms to Shariah principles (Md Husin & Ab Rahman, 2016).

2. Hybrid Models

- *Wakalah-Mudharabah* Hybrid: In this arrangement, the operator receives a fixed charge (*Wakalah*) and a portion of the earnings (*Mudharabah*), combining aspects of both *Wakalah* and *Mudharabah*. Although it seeks to balance the advantages of both models, profit-sharing arrangements may become more complicated as a result (Raza, 2023).
- *Wakalah-Waqf* Model: This model treats contributions to a *Waqf* (endowment) fund as donations (*Tabarru*), and the operator receives a fee for overseeing the fund. It places a strong emphasis on community welfare and charitable causes, but it may run into problems with legal and governance frameworks (Muhammad Zuki, Ishak, & Halim Roja, 2024).

However, a comparative study across 15 countries revealed that while the *Wakalah-Waqf* model is prevalent in Pakistan, other regions like Saudi Arabia favor cooperative insurance models. The choice of model often reflects regional preferences, regulatory environments, and Shariah interpretations (Raza, 2023).

- ### 3. Achieving Sustainable Development Goal 3 ("Good Health and Well-being") through Takaful
- Integrating Takaful, an Islamic insurance model based on ethical finance and shared responsibility, into healthcare systems has demonstrated potential in furthering Sustainable Development Goal 3 (SDG 3), which seeks to guarantee healthy lives and promote well-being for everyone at all ages. Studies conducted empirically in a number of locations demonstrate how Takaful can improve access to healthcare, financial inclusion, and mental health support, especially in poor and Muslim-majority countries.

Micro-Takaful programs have been found to be useful instruments for enhancing low-income households' access to healthcare. According to a study by Beshir, Alhabshi, and Zakariyah (2023), the implementation of micro-Takaful in Ethiopia greatly increased financial inclusion by improving participants' financial usage and quality, which in turn made it easier for them to receive healthcare services. This is consistent with the universal health coverage goal of SDG 3 (Beshir et al., 2023). According to Haroun and Yusoff (2019), Islamic microfinance and micro-Takaful institutions play a crucial role in enabling low-income individuals to access financial services, including healthcare coverage, thereby supporting sustainable development. This shows that Takaful helps promote financial inclusion by offering underserved populations affordable insurance options.

A study conducted by Latib et al. (2024) examined Malaysian employees' awareness and knowledge of Takaful plans for mental health illnesses. To improve mental health coverage through Takaful, more

education and outreach are needed, according to the data, which showed a moderate level of awareness about the availability of such programs. To further enhance well-being, Takaful operations might incorporate Environmental, Social, and Governance (ESG) considerations. In 2023, Zubair et al. carried out a case study on a financial literacy initiative run by a Malaysian Takaful operator. Participants' financial literacy and awareness of ESG factors were successfully improved by the program, which improved social well-being overall.

Social Takaful Funds (STFs) have been designed to combat economic risks and increase household well-being. Wahab et al. (2024) evaluated the STF initiative in Malaysia, which provides a safety net for underprivileged households through community-driven activities. The program encourages resilience and inclusivity, which is consistent with SDG 3's objective of lowering vulnerabilities associated with health. Moreover, empirical studies conducted in Nigeria and other developing contexts have shed light on the enablers and constraints of Islamic financial services, insights that are equally applicable to the integration and scaling of Takaful as a tool for achieving Sustainable Development Goal 3 (SDG 3). Although the direct literature on Takaful's healthcare contributions remains limited in some African contexts, emerging works provide valuable data on institutional, regulatory, and market-based dynamics shaping the growth of Islamic finance more broadly.

For instance, Olaoye et al. (2025) examined the operational realities of the Islamic banking system in Nigeria, focusing on both gains and systemic challenges. Their findings indicate that insufficient public awareness, weak legal frameworks, and limited Shariah governance mechanisms continue to hinder broader acceptance of Islamic financial products. These constraints parallel those observed in the Takaful sector, where cultural relevance is acknowledged but often constrained by regulatory and awareness gaps.

In a related study, Rabiou Bala et al. (2023) assessed the influence of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) governance standards on the quality of corporate governance in Islamic financial institutions. Their results affirm that adherence to international Shariah-compliant governance frameworks significantly improves institutional transparency, stakeholder confidence, and overall operational efficiency. Applying this insight to the Takaful context suggests that aligning Takaful schemes with AAOIFI standards could boost both consumer trust and institutional credibility, particularly in healthcare-focused models aimed at vulnerable populations.

Furthermore, Salman et al. (2024) investigated how financial reporting transparency affects market performance among insurance firms listed in Nigeria. The study reveals that firms with more detailed and accessible financial disclosures tend to enjoy higher market valuations and stakeholder confidence. This finding underscores the importance of robust disclosure practices for Takaful operators, who must navigate both faith-based compliance and conventional financial scrutiny.

3. Methodology

This study employed a qualitative literature review methodology to explore the relevance of Takaful in achieving Sustainable Development Goal 3 (SDG 3), "Good Health and Well-being," particularly within Muslim-majority and developing countries. A systematic approach was adopted to identify, analyze, and synthesize relevant peer-reviewed academic articles, policy documents, and institutional reports published between 2015 and 2024.

Sources were collected from reputable academic databases including Scopus, Web of Science, Google Scholar, and JSTOR, as well as from international development organizations such as the World Bank, United Nations Development Programme (UNDP), World Health Organization (WHO), and UN Women. Keywords such as “Takaful,” “Islamic insurance,” “SDG 3,” “healthcare financing,” “Muslim-majority countries,” and “micro-Takaful” were used in various combinations to conduct the search. Studies were included based on their relevance to three key themes: (1) the principles and models of Takaful; (2) its implementation and impact on health financing; and (3) its alignment with the broader objectives of sustainable development, particularly in relation to healthcare access and financial protection.

The study applied thematic analysis to identify recurring patterns across the literature. Emphasis was placed on empirical studies, comparative analyses, and case studies that assess the effectiveness of Takaful in promoting financial inclusion and healthcare accessibility. Priority was given to research conducted in Muslim-majority countries such as Malaysia, Indonesia, Nigeria, and Pakistan, where Takaful schemes have been piloted or implemented.

Given that this is a literature-based study, ethical approval was not required. However, care was taken to ensure that all sources were properly credited and referenced in line with academic standards. This methodology was chosen to enable a broad yet detailed exploration of existing knowledge and to identify research gaps that could inform future empirical studies on the role of Islamic finance in achieving SDG-related health outcomes (Snyder, 2019; Xiao & Watson, 2019).

4. Discussion of Findings

The reviewed literature suggests that Takaful, as a Shariah-compliant insurance model grounded in ethical finance and social solidarity, holds substantial relevance in contributing to Sustainable Development Goal 3 (SDG 3), which aims to ensure healthy lives and promote well-being for all. Across diverse contexts in Muslim-majority and developing nations, the following key findings emerge:

Enhancing Healthcare Access and Financial Inclusion

One of the most significant findings is the potential of Takaful to expand access to healthcare by lowering financial barriers, particularly through micro-Takaful schemes targeting low-income populations. Studies in Ethiopia (Beshir et al., 2023) and Malaysia (Latib et al., 2024) demonstrate how these models improve financial inclusion and healthcare utilization among underserved communities. By offering culturally acceptable alternatives to conventional insurance, Takaful increases participation among populations traditionally excluded due to religious or economic reasons. This supports SDG 3’s core aim of achieving universal health coverage.

Alignment with Maqasid al-Shariah and Sustainable Development

The integration of Maqasid al-Shariah (the higher objectives of Islamic law) into Takaful practices further reinforces its alignment with sustainable development. As Mokhtar and Salim (2021) note, Takaful not only provides financial protection but also fulfills ethical and social objectives, such as the preservation of life, wealth, and dignity, which mirror the broader aims of SDG 3. This ethical congruence strengthens public trust and acceptability, particularly in regions where conventional insurance is viewed with skepticism.

Promoting Social Solidarity and Community Resilience

Another notable finding is Takaful's contribution to community resilience and social cohesion, especially during health emergencies. Social Takaful Funds (STFs), as examined by Wahab et al. (2024), offer localized safety nets that enable low-income families to cope with medical costs without falling into deeper poverty. Such mechanisms not only promote health security but also foster communal responsibility and reduce inequality, aligning with SDG 3's targets to improve healthcare equity and reduce vulnerability.

Gaps in Awareness, Regulation, and Model Optimization

Despite its potential, several limitations hinder the scalability and impact of Takaful. A recurring theme in the literature is the lack of public awareness and understanding, which restricts uptake even in Muslim-majority contexts (Latib et al., 2024). Additionally, regulatory challenges such as inconsistent Shariah interpretations and weak legal frameworks hamper standardization across countries (Raza, 2023). Further, certain models like Mudharabah and Wakalah face operational inefficiencies or limited profitability, which can deter market expansion (Htay & Salman, 2013; Md Husin & Ab Rahman, 2016).

Integration into National Health Systems

A promising avenue highlighted by several studies is the integration of Takaful into national health insurance schemes. This approach, if executed with supportive policies and stakeholder collaboration, could accelerate progress toward universal health coverage by combining state capacity with Shariah-compliant models. However, success requires political will, cross-sectoral partnerships, and ongoing community engagement.

5. Conclusion and Recommendations

In Muslim-majority and poor nations, Takaful, an Islamic insurance model based on the ideas of shared responsibility, collaboration, and ethical finance, offers a possible solution to health and well-being issues. The Sustainable Development Goal 3 (SDG 3) of guaranteeing everyone's health and well-being can be greatly advanced by Takaful by offering reasonably priced, Sharia-compliant insurance options, especially in areas where access to traditional insurance is restricted because of economic, cultural, and religious constraints. Particularly for low-income and vulnerable groups, micro-Takaful programs have demonstrated promise in expanding access to healthcare services, boosting financial inclusion, and lowering out-of-pocket costs. Takaful's ability to foster social cohesion and communal welfare while offering financial resilience in the face of medical emergency further supports its compatibility with SDG 3. However, despite its potential, the acceptance and effectiveness of Takaful models in attaining SDG 3 confront hurdles. Stronger legal frameworks increased public awareness, and the resolution of concerns regarding the short-term profitability and scalability of Takaful schemes are some of these. Furthermore, the selection and application of Takaful models are frequently influenced by regional preferences and interpretations of Shariah law, creating challenges for standardization and broad adoption.

Reference

Beshir, A., Alhabshi, S. M., & Zakariyah, L. (2023). The role of micro-Takaful in enhancing healthcare accessibility among low-income households in Ethiopia. *Journal of Islamic Accounting and Business Research*, 14(2), 123–140.

- Beshir, H. A., Alhabshi, S. M., & Zakariyah, H. (2023). The potential of micro-Takaful in improving financial inclusion among low-income households in Ethiopia. *Journal of Islamic Finance*, 12(2), 30–47.
- Haroun, A. E. H., & Yusoff, M. E. (2019). Micro-Takaful as stimulus for financial inclusion: A key component towards sustainable development. *Open International Journal of Informatics*, 7(2), 43–55.
- Htay, S. N. N., & Salman, S. A. (2013). Shari'ah and ethical issues in the practice of the modified Mudharabah family takaful model in Malaysia. *International Journal of Trade, Economics and Finance*, 4(6), 340–342.
- Latib, N. A., Azmi, N. A., Izham, S. S., & Mohamad, S. N. A. (2024). Takaful scheme for mental health disorders: Empirical insights from employees. *al-Qanadir: International Journal of Islamic Studies*, 33(3).
- Md Husin, M., & Ab Rahman, A. (2016). Determinants of consumers' intentions to participate in Takaful products: A conceptual framework. *Journal of Islamic Marketing*, 7(3), 330–344.
- Mokhtar, M., & Salim, N. (2021). Integrating Maqasid al-Shariah into Takaful: A conceptual analysis. *International Journal of Islamic Economics and Finance*, 12(3), 45–59.
- Mokhtar, N. Z. N., & Salim, M. (2021). Islamic finance and sustainable development: A review of literature. *Journal of Islamic Finance*, 10(2), 45–58.
- Muhammad Zuki, M. F., Ishak, M. A. F., & Halim Roja, M. I. (2024). Takaful business model and business performance: A comparative evidence from the global Takaful industry. *International Journal of Islamic Business*, 9(1), 1–29.
- Olaoye, A. A., Adeniyi, A. L., & Bello, W. (2025). Islamic Banking System in Nigeria: Challenges and Gains from Its Operation. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 3(1), 53–64. <https://doi.org/10.33003/fujaf-2025.v3i1.160.53-64>
- Pan American Health Organization (PAHO). (2023, April 27). *Sustainable Development Goal 3 – Advances, insufficient progress and setbacks prevail*. <https://www.paho.org>
- Rabiu Bala, N., Salihu, M. A., Dandago, K. I., & Kyari, A. K. (2023). Impact of AAOIFI's governance standards on quality corporate governance by Islamic financial institutions. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 1(1), 209–221. <https://doi.org/10.33003/fujaf-2023.v1i1.22.209-221>
- Raza, A. (2023). *Takaful models: Comparisons and global practices* (Master's thesis, Institute of Business Administration).
- Salman, R., Abogun, S., Lambo, I. A., Yunus, A. B., & Sanni, P. A. (2024). Impact of financial statements information on market share price of listed insurance firms in Nigeria. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 2(4), 111–121. <https://doi.org/10.33003/fujaf-2024.v2i4.146.111-121>
- Sikander, S. (2024). *Takaful: An alternative approach to insurance*. Society of Actuaries.
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, 104, 333–339. <https://doi.org/10.1016/j.jbusres.2019.07.039>
- Uddin, M. A. (2015). *Principles of Islamic finance: Prohibition of riba, gharar, and maysir*. Munich Personal RePEc Archive. <https://mpa.ub.uni-muenchen.de>
- United Nations. (2015). *Transforming our world: The 2030 agenda for sustainable development*. <https://sdgs.un.org/2030agenda>

- United Nations Development Programme (UNDP). (2023). *Insurance and inclusive growth in Muslim-majority nations*. <https://www.undp.org>
- United Nations Development Programme (UNDP). (2023). *Takaful: Delivering financial resilience to 100 million people*. UNDP Insurance and Risk Finance Facility. <https://irff.undp.org/article/takaful-delivering-financial-resilience-100-million-people>
- United Nations Development Programme (UNDP). (2025). *Financial resilience through Takaful*.
- United Nations Women (UN Women). (2023). *SDG 3 – Good health and well-being*. <https://www.unwomen.org>
- University of Helsinki. (2024, October 25). *Takaful: A Sharia-compliant alternative to conventional insurance*. Helsinki Islamic Business and Financial Law Blog. <https://www.helsinki.fi>
- Wahab, N. A., Isa, M. Y., & Yusof, R. M. (2024). Protecting the well-being of households: Delineating a social Takaful fund initiative for positive social impact. *International Journal of Islamic Finance and Sustainable Development*, 16(4), 909.
- World Bank Group. (2021). *Takaful and mutual insurance: Concept, challenges, and opportunities*. <https://www.worldbank.org>
- World Health Organization (WHO). (2023, May 3). *2023 progress report on the Global Action Plan for Healthy Lives and Well-being for All*. <https://www.who.int/publications/i/item/9789240062443>
- Xiao, Y., & Watson, M. (2019). Guidance on conducting a systematic literature review. *Journal of Planning Education and Research*, 39(1), 93–112. <https://doi.org/10.1177/0739456X17723971>
- Zubair, N. F., Saipul, F., Shafii, Z., & Alwi, K. (2023). Enhancing ESG integration in Takaful through financial education: Case study of financial literacy programme in a Takaful operator. *I-IECONS E-Proceedings*, 10(1), 954–959