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Takaful as an Inclusive Climate-Resilience Mechanism

Amirul Afif Muhamat[*1], Clarashinta Canggih[2], Muhsin Nor Paizin[3], Mohd Faizal Basri[4], Febri Nila Chrisanty[5] and Shaliza Alwi[6]

[1]*Climate Risk & Sustainable Finance RIG, Faculty of Business and Management*
Universiti Teknologi MARA, Puncak Alam, Selangor, Malaysia

[2]*Faculty Economics and Business, Universitas Negeri Surabaya*
Ketintang, Kec. Gayungan, Surabaya, Indonesia

[3]*Akademi Zakat, Pusat Pungutan Zakat (Wilayah Persekutuan)*
Taman Shamelin Perkasa, Kuala Lumpur, Malaysia

[4]*Faculty of Management and Economics*
Universiti Pendidikan Sultan Idris, Tanjung Malim, Perak, Malaysia

[5]*Universitas Multimedia Nusantara*
Jalan Scientia Boulevard Curug Sangereng Banten 15810, Indonesia

[6]*Arshad Ayub Graduate Business School*
Universiti Teknologi MARA, Shah Alam, Selangor, Malaysia

Abstract: As climate hazards escalate, a widening protection gap leaves vulnerable populations exposed to severe financial shocks. While takaful's cooperative model presents a promising mechanism for climate finance, the sector is constrained by operational hurdles. Current literature heavily focuses on theoretical product innovation, leaving challenges in pricing climate risk, securing credible data, and ensuring affordable distribution unresolved. This paper critically investigates these structural barriers to propose actionable pathways for scaling takaful as an inclusive climate-resilience tool. Transitioning to climate-ready takaful requires adopting forward-looking data models, deploying localized parametric products, and undertaking capacity building. To prevent actuarial exclusion, we recommend balancing risk assessment with targeted public subsidies, global retakaful pooling, and public financial backstops. Ultimately, green takaful can effectively close the global protection gap when equitable risk-sharing and public adaptation finance are united into a cohesive resilience strategy.

Keywords: Green Takaful, Climate Finance, Risk, Global Warming, Insurance

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