

## **Gig/Platform Economy: The Next Big Opportunity for Takaful?**

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The World Bank recently released “*The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of Covid-19*” which shows that 76 percent of adults globally have access to an account with a bank or a regulated financial institution. The rise in the past decade has been the fastest ever with over a 50 percent jump in the population with access to banking accounts and this was largely possible due to rapid advances in technology and digital infrastructure for financial services. An access to an account is the first and the most crucial step in the journey towards financial inclusion, the other services like insurance and risk management, wealth management, etc. are critical too. With rapid progress on access to an account, the focus is now shifting towards insurance and risk management services/solution and similar success should be envisaged by employing a multi-pronged strategy of varied solutions ranging from conventional insurance to mutuals and cooperative, and takaful among others.

Mutual insurance has been around for centuries, providing essential financial coverage and offering risk management and mitigation solutions. According to International Cooperative and Mutual Insurance Federation (ICMIF), an umbrella body for mutual insurance companies, the share of mutual and cooperative insurers in global insurance market rose from 24 percent in the 2007 to 26.7 percent in 2017, registering a growth of 30 percent vis-à-vis 17 percent for the total global insurance industry. North America and Europe, the largest markets for mutuals, have seen a rise in their share in the recent years, including during the covid-19 pandemic. Relatively newer markets across Asia, Oceania and South America have also witnessed adoption of mutual insurance services in the recent years.

The gig/platform economy which has witnessed a sharp growth in the past decade owing to technology adoption and servicing a variety of every day needs across the spectrum, has seen a rise in informal work contracts and number of partners/associates, whose employment structures differ significantly from those of traditional work contracts. The gig economy is expected to be

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worth \$50 billion before the end of this decade and engaging over 500 million people. In the absence of formal contracts and social security benefits, the gig workers are vulnerable to health and economic shocks.

The governments across the world are proposing policies to extend social security benefits to the platform workers but challenges remain, largely around the nature of work and engagement and the lack of sufficient financing to meet the requirement are major concerns. In the absence of such financing, the circumstances of platform workers are very similar to those that led to the formation of cooperatives and associations in late nineteenth century: safeguard the economic and health interests of one-another. The platform workers, who are connected with one another through the technology, can be encouraged to create mutual aid and assurance funds in association with the platform itself, to cater to their needs.

This paper will explore how mutual care model can ride the growth in the platform economy across the world and offer suggestions to the pressing issues concerning health and economic well-being of a large segment of the population which would be without access to the social security benefits in an informal work structure. Some use cases will be presented where technology has enabled faster penetration, reduced cost and scaling of operations along with addressing issues of fraud and moral hazard. The paper, relying on real life cases from India, will explore how gig economy workers can create a self-sustainable mutual healthcare model for themselves without relying on financial support from the state. Governance issues revolving around establishing and scaling up mutuals will also be highlighted. This mutual model with some tweak will be a good example of Takaful for Shariah conscious gig workers.

Keywords:

Mutual Insurance, Takaful, Gig Economy, FinTech, InsurTech, Financial Inclusion