

# THE POSSIBILITIES OF GREEN TAKAFUL AS A POTENTIAL CLIMATE FINANCE TOOL IN SRI LANKA

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**Abstract:** Takaful plays a significant role in the modern Islamic finance landscape, as it has experienced substantial growth and expanded its reach globally. The alignment of the Islamic financial sector with conventional financial market trends, while adhering to Sharia compliance, has contributed to the growth of Islamic finance. Within the financial sector, there are several current trends, one of which is climate finance. This concept, rooted in sustainable development goals, aims to address climate-related changes on Earth. As part of the broader movement towards sustainability and eco- friendly financing practices, there is a growing trend to transform both the financial and insurance markets into green concepts. Many countries have already introduced green insurance products, and the takaful market in various countries has competitively initiated green takaful products. In the context of Sri Lanka, the takaful market is relatively new, and this research aims to explore the possibilities of green takaful as a climate financial tool. The study adopts a qualitative approach, utilizing interview data as the primary source of information. The interviews were conducted with employees of takaful entities, experts, and academicians in Sri Lanka. Thematic analysis was employed to analyze the collected data. The findings indicate that there is minimal awareness of green takaful among the participants and contains numerous opportunities and challenges in implementing green takaful in the Sri Lankan takaful market. This research holds significance for initiating green takaful in the Sri Lankan takaful market. It provides valuable insights for policymakers, regulatory authorities, and future researchers in the fields of climate finance and green takaful.

**Keywords:** Climate Finance, Green takaful, Insurance, Sri Lanka, Sustainability