

THE CHALLENGES FACING TAKAFUL IN TANZANIA

PRESENTER: SHEIKH MUHAMAMD ISSA

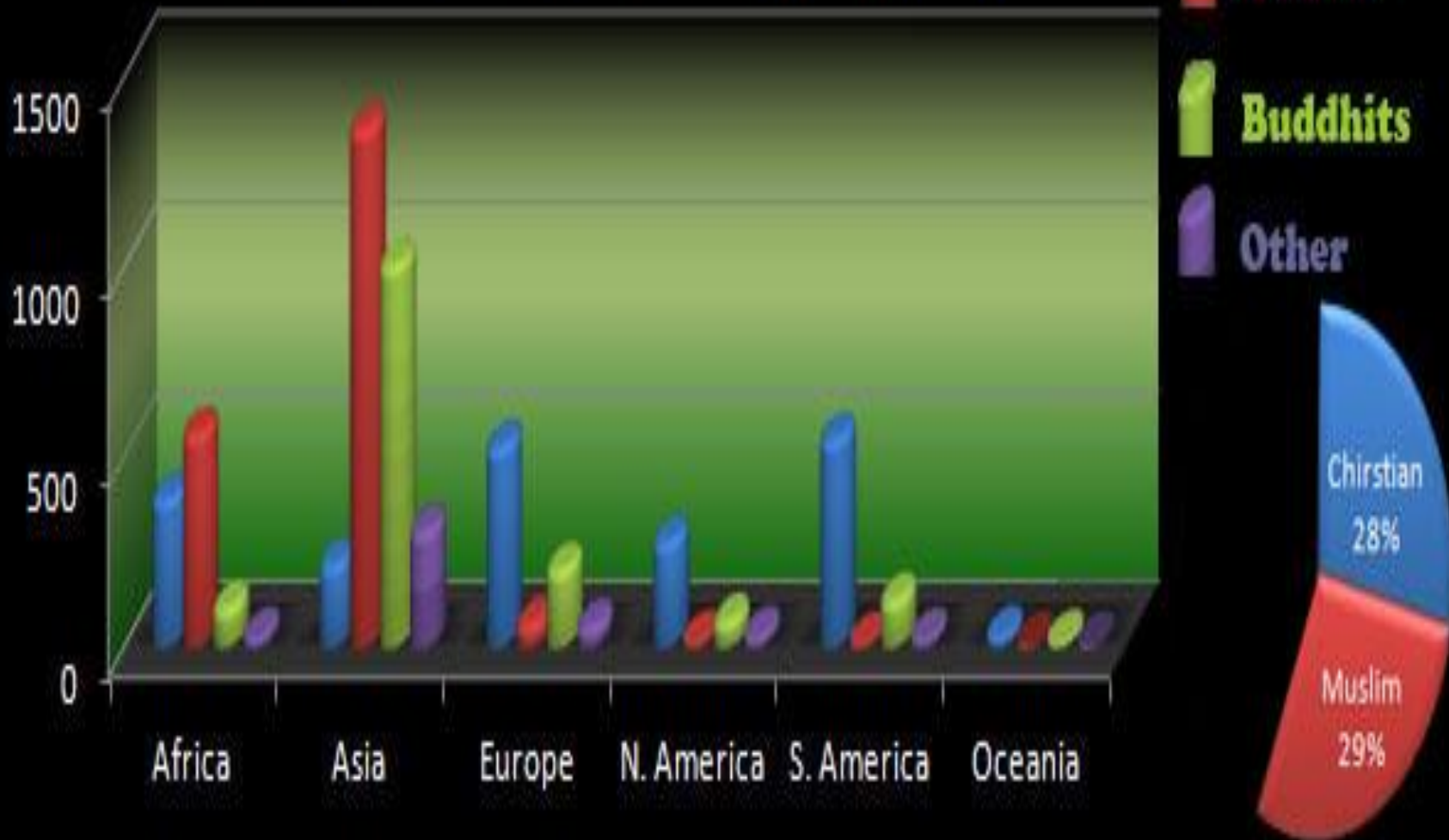
SECRETARY GENERAL – THE ISLAMIC FOUNDATION, MOROGORO

**MEMBER: CENTRE FOR ISLAMIC FINANCE, COMPLIANCE AND ADVICE
(CIFCA)**

Takaful Growth World Wide Outlook

- World Muslim population is estimated at 1.5 billions, of which around 97% are based in Asia and Africa.**
- A two-digit growth in the range of 15% to 20% can be reasonably sustained for at least the next 10 years in the existing markets (Africa and Middle East).**

Religious Population in Million



Takaful World Wide Growth Outlook

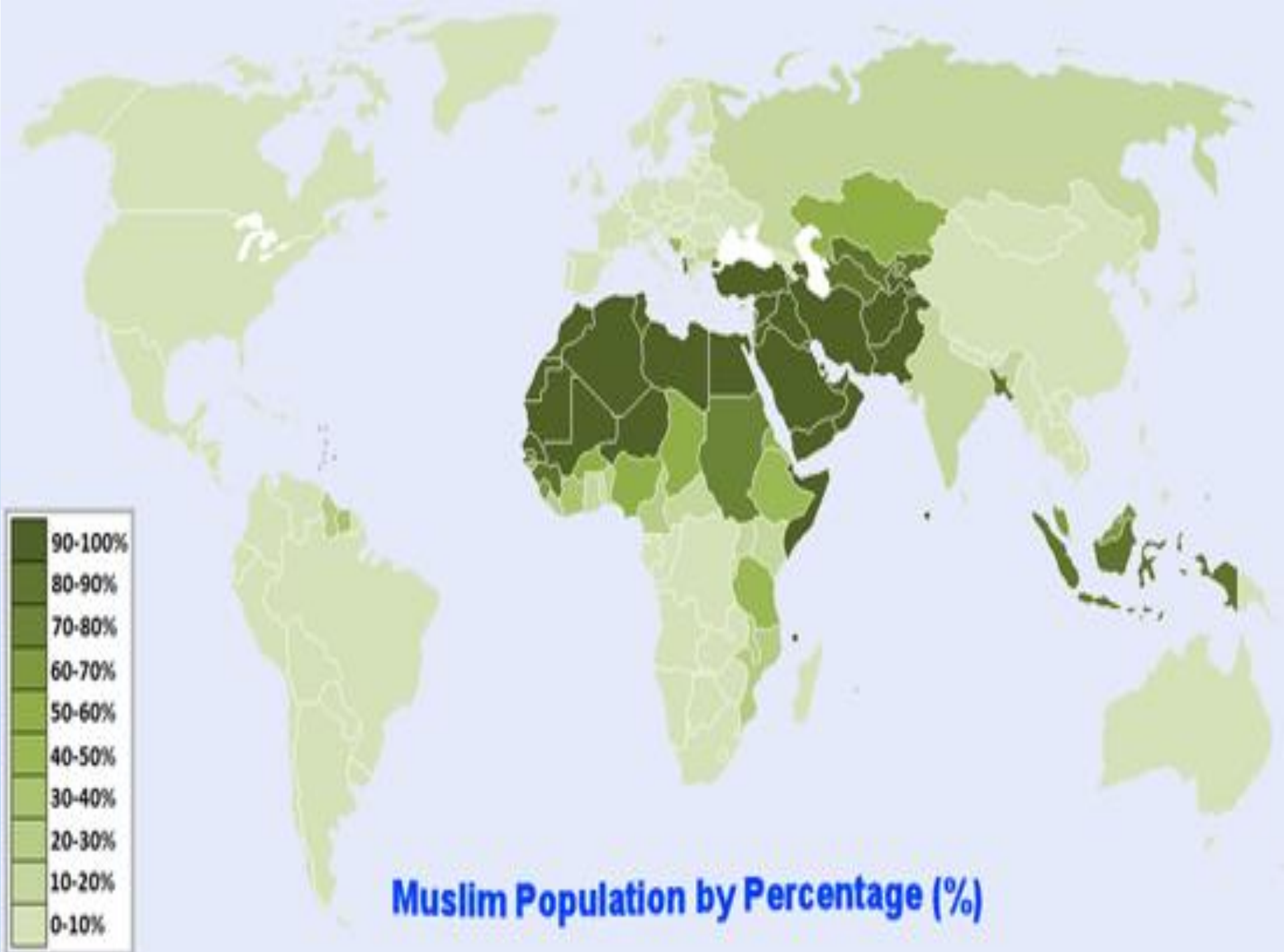
- ❑ Muslim population has been ever increasing through birth rate as well as high rate of conversions.
- ❑ Islam is fastest growing religion and consequently this religion has now the largest followers on this planet.
- ❑ At this moment Muslim population stands at **2.08** billion which is far greater than currently estimated 1.6 to 1.7 billion whereas Christian Population is **2.01** billion [religiouspopulation.com].
- ❑ It is expected that if present rate of increase of Muslim population continues that by 2030 **One** out of **Three** person will be Muslim.
- ❑ **By the end of 2011, the takaful industry had grown to \$12 billion "contributions" and is forecast to reach \$20 billion by 2017.**

Source:

<http://www.muslimpopulation.com>

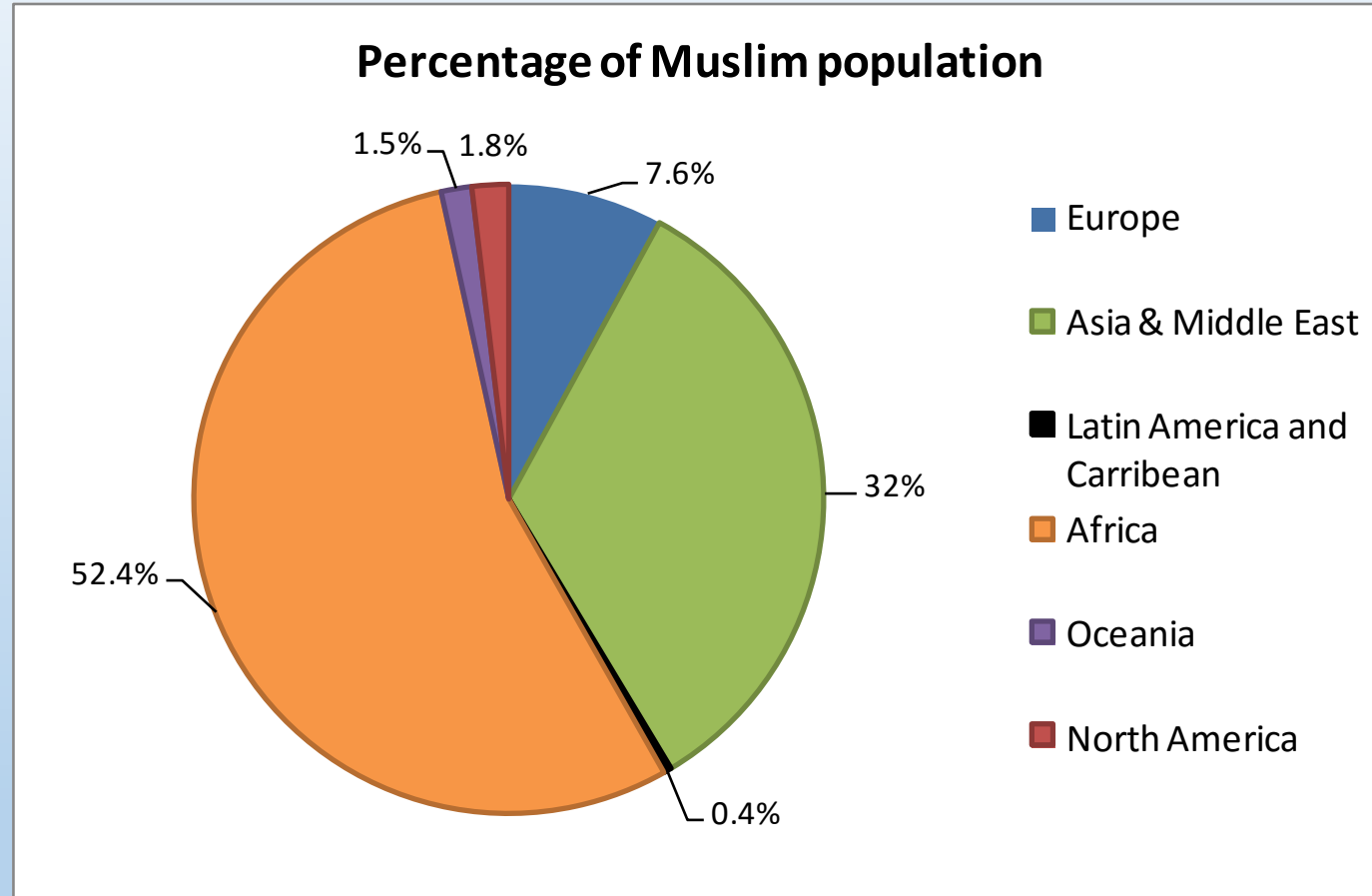
AL-HUDA CIBE: ISLAMIC CONFERENCE OF AMERICA (ICA) 18-29, 2017 DAR ES SALAAM

<http://www.islamicpopulation.com> accessed on December, 2016



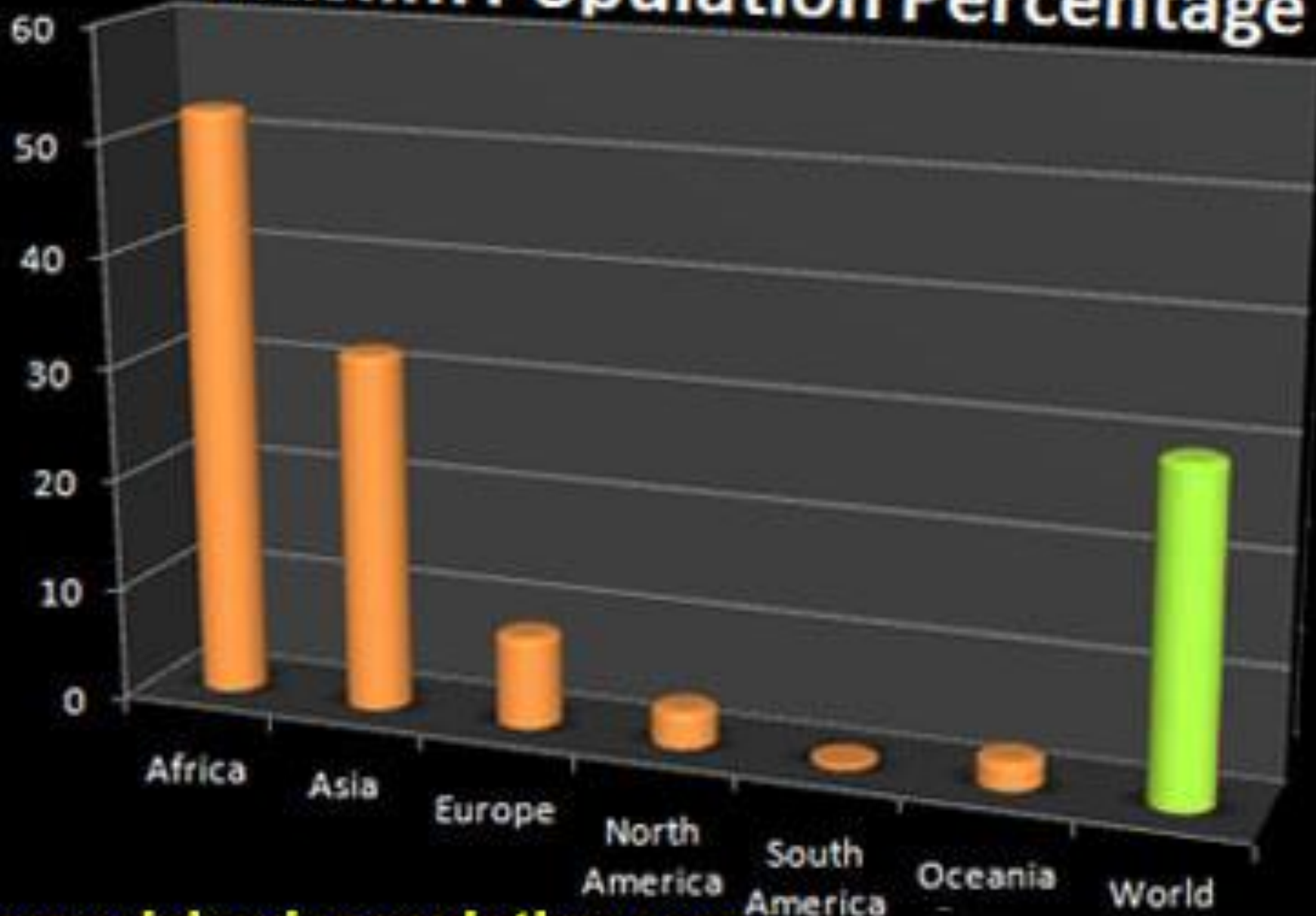
Muslim Population by Percentage (%)

Muslim population in the world



Source: www.muslimpopulation.com

Muslim Population Percentage



Shift of Customer's Tastes and Preferences

- Customer trend is now towards more ethical and transparent financial providers**
- Value based proposition focusing on trustworthiness and reliability**
- Takaful is growing faster than conventional insurance**

Takaful World Wide Growth Outlook

- ❑ Islamic finance has witnessed a tremendous growth across the globe over the last decade, representing one of the fastest growing sectors in the global financial system since its inception in the late 1960s.
- ❑ As a case in point, Islamic financial industry has registered 17.3 per cent Compounded Annual Growth Rate (CAGR) in the past five years (between 2009 and 2014).
- ❑ To date, total global financial assets of the Islamic financial industry are estimated to be around USD2tn and expected to surpass USD3tn by 2018.2 In addition, there are over 600 Islamic financial institutions (IFIs) operating in about 75 countries around the world: ranging from Banking, capital market to Takaful sectors.

Takaful World Wide Growth Outlook

- ❑ Takaful is an important growing sector in the Islamic finance industry with continuous positive growth momentum in key markets such as the GCC and ASEAN.
- ❑ Globally, the takaful market was estimated to continue its double digit growth momentum of about 14 per cent in 2014, reaching around USD26bln by end of 2015 and projected to surpass USD42bln by 2020 (2014E: USD23bln).
- ❑ Nevertheless, the size of the takaful industry is still small in comparison to other Islamic finance sectors, comprising a market share of 1.1 per cent only.
- **Sources: IFSB Stability Report 2015, ISRA estimates, MIFC, Global Takaful Insight, 2014, Deloitte, 2013, World Commerce Review, 2012, Ernst & Young, 2014, Global Takaful Insight, 2014**

Shift of customer's taste and preferences

- The growth of takaful is driven by
 - a strong demand from a public who would not insure otherwise (because of religious beliefs); and
 - The successful development of Islamic banking institutions providing capital and Islamic financial instruments for asset management and investment.

Takaful World Wide Growth Outlook

- ❑ The Takaful market remains a huge growth potential in many regions.
- ❑ According to a report released at the 2015 Global Islamic Economic Summit in Dubai on 5th October 2015, the volume of global Takaful business is set to reach US\$20 billion by 2017 and US\$25.5 billion by 2020 from the current US\$12 billion.
- ❑ There were a total of 224 global Takaful operators as at 2012, with 101 new companies formed between 2006 and 2012 alone, showing that Takaful is an emerging insurance segment. The total manpower supporting the primary Takaful sector stood at 70,010 as of 2013.

Takaful World Wide Growth Outlook

- ❑ Takaful Insurance is expected to enjoy automatic customer patronage amongst the Muslim faithful's driven by the Growing desire for shariah compliant products
- ❑ The Takaful Concepts of Mutuality, joint help and brotherhood fits well with African culture in general and Ethiopia in particular, if properly presented, it can be the best tool to deepen insurance penetration
- ❑ The concept of surplus participation is seen as transparent and particularly appealing to all.
- ❑ Establishment of other Non-interest financial institutions provide huge potentials for Takaful business

Takaful Geographical Spread

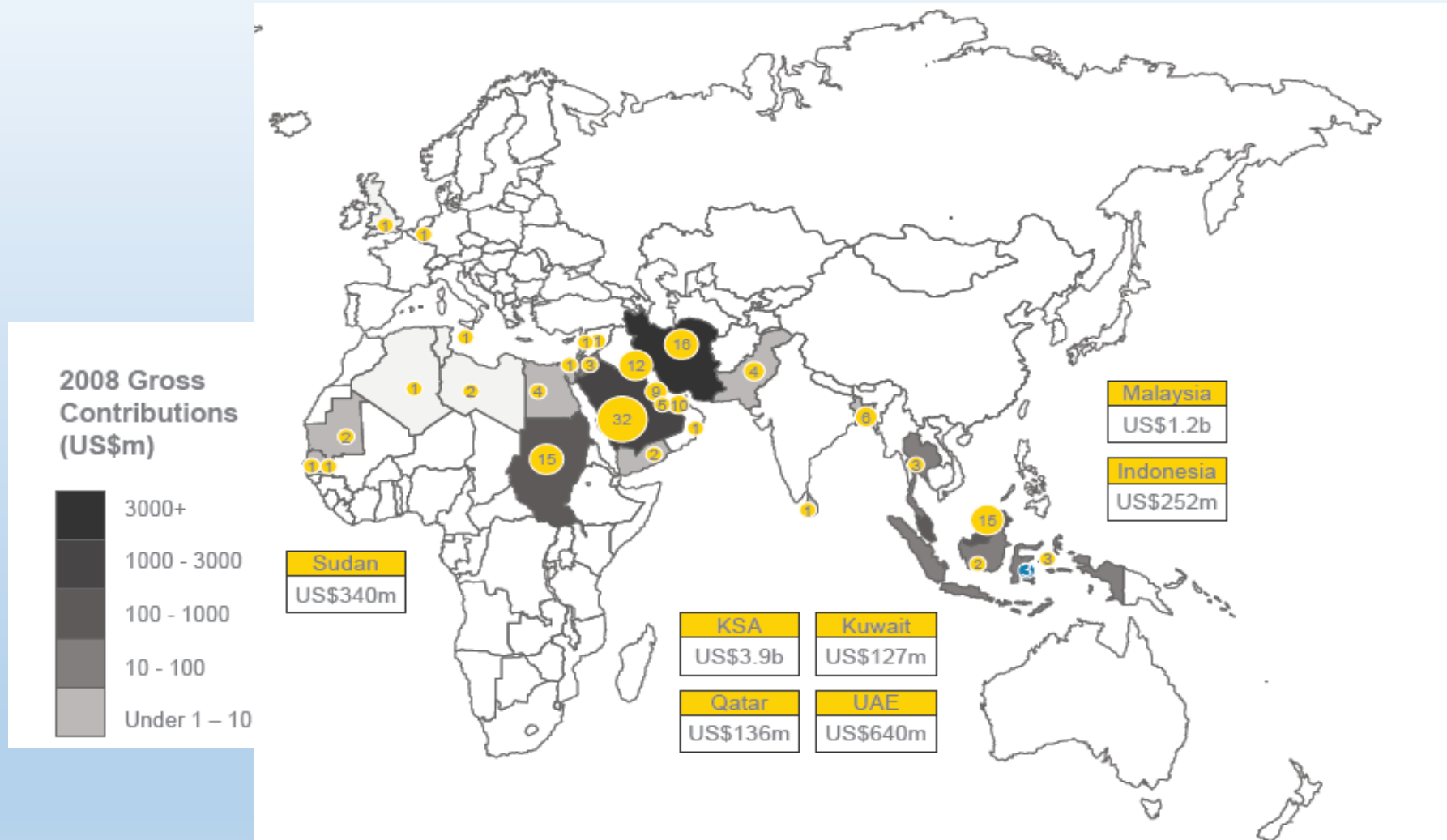
☐ Saudi Arabia	48%
☐ ASEAN :	30%
☐ GCC:	15%
☐ Africa, South Asia & Levant :	7%

Source: Rreport released at the 2015 Global Islamic Economic Summit in Dubai on 5th October 2015.

Takaful World Wide Growth Outlook

- ❑ The report revealed that the GCC- Gulf Cooperation Council (Bahrain, Oman, Kuwait, Qatar, UAE and Saudi Arabia) dominates the Takaful business, with Southeast Asia and Africa as the next biggest markets.
- ❑ According to the World Islamic Insurance Directory 2014, Saudi Arabia cooperatives account for nearly half (48%) of share of global gross Takaful contributions.
- ❑ ASEAN - Association of Southeast Asian Nations countries, namely Malaysia and Indonesia, account for nearly one-third (30%) of total gross Takaful contributions, followed by other GCC countries at 15%.
- ❑ Africa, South Asia and Levant account for 7% of global Takaful contributions.

Global Takaful Operators and Contributions (2015)



Source: Ernst & Young's World Takaful Report 2011

AL-HUDA CIBE: ISLAMIC CONFERENCE IN TANZANIA , MARCH 28-29, 2017 DAR ES SALAAM

Takaful World Wide Growth Outlook

□ Untapped market:

Despite the remarkable growth rate recorded by the Takaful industry, penetration is still far below the enormous market potential offered by the Muslim community worldwide (23% of the total world population).

Takaful World Wide Growth Outlook

- ❑ Takaful in Africa has largest presence in Sudan, Egypt, Tunisia, Algeria, Senegal and smaller presence in South Africa and Gambia.
- ❑ In the African region, Sudan leads the Takaful market, recording gross Takaful contribution at CAGR of 23.4 per cent during the period 2009-2013.³²
- ❑ Family Takaful contributed to 58% of the total Takaful contribution in 2013.³³ Currently, there are 15 Takaful operators in Sudan offering both general and family Takaful products with five of them providing micro Takaful products.
- ❑ East Africa is emerging as the region's Islamic financial services hub, with fully-fledged Islamic banks and insurers offering Takaful insurance services, the Ethiopian financial sector should also take part in this.

Source: Market Attractiveness and Future Prospects of the Sudanese Takaful Insurance Industry” report, 2015, Islamic Finance News, June 2015, Deloitte, 2013, Global Takaful Insight, 2014

CHALLENGES FACING TAKAFUL INDUSTRY IN TZ



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- ❑ Overall, the growth of Takaful market globally is driven by the exciting development of Islamic banking and finance as part of the natural progression and evolution of the Islamic financial industry.
- ❑ However, the industry continues to face numerous challenges and issues in many aspects. Some of these challenges are before inception of Takaful and others after its inception as follows;-
 - ❑ Before Inception: absence of legal framework, low penetration rate of Islamic Banking, shortage of human capital.
 - ❑ After Inception: ineffective governance practices, inadequate technology capabilities and lack of innovation in business model for new market niches.

CHALLENGES FACING TAKAFUL INDUSTRY IN TZ

- ❑ Moreover, other challenges might include:
 - **Awareness** –To make the product successful, rigorous awareness creation to the Muslims and non-Muslim community, is required.
 - Rural as well as Urban awareness campaign is required to break the established culture of banks concentrating their activities in Urban areas at the expense of Rural ones while we are told 70-80% of Tanzanians live and work in rural areas.
- ❑ **Re-Takaful Capacity** – Takaful entry to bigger & complex Risk is highly dependent on Re-Takaful Operators' capacity which if not planned early will be very limited compared to Conventional Re-insurers

WHAT TO BE DONE?

❑ Regulatory Framework

- ❑ It requires comprehensive and enabling legal and regulatory framework. Tanzania Insurance Regulatory Authority (TIRA) and CIFCA have to work together to enable a regulatory framework be in place

❑ Product Development

- ❑ Meanwhile, Takaful stakeholders should not wait until there is a legal framework for Takaful to start developing Takaful products.
- ❑ New and innovative products meeting participant's requirement need to be developed prior to Takaful enters the industry to enable people to choose what appeals to them

WHAT TO BE DONE?

❑ Investment Options

- ❑ Investment options in accordance with Shari'ah principals are required . These investments will call for Takaful because a Shari'ah compliance investment will be insured using conventional insurance.

❑ Possibility of Religious bias, distrust, Islamophobia etc.

- ❑ There is the need to reach out to non-Muslims emphasizing the fact that Takaful is about risk mitigations addressing the issue of protection in a fair and ethical manner and is open to all regardless of faith .

Recommendations:
**The actions required to create
conducive environment for
Takaful products in Tanzania.**