

Takaful is an Islamic way of doing insurance: It proved its viability after several Fatwas were issued by Ulama and Fiqh academies in its favour. Presently, over 100 Takaful and Re-takaful companies as well as Takaful windows under conventional insurance are operating across the world. Enhanced financial performance of selected Takaful companies has shown the growing interest in Takaful business across the world. Insurance comparison in Muslim and advanced countries as well as in the South Asian region has identified low literacy, low GDP per capita and low GDI value as the probable causes of low insurance penetration in Pakistan.

Geographical spread of Takaful business and estimated future potential together with the increasing trend of insurance business indicated that potential for Takaful business exists in the country. It urges the policy makers to pay attention to global indicators that might become potential contributors to Takaful business.

The study emphasizes that strengthened regulatory standards, with Shari'ah compliance mechanism playing a central role, are essential to transform conventional insurance system and exploit the existing business potential. To further analyze which of the Takaful standards are significantly affecting Takaful practices, a survey of Takaful operators in the country indicated that reporting standards and internal controls have low level of observance in Pakistan.

The survey of 150 life insurance customers revealed that majority of the respondents is unaware of Takaful concept. Level of Takaful awareness was found to be significantly associated with the education of the customers, their perceptions about Takaful and their intentions to shift to Takaful Company. Education was found to be the single important factor affecting monthly income of the respondents, their state of mind and hence their awareness about Takaful.

The study identifies effective regulatory framework a critical factor for the success of Takaful business in Pakistan. A greater focus on promotion of Takaful and governance issues along with strengthened role of SECP as a regulatory authority is likely to contribute for further growth of Takaful industry in Pakistan.