

## CHALLENGES FACING THE DEVELOPMENT OF *TAKAFUL* INDUSTRY IN BANGLADESH AND INDONESIA: A REVIEW

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### ABSTRACT

*Takaful* is the Islamic version of insurance, and the size of global *takaful* industry is about USD\$51 billion in 2019. Limited studies have been conducted on the development of *takaful* sector in Bangladesh and Indonesia using a comparative approach. As such, this review aims at investigating the challenges facing the development of *takaful* industry in these two countries. Primary sources such as laws and regulations, and the secondary sources such as scholarly articles and books on the subject matter were reviewed to derive conclusions. This review concludes that efficiency of *takaful* in both countries depend on some common factors, such as having a proper and sophisticated regulatory framework for *takaful* with the development of required talent pool while focusing on creating awareness and education to ensure that not only the general public have the required *takaful* literacy; but even the existing and potential customers have the basic knowledge about *takaful*. Further, it is also found in this review that in order to further develop the *takaful* industry in both countries, it is imperative to use innovation and technology to promote *takaful* parallel to the conventional insurance by creating a level playing field. This review also identifies some specific issues in both countries and have suggested recommendations accordingly. It is anticipated that the outcome of this review will assist policy makers and other stakeholders to understand the inhibitions facing the development of *takaful* industry in these two jurisdictions with hope that these challenges can be eliminated for the sustainable

development of takaful sector.

**Keywords:** Insurance, Islamic insurance, Islamic finance, review, Shariah, *Takaful*.

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## 1.0 INTRODUCTION

*Takaful* is the Islamic version of insurance, and the global *takaful* assets is USD\$51 billion in 2019 (Alpen Capital, 2021). Bangladesh and Indonesia are two countries where there is a significant Muslim population. Bangladesh is home to the world's third largest Muslim population, while Indonesia has the largest Muslim population in the world. Both countries offer *takaful* services and there are challenges facing the development of the industry in both countries. It is essential to note that in Bangladesh the name used for *takaful* is Islamic insurance, while in Indonesia it is called Shari'ah insurance.

It is reported that there are numerous challenges facing Islamic countries to develop a *takaful* market which may include among others lack of awareness, political will, enough re-*takaful* capacity, adequate investment options, enough skilled resources, regulatory support, adequate distribution capacity, and the required efforts in research and development (COMCEC Coordination Office, 2019). To overcome the challenges identified, the recommendation proposed by COMCEC Coordination Office (2019) include having in place a sophisticated legal and regulatory framework, Shari'ah framework, diversifying products and services, and having policies implemented for the sustainability of *takaful* business. As per the Islamic Finance Development Indicator (IFDI), Saudi Arabia (93) is the only country who had a score above 70 in terms of *takaful* sector development; while Iran (57), Bangladesh (53), Malaysia (42) and Indonesia (40) fall within the IFDI score between 40-60 (COMCEC Coordination Office, 2019).

Limited studies have been conducted on the developments in *takaful* sector in Bangladesh and Indonesia using a comparative approach. The objective of this paper is to find out the challenges facing the development of *takaful* industry in Bangladesh and Indonesia. Primary sources such as laws and regulations, and the secondary sources such as scholarly articles and books on the subject matter were reviewed to derive conclusions. This paper is divided into five sections. Section 2 examines the emergence of *takaful* and the progress of

*takaful* industry in Bangladesh and Indonesia, while Section 3 discusses obstacles facing the development of *takaful* industry in both countries, followed by recommendations and conclusion. It is anticipated that the outcome of this review would assist policy makers and other stakeholders to understand the inhibitions facing the development of *takaful* industry in these two jurisdictions in the hope that these challenges can be eliminated for the sustainable development of *takaful* sector.

## **2.0 THE EMERGENCE OF TAKAFUL AND THE DEVELOPMENTS OF TAKAFUL IN BANGLADESH AND INDONESIA**

This section examines the emergence of *takaful* and the progress of *takaful* industry in Bangladesh and Indonesia.

### **2.1 The Emergence of *Takaful***

*Takaful* is known as Islamic insurance, and it is an alternative to conventional insurance. Conventional insurance is a risk transfer contract from the policyholder to the insurer for an exchange of premium, and these premiums will be recognized as an income while claim payment will be recognized as a cost for the insurer (Pricewaterhouse Coopers, PWC, 2017). As conventional insurance is haram (unlawful) in Sharī‘ah due to the existence of *riba*, *gharar* and *maysir* in an exchange contract, *takaful* was introduced to fill the gap. Islamic Fiqh Academy of OIC in 1985 resolved that the commercial insurance contract, with a fixed periodical premium, which is commonly used by commercial insurance companies, is a contract that contains major element of risks, which voids the contract and therefore, is prohibited (*haram*) according to the Sharī‘ah. The alternative contract which conforms to the principles of Islamic dealings is the contract of co-operative insurance, which is founded based on charity and co-operation (Ab Rahman, 2009). Similarly, the case of re-insurance is based on the principles of co-operative insurance (Ab Rahman, 2009). The Academy invites the Muslim countries to work on establishing co-operative insurance institutions and co-operative entities for the re-insurance, in order to liberate the Islamic economy from the exploitation and violation of the system.

The term *takaful* is derived from the Arabic root word ‘*k-f-l*’ which means responsibility or guarantee. *Takaful* is derived from the Muslim historic system of ‘*aqilah*’ where the blood money that needs to be paid by the murderer to the family of the deceased to be jointly paid by the family of the murderer. Four phases of *takaful* have been identified by the researchers (International Shari‘ah Research Academy for Islamic Finance, 2016). According to

International Shari'ah Research Academy for Islamic Finance (2016), phase one was in 1979 when the first *takaful* model based on *ta'awuni* model (cooperative) was developed in Sudan; phase two was in 1984 when *mudaraba* model was developed in Malaysia; phase three was in the same year when *wakala* model was developed in gulf for *takaful*; and the final phase is in 1996 when waqf model was developed in South Africa.

In *takaful*, *takaful* operators (TOs) are not the insurers that insure the participants, rather they are the persons participating in the scheme who are known as *takaful* participants that mutually insure one another by mutually guaranteeing each other, and the role of TOs is to simply function as administrators of the *takaful* fund whose responsibility includes managing and investing the fund according to the Shari'ah principles (International Shari'ah Research Academy for Islamic Finance, 2016). The main differences between *takaful* and conventional insurance are that *takaful* is a combination of *tabarru'* (donation) contract with the Shari'ah structure adopted to operationalize the TOs which could be based on agency (*wakala*) or profit sharing equity contract (*mudaraba*). Whereas conventional insurance is based on contract of exchange based on sale and a purchase transaction that is entered between the insurer and insured. In *takaful*, the participants of *takaful* are obliged to make contributions to the scheme and they will share surplus in the fund as agreed. However, in conventional insurance, policyholders are obliged to pay premium to the insurer and no surplus will be shared. In *takaful*, *takaful* operator gets a return for the service they render in taking care of the *takaful* funds and the return will be based on the Shari'ah contract used. This means that if the relationship between the contributor and the TOs is based on agency contract, then the agreed agency fee will be the income of the TOs and if it is based on profit sharing based equity relationship, the pre-determined profit-sharing ratio then the TOs are entitled for the profit only. In conventional insurance it is the company who makes a profit when there is an underwriting surplus. It is also imperative to note that in *takaful* counter-value is effort or/and undertaking of risk while in conventional insurance there is no clear valid counter-value as in this case the source of profit hopes that the uncertain future will be in their favor by having a situation where the total premiums exceed total claims. Further, in *takaful*, *takaful* funds ought to be invested in Shari'ah compliant instruments whereas in conventional insurance, there is no such restriction in investment of funds.

## **2.2 Takaful in Bangladesh**

*Takaful* was first introduced in Bangladesh on 12th December 1999 by Islamic Insurance Bangladesh Ltd (Khan, Rahman, Yusoff, & Nor, 2016; Kalil, 2011). However, up until now

there are no specific rules formulated by the regulator to regulate *takaful* industry. There are eight full-fledged Islamic insurance companies and 13 Islamic insurance windows operating *takaful* in Bangladesh (Khan et al., 2016). On 20 June 2002, all directors and Sharī'ah board members of *takaful* providers in Bangladesh gathered to discuss on regulating and standardizing *takaful* practice in the country and again they met on 13 August 2002 and established Sharī'ah Council for Islamic insurance of Bangladesh, which was formally registered on 19 January 2008 (Khan et al., 2016).

The key objectives of Sharī'ah Council for Islamic insurance of Bangladesh are to regulate full Sharī'ah rules and regulations in each *takaful* company and its windows in order to provide necessary suggestions and consultancy for *takaful* companies and the members of Sharī'ah boards, directors, and board of directors to train employees and officers of each *takaful* company regarding Sharī'ah compliant for *takaful* practices and all systems related to Sharī'ah. The decisions taken by the majority jurists will be approved, and this decision will be considered as the final decision of the council. The council will suggest for each *takaful* company to produce the new products of *takaful* in light of the principles of Sharī'ah. The council also aims to suggest the Insurance Development and Regulatory Authority of Bangladesh to deal with all works related to Islamic insurance in light of the rules of Sharī'ah to collect wealth from the all *takaful* companies in order to spend for the needy, poor, and donate for welfare activities, and to arrange conferences and seminars related to *takaful*. The council also suggests the government to introduce separate regulations for *takaful* companies in Bangladesh (Khan et al., 2016).

There are numerous challenges faced by the growth of *takaful* industry in Bangladesh, and some of these challenges include lack of an independent regulation, Sharī'ah-compliant deposit portfolios and Islamic capital market for Islamic insurance, unexpected competitions, lack of skilled people, qualified field workers and desk officers, nonexistence of Islamic re-insurance and training institutions, and lack of public interest in Islamic insurance and consensus among Muslim scholars (*ulama'*) (Khan et al., 2016).

### **2.3 *Takaful* in Indonesia**

The Indonesian Sharī'ah Insurance Association (AASI) projects that the contribution of the *takaful* sector in 2020 will grow by 10%. AASI is optimistic that premiums will grow faster than in 2019 because of an increasingly supportive ecosystem (Middle East Insurance Review, 2020). According to AASI, there are three reasons for this: 1) the economic growth after a conducive political year; 2) government support in driving the Islamic economy; and 3)

increased public awareness and several business actors related to the needs and availability of Islamic insurance products (Middle East Insurance Review, 2020). The Indonesian Islamic Economic Masterplan 2019-2024 states that the development of Islamic insurance in Indonesia in the past five years shows an increasing trend in terms of assets despite a growth slowdown and as per the data reported by the Indonesian Financial Service Authority, Otoritas Jasa Keuangan (OJK) in the Sharī'ah IKNB Statistics, until August 2018, Islamic insurance's total assets are at IDR 41.68 trillion with details of IDR 34.35 trillion in general insurance, IDR 5.48 trillion in life insurance, and IDR 1.85 trillion in reinsurance (Ministry of National Development Planning, 2019). The slowdown in growth itself began in 2017 with asset growth of 21.89% from the previous year and this figure is lower than the growth in 2016 that was recorded at 25.36% (Ministry of National Development Planning, 2019).

The legislation directly related to *takaful* in Indonesia is the Law of the Republic of Indonesia Number 40 of 2014. However, the term used to describe *takaful* under this law is Sharī'ah insurance. Article 1(1) of the said Law defines Sharī'ah insurance as a collection of agreements, consisting of the agreement between the Sharī'ah insurance companies and the policy holders and the agreement among the policy holders, for the purpose of management of the contributions on the basis of Sharī'ah principles in order to help and protect each other by means of a) providing compensations to the participants or policy holders due to loss, damage, incurred cost, profit loss, or legal liability towards third parties which may be suffered by the participant or policy holder due to an uncertain event; and b) providing payments on the basis of the death of the participant or a payment on the basis of the life of the participant with a benefit the value of which has been determined and/or based on the result of fund management. Article 1(3) of the Law defines Sharī'ah as Sharī'ah principles are the principles of Islamic law in insurance activities based on the fatwa issued by an institution having the authority in fatwa issued in the field of Sharī'ah. Article 1 of Law no 40 of 2014 also defines Sharī'ah general insurance business, Sharī'ah life insurance business, Sharī'ah reinsurance business, Sharī'ah insurance company, *tabarru'* fund, policy holder, participant and contribution.

Article 1(8) of the Law defines Sharī'ah general insurance business as a business of risk management based on the Sharī'ah principles in order to help and protect each other by providing a compensation to the participant or policy holder due to loss, damage, incurred cost, profit loss, or legal liability towards a third party which may be suffered by the participant or policy holder due to an uncertain event. Article 1(9) defines Sharī'ah life insurance business as a business of risk management based on the Sharī'ah principles in order to help and protect each other by providing a payment on the basis of the death or life of the insured, or other

payments to the participant or other parties entitled in a specific time as set in the agreement, the amount of which has been stipulated and/or based on the result of the fund management. Article 1(10) defines Sharī'ah reinsurance business as a business of risk management based on the Sharī'ah principles over the risk faced by Sharī'ah insurance companies, Sharī'ah guarantee companies, or other Sharī'ah reinsurance companies. Article 1(16) defines Sharī'ah insurance company as a Sharī'ah general insurance company and a Sharī'ah life insurance company. Article 1(21) defines *tabarru'* fund as a collection of fund raised from the contributions of the participants, of which usage mechanism is pursuant to the Sharī'ah insurance agreement or the Sharī'ah reinsurance agreement.

Article 1(22) defines policy holder a party binding itself/himself/herself on the basis of the agreement with an insurance company; Sharī'ah insurance company, reinsurance company, or Sharī'ah reinsurance company to obtain protection or management over the risk for itself/himself/herself, the insured or other participants. Article 1(24) defines participants as a party facing the risk as set in the Sharī'ah insurance agreement of the sharia reinsurance agreement. Article 1(30) defines contribution as a sum of money stipulated by a Sharī'ah insurance company or Sharī'ah reinsurance company and agreed by the policy holder to be payable based on the Sharī'ah insurance agreement or sharia reinsurance agreement in exchange of benefits from the *tabarru'* fund and/or the participants' investment fund and to pay the management cost, or a sum of money stipulated based on the provisions of laws and regulations which govern compulsory insurance program for benefits.

Article 3 states that a Sharī'ah general insurance company shall only organize Sharī'ah general insurance business, including the health insurance business line based on the Sharī'ah principles and personal accident insurance business line based on the Sharī'ah principles; and Sharī'ah reinsurance business for the risk of another Sharī'ah general insurance company. The same article also states that a Sharī'ah life insurance company shall only conduct Sharī'ah life insurance business including the annuity business line based on the Sharī'ah principles, health insurance business line based on the Sharī'ah principles, and personal accident insurance business line based on the Sharī'ah principles and a Sharī'ah reinsurance company shall only conduct Sharī'ah reinsurance business.

Though Sharī'ah insurance has been growing rapidly in Indonesia and the insurance providers have started offering Sharī'ah insurance, there are some challenges facing the development of Sharī'ah insurance in Indonesia and this is evident from the financial literacy survey conducted by Financial Services Authority of Indonesia, Otoritas Jasa Keuangan (OJK) where it is stated that understanding the concept and importance of insurance itself is an issue

in Indonesia and there is need to develop human resources that understand Sharī'ah insurance (Asep, 2019). According to Indonesian Ministry of National Development Planning (2019), the challenges facing the development of Sharī'ah insurance in Indonesia is lack of awareness about Sharī'ah insurance as Sharī'ah Insurance Literacy Index for 2017 is 2.5% and the inclusion index is 1.9% and low political support for the development of it compared to Malaysia.

### **3.0 OBSTACLES FACING THE DEVELOPMENT OF TAKAFUL IN BANGLADESH AND INDONESIA**

This part of the paper discusses the obstacles facing the developments in *takaful* industry in Bangladesh and Indonesia in terms of legal and regulatory framework applicable to *takaful*. Indonesia has a more sophisticated framework compared to Bangladesh. However, in this regard, while Bangladesh needs a sophisticated framework that is exclusive for *takaful*, Indonesia requires the existing legal and regulatory framework applicable for *takaful* to be upgraded. In terms of awareness and human talent development, both countries face similar challenges that need to be resolved by creating awareness about *takaful* among the general members of the population and focus on talent development is required.

In Bangladesh, *takaful* is considered as an emerging industry. During the period 2004-2008, the total premiums earning increased from BDT 1.4 million (USD 0.02 million) to BDT 5.7 million (USD 0.07 million) establishing 12% of total premiums in the insurance sector (Khan et al., 2016). In Bangladesh, the growth rate of Islamic insurance in 2016 for life-insurance sector was -34.36%, and for non-life insurance it was 96.29% (Khan et al., 2016). There are eight key challenges facing the development of Islamic insurance in Bangladesh. They are: 1) lack of sophisticated and exclusive framework for *takaful*; 2) no mechanism to keep mandatory deposits of *takaful* companies in a Sharī'ah compliant manner resulting in Islamic insurance companies being unable to use the return received; 3) limited Sharī'ah complaint avenues to invest *takaful* funds; 4) lack of required human talent pool; 5) lack of awareness among the public; 6) lack of unification of views among Muslim scholars; 7) lack of Islamic reinsurance local companies; lack of use of technology; and 8) lack of willingness in implementing Sharī'ah and ethics.

In Bangladesh, the existing law applied to *takaful* companies is the same as the law applied to the conventional insurance companies. The legislation applied to both is Insurance Act 2010, and there is no specific legal or a regulatory framework applicable to *takaful* (Khan, Abdul Rahman, Zulkifli, Mohd Nor, & Noordin, 2018; Sarwar, 2016). Section 2 (7) of



Insurance Act 2010 of Bangladesh defines Islamic insurance business as insurance business regulated in accordance with Islamic law.

The Islamic insurance companies are to keep deposit with Bangladesh Bank, the central bank of the country, which operates on interest. Islamic insurance companies cannot use these interests on their deposits as profits since they are to follow Sharī'ah rules (Kalil, 2011). Since the ribawi (interest bearing) transactions are forbidden in Islamic law, Bangladesh Bank should facilitate a way in which deposits could be kept in a Sharī'ah compliant manners.

Another obstacle for growth of Islamic insurance in Bangladesh is scarcity of Islamic capital market (Azad & Sir, 2013). Islamic insurance companies cannot participate in the interest-based investment portfolios or capital market. As a result, Islamic insurance companies lag conventional insurance (Kalil, 2011). On the other hand, a survey was conducted in the year 2013 and 2014 by Khan et al. (2016) and they found that Bangladesh government was compelling the family *takaful* companies to invest 30% of their total wealth in conventional government bonds and securities.

There is lack of qualified human resource in Islamic insurance in the country (Bhuiyan, Hossain, & Rahman, 2012). Most of the human resources are familiar with conventional insurance but knows little about *takaful*, its investments and operational schemes (Khan et al., 2018). The reason is that there is not enough training and education system to train up these employees of Islamic insurance companies. As a consequence, most employees lack professionalism and fail to reveal the benefits of the Islamic financial products and services to the public (Khalid, 2007).

Researchers like Reza and Iqbal (2007) apprehended lack of mass awareness, propaganda and misinterpretation about Islamic insurance as the cause of low interest of public over Islamic insurance. Most of the participants of family *takaful* in Bangladesh are poorly educated; hence they do not understand the investment methods of *takaful* (Khan & Uddin, 2013), and depends on the agents who sometimes conceals the correct information. Due to paucity of proper knowledge the clients sometimes fail to receive their rightful premiums (Khan et al., 2018), and sometimes companies may exploit this opportunity to delay their claims and earn extra profits (Ali, 2012). All these factors negatively affect the *takaful* industry of Bangladesh.

Debate still prevails among the Muslim scholars of Bangladesh in referring to the use of *takaful*, which lowers public interests on having *takaful* protection. Many Sharī'ah boards of family *takaful* companies operates independently without any collaboration with other Sharī'ah boards, whereas many others irresponsibly monitor the *takaful* industry. All these are

affecting the efficiency of *takaful* in Bangladesh (Khan et al., 2016). The Central Sharī'ah Council formed in 2008 for Islamic Insurance companies of Bangladesh still do not have any legal authority, it works as a supervisory body only (Khan et al., 2018).

There is no Islamic reinsurance company in Bangladesh. Hence Islamic insurance companies are forced to reinsure with the conventional insurance companies. Branches of Islamic insurance companies are not interlinked online, and hence customers have to reach head offices for their premium payments and receipts. This creates hurdles in the popularity of Islamic insurance. *Takaful* companies aim at helping mutually and to develop welfare base or Islamic economy in Bangladesh and in Indonesia. Many conventional companies are set up with only business motives instead of helping others. The result of which is delays in payment of claims of insured and invests that money elsewhere to realize more profits. Directors and employees of many companies are not much willing to abide by total Sharī'ah guidelines and ethics in the family *takaful* company (Khan et al., 2018).

As for Indonesia, the four main challenges have been identified in this regard and they include: 1) lack of marketing of *takaful*; 2) lack of customer's awareness about *takaful*; 3) limited number of players in the market; and 4) issues in regulation. Effendi (2018) cited lack of efficient marketing and promotion of products to public as one of the causes of decrease in rapid development of Islamic insurance market. He further added expertise, quantity, and Islamic insurance knowledge of human resources as a determinant of having strong marketing position by the insurance companies. Besides, non-upgraded transaction systems and less verified Islamic insurance products can also cause problem to the insurance industry in Indonesia.

Lack of customers' willingness, understanding of Islamic insurance, awareness and perception of mimicry among the customers affects the Islamic insurance industry. For instance, in 2015 the market share of Islamic insurance of Indonesia was 5.98% of total Islamic insurance industry (Effendi, 2018), which indicates that the Muslim communities of Indonesia are yet to join the Islamic insurance industry. The growth of Islamic insurance asset was quite well (about 21.69% in 2016) but the market share was still small (only 5.63%) (Asep, 2019). Hence Islamic insurance is still beyond the conventional one. Marketing strategy, adequate infrastructure, and professional human resource advantages the conventional insurance.

Absence of proper regulation hinders the Islamic insurance growth. For instance, use of conventional insurance for sukuk, taking conventional insurance coverage during hajj and umrah are considered as restraints towards the successfulness of *takaful* industry in countries like Indonesia. Hidayat and Firmansyah (2017) studied the financial performance of the

Indonesian Islamic insurance industry and ended up with the following conclusions: a) the board of directors does not affect the financial performance of Islamic insurance companies; b) the board of commissioners positively affects the financial performance of Islamic insurance companies; c) managerial ownership has positive effect on the financial performance of Islamic insurance companies; d) institutional ownership has positive effect on the financial performance of Islamic insurance companies; e) leverage negatively affects the financial performance of Islamic insurance companies; and d) size weakens the relationship between the amount of the board of directors and the leverage of the financial performance of Islamic insurance companies in Indonesia.

#### **4.0 RECOMMENDATIONS**

It is clear from the previous section that there are number of challenges facing the development of *takaful* industry in Bangladesh and Indonesia, and there is a need to find ways to eliminate these challenges to develop *takaful* sustainably in these jurisdictions. In this section, recommendations to overcome the challenges highlighted are discussed for both countries separately.

As for Bangladesh, there is a need to adopt a sophisticated legal and regulatory framework for *takaful* industry. In this regard, Malaysia could be taken as an example. Political will and support are imperative to come up with such a sophisticated framework. Such a framework can eliminate all the challenges by creating a regulated environment for *takaful* where legal, regulatory, governance, human development, ethical and *retakaful* challenges will be resolved.

With regard to Indonesia, it is observed that AASI can play a vital role in lobbying to revamp the regulatory framework for *takaful*. If all stakeholders of the industry are united, then it would be possible to bring revolutionary changes to the industry where unified marketing activities, awareness campaigns, and attracting more players to the industry could be made. At the moment, the Indonesian government is driving Islamic economy and as such, AASI could play a complementary role by giving hands with the government's initiatives to promote *takaful* literacy and diversify their products.

#### **5.0 CONCLUSION**

It is evident from this review that there are several challenges facing the development of *takaful* in Bangladesh and Indonesia. There are nine challenges identified for Bangladesh and four factors for Indonesia in this regard. For Bangladesh, the challenges discussed can be summed

up in not having a separate regulatory framework for *takaful*; lack of a mechanism to keep mandatory deposits of *takaful* companies in a Shari'ah compliant manner; lack of Shari'ah complaint avenues to invest *takaful* funds; lack of human talent pool required; lack of awareness among the public; lack of unification of views among Muslim scholars; lack of Islamic reinsurance and training institutions; lack of use of technology, and lack of willingness in implementing Shari'ah and ethics. As for Indonesia, the challenges discussed can be summarized in lack of marketing of *takaful*; lack of customer's awareness about *takaful* and limited number of players in the market, and issues pertaining to regulations. A common issue which can be derived for both countries is in educating the public and creating more awareness on *takaful*. As *takaful* industry in Indonesia is much advanced, there are more lessons Bangladesh could learn from Indonesia. For instance, the development of a separate legal framework for *takaful* parallel to conventional insurance and Islamic finance products in Islamic capital market are two areas that could be learnt from Indonesia. It can be concluded that both countries need to develop strategies to create awareness about *takaful* in the public, and there is a need to have a human talent development strategy including a marketing strategy to promote *takaful* in an environment where the insurance has gained more popularity. It is anticipated that the outcome of the research will assist policy makers and the relevant stakeholders to understand the inhibitions facing the development of *takaful* industry in these two jurisdictions in the hope that these challenges can be eliminated for the sustainable development of *takaful* sector.

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