

**Investment Decisions and Performance of Islamic Insurance Industry in Nigeria (A Case Study of Noor Takaful Insurance Limited Nigeria)**

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**Being a PhD Thesis Submitted to the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Nigeria**

**In Partial Fulfillment of the Requirements for the Award of Doctor of Philosophy Degree (Ph.D) in Insurance and Risk Management**

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### **Certification**

This is to certify that this dissertation was carried out **Eyitayo Sunday OGUNLUYI** with matriculation number **LCU/PG/001732**, student in the Department of Management and Accounting under my thorough supervision in the Faculty of management and social sciences, Lead City University, Ibadan, , Oyo State, for the award of Doctor of Philosophy (Ph.D) in Insurance and Risk Management and that this has not been previously submitted in this institution or any other.

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## **Dedication**

I dedicate this project to Almighty God who has been my helper, strength and wisdom.

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## Abstract

Takaful insurance, an Islamic-based cooperative insurance system that operates on the principles of mutual risk-sharing and Shariah compliance, offers an alternative to conventional insurance, especially for the nation's Muslim population. This study examined investment decisions and performance of Islamic insurance industry in Nigeria (a case study of Noor Takaful insurance limited Nigeria)

The study adopted an Ex-post facto research design. The population of the study are customers of NOOR Takaful Insurance company, Lagos. A total number of 400 respondents were selected as the sample size for this study using Taro Yamane formula. A research questionnaire was developed as research instrument for data collection. The study made use of convenience sampling method. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) version 25.0. Findings revealed that investment decision significantly influenced performance of Islamic insurance industry in Nigeria [ $R^2 = .062$ ;  $F(1,399) = 26.095$ ;  $p < .05$ ]. Accounting for about 6.2% of the variance observable in performance of Islamic insurance industry. Also, public awareness significantly influenced growth of Islamic Insurance companies [ $R^2 = .029$ ;  $F(1,399) = 11.855$ ;  $p < .05$ ]. Furthermore, a significant moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was established with  $p$ -value = 0.031.

The study recommends the need to increase awareness and understanding of Islamic insurance products among consumers and stakeholders through targeted marketing and educational campaigns.

**Keywords:** Insurance, Investment Decision, Performance, Shariah, Takaful,

**Word Count: 242**

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## Acronyms

CBN	-	Central Bank of Nigeria
NAICOM	-	National Insurance Commission of Nigeria
NIM	-	Net Interest Margin
ROA	-	Return on Assets
ROE	-	Return on Equity
SQ	-	Service Quality
RQ	-	Relationship Quality

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## **Chapter One**

### **Introduction**

#### **1.1 Background to the Study**

Performance is a particular result obtained in management, economics, marketing, etc. that expresses elements of competitiveness, efficiency, and effectiveness of the organization and its procedural and structural components. Research suggests that firm performance is a comprehensive concept that encompasses various aspects, including competitiveness, efficiency, and effectiveness in management, economics, and marketing<sup>1</sup>. It is a multifaceted measure that can be evaluated through market-based and accounting-based metrics. A firm that excels in performance can yield sustained profits, stimulate job creation, and boost individual incomes. Moreover, high performance can lead to increased employee benefits, improved production quality, and enhanced customer satisfaction, underscoring the importance of performance measurement in achieving these outcomes. Every firm is concerned with how well it performs, and excellent performance not only increases the company's market value but also adds to the industry's long-term development, that contributes to the general prosperity and advancement of the economy.

Financial performance means the degree to which financial goals are been attained and the practice of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to make comparisons of similar firms across the same industry or to compare industries or units in general<sup>2</sup>. Financial performance gauges the success of a company in achieving its objectives, measured by evaluating the financial outcomes of its strategies and operations<sup>3</sup>. It assesses a firm's financial health over time and enables comparisons with industry peers. A key aspect of financial performance is profitability, which examines a company's efficiency in generating earnings and returns on assets and equity<sup>4</sup>. Common metrics for financial performance include

Return on Assets (ROA) and Return on Equity (ROE). These metrics provide crucial information for stakeholders, including managers, investors, and analysts, to inform decisions on dividend payments, management effectiveness, and strategic evaluations<sup>5</sup>.

Financial stability is crucial for organizations as it ensures they have adequate funds to deliver quality services, optimize their service potential, meet short-term obligations, and maintain a good credit reputation<sup>6</sup>. As a result, financial performance has become a vital concern that draws attention from various stakeholders, including researchers, managers, government, and the public. To assess profitability, key performance indicators such as Gross Margin, Operating Margin, Return on Assets, Return on Equity, and Return on Capital Employed are commonly used. A firm's performance has become a pressing concern among shareholders, as financial performance serves as a key indicator of how effectively investors' wealth is being managed to generate returns on their investments. Investors are not only concerned with the day-to-day operations of the business, but also with the financial returns on their investments, as their primary goal is to maximize their investment<sup>7,8</sup>. The primary goal of shareholders is to maximize their wealth, which is typically reflected in the value of their shares, with the ultimate objective of seeing an increase in the share price<sup>9</sup>.

Financial performance, in the context of macroeconomics, serves as a barometer of a firm's efficiency in allocating scarce resources. Strong financial performance indicates a healthy economy, which can, in turn, bolster investor confidence. The insurance sector plays a crucial role in any economy by managing risk and providing financial protection<sup>10</sup>. Insurance companies serve as a vital source of long-term savings, providing funds for projects with extended maturity periods<sup>10</sup>. The insurance sphere is an essential part of any economy and financial system. Its primary function is to manage the risks of both ordinary persons and institutional<sup>11</sup>. Insurance firms are the pillar of every nation's risk management program because they provide financial security, and open the door to long-term funding for

infrastructure development projects. Similarly, these firms are playing a pertinent responsibility assisting to bear risk, by creating jobs, generating tax income for the state, and providing chances for investors and investment management services (bonds and stocks)<sup>12</sup>. It is not unexpected that the insurance business is carefully regulated and watched because insurance performs an important function in society. In each jurisdiction, insurance companies engage in a variety of actions to ensure that insurance consumers have access to insurance, that insurers and their agents treat them fairly, and that insurance businesses are financially viable. Globally, institutional stakeholders like insurers, pension trusts, and sovereign wealth funds manage over USD 80 trillion in assets, offering a significant potential source of funding for long-term projects<sup>13</sup>. The insurance industry has played a significant role in reducing the outflow of resources from Nigeria, maintaining a balanced payment system, and fostering the development of the capital market<sup>14</sup>. The primary function of insurance firms involves providing compensation to those who experience unexpected losses, benefiting numerous stakeholders through this mechanism. Insurance primarily serves to mitigate potential losses for individuals and businesses, encompassing financial setbacks, diminished buying power, and reduced access to vital social services<sup>15</sup>. The individual gains a sense of security, knowing that acquiring an insurance product acts as a protective barrier against potential misfortunes. This compensation not only alleviates the financial burdens of the affected parties but also aids in making investments, ultimately contributing to the nation's development across various businesses, regardless of their scale<sup>16</sup>. It serves as a major institutional investor in the capital market, offering a means to raise funds for both the public and private sectors of the economy. In today's interconnected global economy, the insurance sector plays a crucial role in risk management, safeguarding individuals, businesses, and society against potential financial losses. Insurance plays a crucial role in driving economic growth by serving as a financial intermediary. It enables businesses to operate efficiently by mitigating risks and uncertainties<sup>17</sup>.

Insurance significantly contributes to economic growth, resource allocation, and cost reduction, while also facilitating liquidity, investment promotion, and loss distribution. Additionally, it plays a crucial role in the national economy through risk management and tax payments. The insurance industry is a key player in Nigeria's risk management framework, providing financial security and supporting financial intermediation. Furthermore, it offers a stable source of long-term capital for infrastructure development.

In Nigeria, the insurance industry is a vital sector that contributes significantly to the country's economy<sup>18</sup>. By providing a safety net, insurance helps prevent adverse outcomes and supports business continuity. Furthermore, insurance premiums contribute substantially to the capital market, generating large funds that can be channeled into financing economic activities, thereby promoting economic growth. The significance of insurance in the non-banking sector cannot be overstated, given its role in providing additional capital for economic development. The Nigerian insurance industry serves as a vital safeguard for businesses across various sectors, protecting their economic interests. The sector has experienced significant growth, with the number of registered insurance companies increasing from 57 in 2020 to 67 in 2023<sup>18</sup>. This growth encompasses a diverse range of insurance types, including life, general, composite, reinsurance, Takaful, and micro-insurance. Under the regulatory oversight of the National Insurance Commission (NAICOM), these insurance entities play a critical role in managing risks and ensuring financial stability for individuals and organizations<sup>19</sup>. The Nigerian insurance market, which generated a substantial turnover of \$1.619 billion in 2022, caters to a wide range of needs through its various segments, including life, non-life, takaful, and micro-insurance<sup>18</sup>. The sector is poised for significant growth, with life insurance expected to dominate the market, reaching a 48.3% share by 2027<sup>20</sup>. With Nigeria's robust economic indicators, including a GDP of \$440.83 billion and a large population of 213.4 million, the

importance of effective risk management strategies, led by insurance, cannot be overstated, particularly in critical sectors like manufacturing, to support business growth and stability<sup>21</sup>.

Various factors, including socioeconomic, psychological, cultural, marketing, and regulatory frameworks, influence people's utilization of insurance services and their perceptions, emotions, and behaviours towards insurance-related products or services. Insurance serves as a lens through which individuals perceive and respond to insurance services<sup>22</sup>. The establishment of a well-structured insurance sector and the efforts of its participants have significantly contributed to the promotion of insurance awareness among businesses, households, and individuals. This cultural shift has resulted in decreased risk levels, fostering confidence among enterprises and individuals and consequently stimulating economic growth. It was discovered that the effectiveness with which insurance companies perform the role of financial intermediation has influence on the economy at large<sup>23</sup>. It is well known that insurance businesses offer distinctive financial services that contribute to the expansion and improvement of every economy and primarily engage in activities that have a big impact on risk transfer, boosting private investment, generating jobs, and funding various development works<sup>14</sup>. With the only purpose of boosting shareholders' wealth, insurance businesses are under tremendous pressure to raise performance, profitability, customer satisfaction, shareholder's returns, and client base. The profit insurance companies make are often used to gauge their performance because it is correlated with elements including the capital structure, loss ratio, company's size, investment ratio, increase in written insurance premiums, management effectiveness and asset quality. The political and institutional settings have a significant impact on how well insurance businesses succeed. For insurers to survive and become profitable, business development has become a crucial strategy.

The regulatory structure overseeing the insurance sector in Nigeria has experienced ongoing modifications due to the growth of the social security system and government participation in

offering private insurance services. Despite the optimistic prospects for the Nigerian insurance industry, obstacles remain in terms of the adoption of insurance products or services, particularly concerning the marketing system (promotional mix) and the cultural attitudes of the market. These factors have a significant impact on the consumption of insurance products<sup>24</sup>. The challenges faced by the insurance industry in Nigeria are further intensified by the attitudes and cultural perspectives of Nigerians towards insurance products and services. The low insurance penetration levels have had an adverse impact on the demand for insurance and the overall value of insurable assets<sup>24</sup>. Additionally, the adoption of insurance services is influenced by a variety of cultural attitudes and beliefs, which play a crucial role in shaping individuals' inclination to interact with insurance products.

In Nigeria, insurance firms face significant challenges, including low public awareness and declining trust, which have negatively impacted their performance<sup>11</sup>. The Nigerian insurance sector is characterized by low levels of patronage which can be attributed to various factors, as a significant number of Nigerians are either unaware of or neglect the potential of insurance products in mitigating their financial risks<sup>25</sup>. Limited awareness regarding the functions of insurance products further contributes to this situation. It was reported that several Nigerian insurance firms have been underperforming for a long time, leading to a failure to pay dividends to shareholders<sup>20</sup>. Effective risk management through insurance is crucial for protecting businesses from various operational risks that can severely impact their profitability and efficiency<sup>26</sup>. For example, market demand volatility can lead to inventory mismanagement, causing production delays and increased costs<sup>27</sup>. Furthermore, supply chain disruptions, such as transportation delays, raw material shortages, or supplier issues, can bring production to a grinding halt, resulting in lost sales, customer dissatisfaction, and reputational damage<sup>25</sup>. Insurance helps mitigate these risks, ensuring business continuity and stability.

An investment decision is the choice to allocate funds to a specific type of investment in order to produce profits within a specific time frame. Investment decisions are directly tied to the procedure of selecting a kind of investment from a variety of available possibilities that is thought to be more profitable. There are various steps to the decision-making procedure in the consumer decision model, including recognition of need, information search, alternative assessment, decision to purchase, consumption, post-consumption assessment and divestment. Financial decision-making has strong recognition as one of the crucial elements that affects one's capacity to manage finances and overall financial well-being. As a result, one of the key concerns for both personal and societal development involves recognizing variables that are strongly related to financial decisions. Investment can be defined as the process through which a person sets aside present financial resources to be used for the consumption of investment products in the future<sup>28</sup>. Banks, Fixed Deposits, Government Bonds, Stock Market, Real Estate, Gold, and Mutual Funds are just a few of the investing alternatives available. As a result, choosing where to put his money presented a challenge to the average investor. Being able to understand financial matters, income level, safety, an organization's liquidity, risk, dividends paid, share price, and several additional factors all play a role in these decisions. Due to the fact the funds invested in financial assets is transferred via financial intermediaries to finance investments by both individuals and businesses, investment is understood to have a positive effect on the economy as a whole. Religion, societal organization, and the rule of law are all closely related<sup>28</sup>. This is particularly true in a significant number of economies that are still developing. Therefore, it should be expected that financial systems based on religion would eventually emerge. Muslims in the Middle East formally institutionalized Islamic finance practices from the beginning of the 1970s. The basic principles of the Islamic financial system are drawn from the Holy Quran and the Hadith, or sayings of the Prophet Muhammad. The Shariah concept, which forbids gambling (maysir), interest (riba), and uncertainty (gharar),

is the foundation for all banking and financial activity in Islamic banking and financial organizations. At that time, they applied actual financial practices to the 1,400-year-old Islamic teachings<sup>28</sup>. Giving people access to financial services that would not interfere with their religious views was the first goal. In more than 53 developing nations today, Islamic finance is a crucial part of the economic and financial systems<sup>29</sup>.

Additionally, it made strides into countries with Muslim-minority population, including Sri Lanka, Thailand, Luxembourg, Ireland, and the United Kingdom. The system's assets were worth more than \$2 trillion in total in 2018<sup>29</sup>. The Islamic principles collectively referred to as "Sharia" include rules for regulating financial and commercial activities in addition to religious ceremonies and daily activities<sup>3</sup>. It actively encourages the facilitation of asset-backed monetary transactions while explicitly prohibiting the issue of new debt. Because charging interest would hurt the borrower, who is financially weak, it bans interest from being charged<sup>30</sup>.

Transactions that entail speculation, a great deal of ambiguity, and business deals with little to no relationship to the real economy are also prohibited<sup>31</sup>. Alcohol, pornography, and gambling are not allowed to be sold since the Sharia considers such activities to be harmful to both individuals and the community as a whole. The restrictions according to the system's advocates, might be a solution to the issues brought on by the financial sector's liberalization<sup>32</sup>. To put it another way, reinstating values into the financial system and economy encourages public morality and social responsibility, both of which increase living quality and promote economic growth.

Additionally, it emphasizes the value of diligence and ethical corporate practices rather than the commoditization of all financial and commercial activities<sup>6</sup>. Based on some bodies of research, religion gives economics a moral dimension because it may serve as a "internal moral enforcement mechanism"<sup>29, 32,,33</sup>. It is true that lending institutions make money off of interest-

bearing loans, which are prohibited in Islamic finance<sup>34</sup>. Despite this, as (nearly) all financial and economic crises have shown, they have not been profitable in terms of the socioeconomic environment<sup>29</sup>.

Most academic studies believe that credit bubbles and speculation together played a role in the Great Depression, the global collapse of subprime mortgages, the Asian financial crisis of 1997, and the Greek debt crisis<sup>29</sup>. The Shariah, sometimes referred to as Islamic law, opposes the payment of interest and supports a fair allocation of risk and reward<sup>35,36</sup>. Islamic finance, which abides by this law, is built on this. The industry has received praise from many Islamic scholars and investors for upholding the Shariah's principles, and they have made significant investments in it.

Nevertheless, numerous Western observers view the tools utilized by the Islamic banking sector as nothing more than masks by which interest can be covered up and referred to as other things, like profit or markup. Some academics have questioned whether Islamic finance is only a substitute for traditional finance or whether it constitutes the most advanced generation of finance. This is why some researchers believe that the Islamic financial system offers a chance for diversity while still having the capacity to assist conventional forms of financing<sup>36</sup>. Other scholars believe that in order to solicit the financial support of believers, practitioners gave the conventional financial system a religious label<sup>37</sup>. The older research on Islamic finance focuses on the analysis of Islamic scripture and the issue of whether or not such rules can actually be applied in practice<sup>27,37</sup>. In order to validate earlier narrative-based conclusions, there is now increased focus placed on an empirical assessment of the system after more than 25 years of official operation. The Arabic word "kafala," which means "mutual guarantee," is where the name "takaful" originates<sup>38</sup>. The "Aquila" system, in which tribes agreed to recompense one another in the event of loss, was initially put into practice in Mecca and Medina<sup>39</sup>. This served as the foundation for Islamic insurance history. In takaful, participants provide a one-time sum

of money or a recurring amount as a donation that will be used by other participants to pay for particular kinds of losses or damage. Takaful is a type of insurance policy or an alternate method of managing financial risk. According to another definition, takaful is a mutual assurance between a set of people who undertake a risk and agree to contribute a set sum that will be used to pay participants' compensation in a situation where they suffer harm or in danger<sup>38</sup>. Members of a structural structure referred to as takaful pool their funds and reinvest them in accordance with Islamic Sharia law<sup>40</sup>. The definition of takaful that is regarded as being the most authoritative is found in the Malaysian Takaful Act of 1984<sup>38</sup>.

Takaful is known as "a structure based on brotherhood, solidarity, and mutual-assistance that offers financial assistance in the event of a disaster or loss to indemnify the accused, whereby all participants agree to contribute equally<sup>40</sup>." This is considered the most authoritative definition of takaful. After its establishment in 1979, the Islamic Insurance Company Ltd. of Sudan became the first company to offer takaful services<sup>41</sup>. It was emphasized on the idea that the Takaful mechanism is totally dependent on mutual construction. The risk element is moved from the policyholder to the insurance firm in traditional insurance.

Takaful, on the other hand, shares the risk element between policyholders and the Takaful operator<sup>42</sup>. Contributions from policyholders are pooled and invested in a wide range of Sharia-compliant plans. Profits from such investments are subsequently reinvested back into the pool. Finally, if a member suffers a loss, the pool will compensate them in the form of indemnification<sup>38</sup>. Sharia law serves as the legal underpinning for the Takaful system. According to research, Sharia is the holy decree of God. As opposed to Islamic law known as "Fiqh," which is a body of regulations and laws, Sharia is a body of regulations and laws that is based on the Quran, the Sunnah, analogical reasoning known as "Qiyas," and judicial consensus known as "Ijma"<sup>38</sup>. The Takaful system must adhere to Sharia law and cannot contravene any of the terms<sup>43</sup>. The takaful market is expanding significantly on a global basis.

By the end of 2014, donations to Takaful had amassed to a total of \$14 billion<sup>44</sup>. Additionally, it had reached \$17 billion<sup>19</sup> by the end of 2017. The majority of the Takaful market is based in the Gulf Cooperation Council region, which comprises Saudi Arabia, Kuwait, Qatar, Bahrain, and Oman. Additionally, its volume is increasing in the South Asian region<sup>38,45</sup>. Saudi Arabia now holds the top slot, with Malaysia in second place. When compared to the traditional insurance business, the rate of Takaful penetration on the worldwide market is quite low. Furthermore, there is a market that has not been completely tapped, notably in Muslim-majority countries<sup>46</sup>. To achieve its goal of having a successful economy, Nigeria must first build and maintain a strong financial system. As a result, the insurance business went through the recapitalization process in 2007, with the goal of restructuring the industry to attain higher levels of productivity and efficacy<sup>46</sup>. Takaful is an essential component of the Islamic financial system, hence incorporating it into its future development is a critical step that must be taken. The Central Bank of Nigeria (CBN) became aware of the widespread problem of severe financial exclusion in Nigeria in 2012, notably in the Muslim-dominated Northern area. In response, the CBN created the National Financial Inclusion Strategy as a road map for dramatically boosting access to and utilization of financial services by 2020<sup>47</sup>.

As a result, the National Insurance Commission of Nigeria (NAICOM) established Takaful-Insurance operational guidelines in 2013. These rules are meant to enable Takaful company growth and improve access to financial services<sup>47</sup>. Given the multiple prospects available, the expansion of takaful businesses in Nigeria has not been as big as one may have expected. Despite a sizable population, legal mechanisms for mandatory insurance in a range of product categories, and substantial financial exclusion in largely Muslim regions, the feasibility of Takaful has not been realized in practice<sup>48</sup>. As the bulk of policyholders are business clients and only certain retail consumers subscribe to mandated insurance goods, the current market trend displays an apparent dislike for insurance products. This shows a clear disregard for

insurance products. Despite the fact that multiple indices indicate to Nigeria as a promising insurance market, the sector's tremendous potential remains largely untapped, with insurance density (insurance premiums as a percentage of GDP) hovering around 0.225 percent in 2015<sup>48</sup>.

Similarly, the nation's gross written premiums in 2015 were worth less than 1% of GDP, with the South West area, specifically Lagos, accounting for the lion's share. This excluded the Muslim-majority northern region, which has almost no insurance services<sup>48</sup>. Takaful surgery, which was introduced in the country in 2004, should not be in its infancy after more than a decade. Conventional insurance and Takaful, often known as Islamic insurance, are the two main policy types offered by Nigeria's small number of insurance companies<sup>44</sup>. Shariah law prohibits conventional insurance for a variety of reasons, one of which is the inclusion of Gharar (uncertainty) in an insurance contract<sup>44</sup>. Insurance contracts, according to Shariah experts, are laden with uncertainty, but a businessperson is not permitted to provide a product or service that does not exist. Furthermore, it provides insurance coverage with a fixed premium against losses that may or may not materialize in the future. None of the parties are certain whether or not this loss will occur, let alone how much it will cost. Even the precise time of the loss is unclear to both parties concerned. Because of all of these varied aspects, insurance policies become confusing and, as a result, Shariah deems them improper<sup>49</sup>. Takaful, also known as Islamic insurance, on the other hand, is a system organized according to the principle<sup>50</sup>. Maysir's involvement is the second factor that contributes to traditional insurance being classified as "gambling" in Islam<sup>50</sup>. For instance, the policyholder may be required to pay an extremely low premium in order to be eligible for a substantial payout in the not-too-distant future. If this does not occur, he will not be compensated, and the corporation will retain his premium payment. Conversely, no idea of forfeiture exists in Islamic insurance, often known as takaful<sup>49</sup>. If there is no loss, the Takaful fund participants have the option of sharing the

leftover excess, if any persists. The third component of traditional insurance is the amount of Shariah-forbidden interest (riba) on insurance assets<sup>44</sup>.

A Takaful corporation is not permitted to invest in interest-bearing instruments such as Treasury bills, conventional bonds, or any other type of yielding investment. It is required to make investments in financial vehicles that are in accordance with Shariah<sup>44</sup>. As a result of these distinctions, Takaful has emerged among Muslim communities as an alternative to traditional forms of insurance<sup>44,51</sup>.

Even though Takaful only accounts for a relatively insignificant portion of the overall insurance market, its popularity is expanding across Asia and the Middle East<sup>44</sup>. Insurance companies must contend with not one, but two significant challenges: adverse selection and moral hazard. In the context of concealed private information, the term "adverse selection" refers to the tendency for the party with the higher risk to purchase more coverage than the party with the lower risk. On the other hand, the concept of moral hazard refers to a shift in an individual's behaviour that occurs after they have entered into a contract<sup>44</sup>. Few applicants in the insurance industry intentionally mislead information when applying for a policy in the hope that the insurance company will never discover their condition, whereas in the banking industry concerns associated with moral hazard and adverse selection are more prevalent. Applicants in the insurance industry are less likely to intentionally mislead information. This pattern of behaviour is referred to as unfavourable selection<sup>44</sup>. A moral hazard can also be defined as any covert actions or unwarranted risks that are taken for the purpose of obtaining additional insurance benefits.

On the other hand, takaful is an Islamic type of insurance that was established based on the principles of mutual consent and brotherhood<sup>44,52</sup>. It is of the utmost importance to investigate the ways in which religiosity affects the asymmetrical information in takaful. The principles of

Shariah have a significant impact on Islamic culture. These principles play a role in the decision-making process when it comes to the acquisition of a policy because they strictly prohibit deceptions such as lying, fraud, and misrepresentation<sup>44</sup>. The Shariah forbids individuals from entering into agreements that are so hazy and open to interpretation. The impact of an individual's culture and religious beliefs on their behaviour has been the subject of a great deal of research. The results of research into the effects of culture and religion on asymmetric information showed that it is less prevalent in religious groups<sup>53</sup>. Consumers have the perception that asymmetric information is more prevalent in conventional insurance than in Takaful<sup>44</sup>. This is similar to the perceptions that consumers have regarding asymmetric information, conventional insurance, and Takaful.

## **1.2 Statement of Problem**

It is of the utmost importance to put in place a robust financial system, and this is especially true for a nation like Nigeria, which is a formidable power on the African continent. The expansion of takaful as a significant component of Islamic finance continues to be an essential component as the nation works towards its goal of becoming a significant international financial centre on the African continent. After more than a decade of existence, Takaful operations are still in their infancy. This is the case despite the efforts of the government as well as the enormous potential for such a unique service. Taking into account all of the positive aspects, Takaful should have been an enormous success in Nigeria; however, this has not been the case so far. Despite the growing importance of Islamic insurance (Takaful) in Nigeria's financial sector, there is a dearth of research on the investment decisions and performance of Takaful operators in the country<sup>54</sup>. The conventional insurance industry has dominated the market, leaving Takaful operators with limited market share and underdeveloped investment strategies.

The topic of insurance has been the subject of a number of articles, particularly those focusing on developing nations<sup>55</sup>. These make use of a wide range of procedures and methods, such as surveys of households, randomised controlled trials, and interviews. However, there has not been a lot of research done on takaful, and the studies that have been done do not differentiate between the demand for takaful and trust in takaful<sup>56</sup>. Also, religious beliefs play a significant role in influencing individuals' financial decisions, particularly in the context of Islamic finance. Understanding how religious beliefs and ethical considerations influence investors' attitudes towards Islamic finance products is essential for Noor Takaful Insurance Limited to tailor their offerings effectively. This has an effect on the decision that investors make regarding whether or not to adopt Islamic financial products like Noor takaful, especially in Ibadan, Nigeria. An empirical investigation of the demand for takaful will be carried out as part of this study. As opposed to insurance, which is associated with the purchase and sale of policies with premiums, the results of this study are anticipated to contribute novel conceptual insights into the demand for insurance by examining investment decisions and performance of Islamic insurance industry in Nigeria. Hence the need for this study.

### **1.3 Aim and Objectives of the Study**

This study aim to examine Investment Decisions and performance of Islamic insurance industry in Nigeria (A case study of Noor Takaful Insurance Limited Nigeria). The specific objectives of this research are to

- i. determine the extent to which building public awareness of Takaful services has significant effect on investors and customers Takaful services adoption
- ii. investigate how investors satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) affects the performance of Islamic insurance industry in Nigeria.

- iii. assess the impact of investment decisions on performance of Islamic insurance industry in Nigeria?
- iv. evaluate the effect of public trust and confidence reposed on performance of Islamic insurance industry in Nigeria.

#### **1.4 Research Questions**

- i. To what extent has building public awareness of Takaful services has significant effected growth of Islamic insurance industry in Nigeria?
- ii. Does investors' satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) affect Profitability of Islamic insurance industry in Nigeria?
- iii. What is the impact of Religion (Shari'ah perception) on market value of Islamic insurance industry in Nigeria?
- v. To what extent is the effect of public trust and confidence reposed on performance of Islamic insurance industry in Nigeria?

#### **1.5 Hypotheses**

The following null hypotheses are formulated and would be tested at 0.05 level of significance.

They include:

**H<sub>01</sub>:** Public awareness of Takaful services has no significant effect on the growth of Islamic insurance companies

**H<sub>02</sub>:** Investors satisfaction and relationship quality has no significant impact on Profitability of Islamic Insurance companies

**H<sub>03</sub>:** Investment decisions does not significantly influences market value of Islamic Insurance companies

**H<sub>04</sub>:** Religion has no significant moderating effect on the interaction between investment decision and performance of Islamic Insurance companies.

### **1.6 Significance of the study**

This study will largely address a gap in the existing body of research on the subject of takaful demand and investors' decisions to adopt Islamic financial products. This will be achieved via empirical evaluation of the primary indicators of takaful demand as well as trust in takaful, with a focus on the Nigerian context. Numerous articles have been written regarding insurance, especially in less developed countries. These employ a variety of procedures and techniques, such as questionnaires and interviews. On the other hand, few research on takaful have been conducted, and those that have been conducted either do not address the question of takaful trust or fail to access investors' judgments regarding the adoption of Islamic financial products. The fact that this thesis includes an empirical investigation into the topic of how much demand there is for takaful contributes to the work's significance. As a result, the findings of this study will make a significant contribution to the existing body of knowledge surrounding Islamic finance by conducting an analysis of the factors that influence investors' decisions to utilise Islamic financial products. When compared to the demand for insurance, the uptake of takaful may be better understood if certain variables, such as religion, are taken into consideration. This study will also test variables, such as financial literacy, social capital, and financial inclusion, in order to determine the influence that all of these variables have on the demand for

takaful as well as trust in takaful. As a result of the fact that these variables have not been thoroughly investigated in the previous literature, not even in the field of insurance, this study will make a contribution to the literature by introducing new variables and instruments that have not been examined in the past, particularly in the context of takaful.

This study has the potential to provide valuable information and basic information that is required in the process of formulating development, marketing, and product development strategies to takaful investors, stakeholders, and policymakers who are interested in developing hybrid and affordable takaful and offering it on the market. In addition, it is anticipated that the findings of this research will be helpful to those individuals who are responsible for the formulation of public policies regarding takaful coverage in order to meet the requirements of low-income populations. In conclusion, this study has the potential to serve as a point of reference and a roadmap for researchers who are interested in continuing their investigations along these lines of inquiry. When published, the study would also contribute significantly to the body of knowledge.

### **1.7 Scope of the Study**

This study strictly covers independent variables such as 'public awareness', Satisfaction Quality (Service Quality (SQ) and Relationship Quality (RQ)), 'public trust, confidence' investment decision and dependent variable - ' performance of Islamic insurance. The study also examines the mediating effect of 'religion' as a moderating variable. The geographical scope covers only Noor Takaful Insurance limited.

### **1.8 Operational Definitions of Terms**

**An Investment:** This is known as an asset or item acquired with the goal of generating income or appreciation.

**An Investor:** This refers to a person who allocates financial capital with the expectation of a future return (profit) or to gain an advantage (interest)

**Islamic Finance:** The Islamic financial system is founded on fundamentals derived from the Holy Quran and the Prophet Muhammad's practises, known as Hadith. Any banking or financial activities in Islamic banking and financial institutions are discovered to be based on the Shariah principle, which prohibits gambling (maysir), interest (riba), and uncertainty (gharar).

**Insurance:** It is a financial mechanism that involves the execution of an insurance contract between an insurer and an insured party. This allows for the management of potential financial risks. It is also a tool for mitigating the effects of future uncertainty by sharing and distributing the costs of losses through a pooling and distributing system.

**Riba:** Means to become larger, to expand, to surpass, to demand more than what was owed, or to engage in the act of usury. Riba can be broken down into two categories: riba al-nasiah and riba al-fad.

**Sharia:** Forbids the creation of new debt categorically and promotes the mediation of asset-backed financial transactions. It prevents interest from being charged because doing so would be detrimental to the financially vulnerable party (the borrower).

**Takaful:** Can be thought of as an alternative form of financial risk management or as a type of insurance policy and describes it as a mutual guarantee among a group of people who share a risk and agree to contribute a certain amount that will be used to provide compensation to participants in the event that they are harmed or endangered.

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## **Chapter Two**

### **Literature Review**

This chapter is on the conceptual review of the study, the various theories used in the study, related empirical works and gaps of the literatures identified.

#### **2.1 Conceptual Review**

##### **2.1.1 Concept of Investment**

Traditionally, investment is described as the "commitment of resources to achieve future benefits." If the investment entails money, it is characterized as a "money commitment to receive more money later. "An investment can be defined broadly as "the tailoring of the pattern of expenditures and receipt of resources to optimize the ideal patterns of these flows"<sup>1</sup>.

The goal of investing in finance is to earn a return on the invested asset. A gain (profit) or loss realized through the sale of a property or investment, unrealized capital appreciation (or

depreciation), or investment income such as dividends, interest, or rental income, or a mix of capital gain and income, may constitute the return. Currency gains or losses owing to changes in foreign currency exchange rates may also be included in the return. Higher-risk investments are often expected to yield better returns by investors. When a low-risk investment is made, the return is usually low as well. In a similar vein high risk carries a significant possibility of loss.

An investment is an object or item purchased with the intention of earning income or increasing in value<sup>2</sup>. An increase in the value of an asset over time is referred to as appreciation. An investment is usually the outlay of some resource today—time, effort, money, or an asset—with the hope of a bigger payback later than what was first put in. For instance, an investor may buy a monetary asset now with the expectation that it will give income in the future or that it will be sold at a better price later for a profit. Any medium or technique used to generate future income, such as bonds, equities, real estate property, or alternative investments, can be considered an investment<sup>3</sup>. Organizational investment activities are the key capital-intensifying actions done for the benefit of the organization. Numerous long-term assets generated by investment ventures serve as a foundation for assessing and quantifying an organization's intrinsic value, most notably through share prices. Organizations are expected to meet their shareholders' expectations, and they are concerned about the long-term viability of companies<sup>4</sup>. Investment is the act of deciding to invest money in an asset or instrument that has a particular amount of risk and the potential for long-term growth. An insurance manager's definition of "investment" is converting cash, insurance funds, and reserves into a form of property from which a return on investment is expected, either immediately or in the future, as part of the regular course of business. This type of investment focuses on applying funds that are intended or urgently required for spending or payment of insurance claims and other benefit payments. On a short or long-term basis, the insurance industry generates cash that must be invested based on the company's situation and its business classifications. In order to meet the insurer's first

and most crucial requirement of paying claims as they arise, further investment in the insurance industry is needed. Because a specific rate of return on its investments was projected while calculating premiums and the nation's economic growth, the entire revenue of the insurance company will fall short of what it needs to satisfy its promises if funds are not invested.

### **2.1.2 Investment Decision**

The definition of investment decision making in this study refers to a process of using fundamental and technical analysis to make investment decisions<sup>5</sup>. The same thing was also noted that decision making is a complex process that includes an analysis of various elements with the existing steps<sup>6</sup>. In making stock investment decisions, investors need to carry out an analysis by paying attention to fundamental data. In addition, historical stock price movements can also help investors to conduct stock valuations called technical analysis. The same thing was stressed that high capability in investing is needed by every investor, especially in terms of connection, affection, and cognitive such as the ability to analyze information and data both financial and non-financial, experience and knowledge in conducting investment analysis<sup>7</sup>. Namely fundamental or technical analysis, investor preferences for investment return and risk, and introspection of the investment process. Investment decision refers to the process of allocating resources, typically money, with the goal of generating future returns or benefits. This decision-making process involves evaluating various investment options and selecting the one that aligns with an individual's or an organization's financial goals, risk tolerance, and time horizon. Whether it's an individual investing in stocks, bonds, real estate, or a business considering capital expenditures, the investment decision plays a crucial role in achieving financial objectives.

Investment decisions must be based on an efficient use of money. Investment choices address the allocation and usage of resources and funds in order to maximize future returns<sup>8</sup>.

The decision to make an investment is dependent on the investor's aim, ability to finance the investment, and how to fund the investment. A good investment choice is founded on the information that firms give to current and future shareholders. As a result, excellent information is critical to the successful expansion of capital markets and the productive deployment of economic resources<sup>9</sup>. Investment is the commitment of present finances or other resources in the hope of future reward<sup>10</sup>.

Major elements involved in investment decisions include:

- i. Risk and Return: This fundamental principle states that higher potential returns are usually associated with higher levels of risk. Investors need to consider the balance between the potential rewards of an investment and the risk of losing money.
- ii. Time Horizon: The length of time an investor plans to hold an investment influences the types of assets they choose. Longer time horizons may allow for more aggressive investment strategies, as there is more time to recover from short-term market fluctuations.
- iii. Diversification: Spreading investments across different asset classes (stocks, bonds, real estate, etc.) and industries can help mitigate risk. Diversification aims to reduce the impact of poor performance from any single investment on the overall portfolio.
- iv. Liquidity: This refers to how quickly an investment can be converted into cash without significantly affecting its value. Some investments, like stocks, are highly liquid, while others, like real estate, might take longer to sell.
- v. Inflation: The purchasing power of money tends to decrease over time due to inflation. Investment decisions need to consider potential inflation rates and seek investments that have the potential to outpace inflation.

- vi. **Investment Goals:** Different individuals and organizations have various financial objectives, such as wealth preservation, capital appreciation, generating income, or achieving a specific financial milestone. Investment decisions should align with these goals.
- vii. **Financial Market Analysis:** Analyzing financial markets, economic indicators, and industry trends helps investors make informed decisions. Factors like interest rates, market sentiment, and geopolitical events can impact investment outcomes.
- viii. **Valuation:** For investments in individual stocks or businesses, understanding how to value assets is critical. This involves assessing factors like earnings potential, growth prospects, and the competitive landscape.
- ix. **Costs and Fees:** Investment decisions should consider transaction costs, management fees, and other expenses associated with buying, selling, and holding investments. These costs can impact overall returns.
- x. **Exit Strategy:** Before making an investment, it's important to have a plan for when and how to exit the investment. This could involve selling at a certain price point or achieving a specific financial goal.
- xi. **Market Timing:** Timing the market refers to trying to buy investments at low prices and sell them at high prices. While market timing can be challenging and risky, it's a consideration for some investors.
- xii. **Risk Tolerance:** Each investor has a unique level of risk tolerance based on their willingness and ability to bear market fluctuations. Understanding one's risk tolerance is crucial for making suitable investment decisions.

### **2.1.3 Concept of Performance**

Performance refers to the achievement of desired outcomes, goals, and objectives by an organization, entity, or individual. It encompasses the measurement and evaluation of

efficiency, effectiveness, and progress towards specific targets, standards, or benchmarks<sup>118</sup>. Performance can be considered the extent to which an organization succeeds<sup>119</sup>. Performance provides information about the relationships between economy and realized output, efficiency and effective cost, and effectiveness and achieved outcome<sup>118</sup>. Performance in an organization is a metric that assesses how successfully a business accomplishes its goals. The effectiveness and efficiency with which an organisation achieves its goals can be used to measure performance.

Performance is a multi-based construct, which means that organizations must be seen as performing and creating value on multiple dimensions, such as growth, profitability, and legitimacy<sup>120</sup>. This means that organizations are continuously trading positive outcomes in one dimension for worse outcomes in another and that it is misleading not to take these tradeoffs into account when developing an overall measure of performance. For example, before concluding that a downturn in profitability, as measured by return on investment, is a sign of deteriorating organizational performance, consideration should be given to contemporaneous success in accumulating new resources in the form of capital raised from shareholders. Performance comprises both a behavioral and outcome aspect. It is a multi-dimensional and dynamic concept. Organizational performance is the ability of the organization to attain its goals by using resources in an efficient and effective way. An effective performance management provides valuable information to a decision maker about present condition of performance and the deviation from the objectives. This requires the alignment of strategic and operational objectives and the firm's set of activities in order to manage performance. Summarily, performance is the accomplishment of a given task measured against present known standards of accuracy, completeness, cost and speed. Many diverse stakeholders can evaluate an organization's performance, leading to various interpretations of what constitutes "successful performance."

Organizational performance can be enhanced by involving employees in decision making that can ultimately increase their commitment in the organizational work<sup>121</sup>. They further stated that organizations value employee commitment because it is typically believed to reduce withdrawal behaviour, such as lateness, absenteeism and leaving the organization, and these values no doubt appear to have potentially serious consequences for overall organizational performance. Organizations that have difficulty in retaining and replacing competent employees find it very hard to optimize performance<sup>122</sup>. It was further stated that securing committed employees who are competent and ready to give in their best in the pursuit of the objectives of the organization and equally maintaining committed employees by those who have found them have been parts of the problems facing most organizations with no exception to institutions<sup>122</sup>.

One explanation for low performance of insurance firm in Nigeria is their failure to extract customer satisfaction factors and utilize them in service delivery<sup>123</sup>.

How an organization performs aids institutions in aligning their mission so that it is reflected in their activities and operations as they build their strategies and procedures. Organizational performance also helps in aligning with their mission and to integrate it into their activities, with all employees being aware of the impact of organizational performance. The efficacy of an organization can be evaluated using customer views of those organizations including their customer satisfaction, people management, business operations, learning and growth and revenue growth. Organizations goal to achieve the desired level of success which is reflected in their social, cultural, structural, and strategic decisions which are some of the focuses in enhancing performance. Many insurance companies in Nigeria rely heavily on investment income to bolster their profitability. The performance of the financial markets, particularly government securities and real estate, plays a significant role in this.

The industry is competitive, with numerous companies offering a variety of products, including life insurance, non-life insurance, health insurance, and micro-insurance. The competitive landscape drives innovation, with companies increasingly adopting digital platforms to reach customers. The performance of insurance companies is closely tied to the broader economic environment. Economic challenges such as inflation, currency devaluation, and slow GDP growth can affect the industry negatively.

#### **2.1.4 Financial Performance**

Financial performance is a measure within a company to assess the level of success of a company's profits. Thus, measuring financial performance can be done by analyzing financial reports<sup>124</sup>.

Financial performance is the measure of the variance of the financial state of an organization or the financial outcomes that results from management decisions and the implementation of those decisions by the management of the organisation, arguing that the outcomes are not universal but that the selection of the measures that represent performance of a particular organization is done based upon the situation of the organisation being rated<sup>125</sup>. Financial performance reflects the degree to which financial objectives are being or has been achieved during a particular period of time and form the process of accessing the achievements of a firm's policies and activities in financial terms. Financial performance assessment is employed to evaluate firm's total financial sustainability over a given period of time and it can also be used to compare and contrast similar firms across the same industry or to compare industries or sectors in aggregation. There are three ratios that are typically used to measure the Financial Performance of banks in empirical studies, these are return on assets (ROA), return on equity (ROE) and net interest margin (NIM)<sup>126</sup>. The Return on Assets (ROA) is the simplest measure of bank financial performance using

profitability explaining further that ROA reflects the capability of a bank to generate profits from its asset management functions Return on asset is the most frequently used ratio for evaluation of bank profitability<sup>127</sup>. Return on Assets (ROA) as a financial ratio that reveals the rate of profit an organization earns in relation to its overall resources<sup>127</sup>. ROA is an indicator of how lucrative a business entity is, in relation to its total assets.

Interest rate refers to lending rate as the price paid for the use of money explaining that, it is the opportunity cost of borrowing money from a lender to finance investment project<sup>124</sup>. Interest rate can also be seen as the return being paid to the provider of financial resources, for forgoing the fund for future consumption and is usually expressed in percentage. Banks benefit from rising interest rates in normal economic conditions explaining that the profitability of banks improves since rising interest rates tend to increase the spread between the saving and the borrowing rates.

### **2.1.5 Financial Industry Performance Indicators**

There are varied indicators of the level of financial industry performance. Several authors have adopted different traditional and non-traditional indicators such as size, profitability, assets etc

#### **i. Size / Liquid Liabilities**

Some works adopted the size of the formal financial sector relative to economic activity, to measure financial sector development. The users of this measure of financial development hypothesize that the size of financial intermediaries is positively related to the provision of financial services<sup>128</sup>. The concept of financial sector development is also referred to as financial depth. One measure of financial depth equals the ratio of liquid liabilities of the financial system to GDP. Liquid liabilities of the banking system is a key indicator of

financial depth<sup>129</sup>. However, notes that researchers are shifting from narrower monetary measures (M1 and M2) to broader definitions, such as M3, which is generally referred to as the liquid liabilities of the banking system<sup>129</sup>.

## **ii. Profitability / Efficiency**

Two measure of bank performance had been considered in studies<sup>130</sup>: Bank profitability (measured as profits, divided by assets) and Bank Interest Margin (measured as net interest income divided by assets. Bank interest margin equals (pre-tax) profits plus bank operating cost, plus loan loss provisioning (and minus non-interest income). Profitability is also very important for the proper functioning of firms in the real sector of the economy. Profitability is crucial for the continuity of business. Bank profitability is of interest to external parties such as regulators, shareholders, tax authorities, accounting standard setters, financial economists, banking academics, the public and investor analysts<sup>132</sup>. Profitable banks can perform their financial intermediation function effectively by allocating credit to economic agents who undertake production and investment activities that contribute to higher economic output<sup>131</sup>. Bank profitability and bank interest margins can be seen as indicators of the (in) efficiency of the banking system, as they drive a wedge between the interest rate received by savers on their deposits and the interest paid by lenders on their loans". Consequently, these variables will affect the cost of bank finance for firms, the range of investment projects they find profitable and thus, economic growth. To measure the profitability of commercial banks there are variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones<sup>132</sup>.

### **a. Return on Equity (ROE)**

ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the

shareholders look in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation. Also, ROE is the ratio of Net Income after Taxes divided by Total Equity Capital<sup>133</sup>. It represents the rate of return earned on the funds invested in the bank by its stockholders. Return on Equity (ROE) is a financial measure that determines the extent of efficiency the management of a bank adopts in using the shareholders' funds in their disposal. ROE is one of the metrics used in measuring the profitability of Commercial Banks in Nigeria<sup>134</sup>. In a business venture, profitability level is indicated by the ratio of return on equity (ROE). Several factors can affect the level of profitability of a bank such as factors that can determine bank profitability, namely bank-specific factors, industry-specific factors, and macroeconomic factors. The level of bank profitability is shown through efforts to achieve net profit and increase company value. Various policies are taken by management in an effort to increase the value of the company thereby increasing the prosperity of owners and shareholders as reflected in the stock price<sup>135</sup>. ROE reflects how effectively a bank management is using shareholders' funds. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders capital.

#### **b. Return on Asset (ROA)**

ROA is also another major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset<sup>133</sup>. It measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution. A higher ROA shows that the company is more efficient in using its resources.

### **c. Net Interest Margin (NIM)**

NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest earning) assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets<sup>135</sup>.

Net interest margin measures the gap between the interest income the bank receives on loans and securities and interest cost of its borrowed funds. It reflects the cost of bank intermediation services and the efficiency of the bank. The higher the net interest margin, the higher the bank's profit and the more stable the bank is. Thus, it is one of the key measures of bank profitability. However, a higher net interest margin could reflect riskier lending practices associated with substantial loan loss provisions.

### **iii. Loans to Private Sector**

A financial system that simply funnels credit to the government or state owned enterprises may not be evaluating managers, selecting investment projects, pooling risks and providing financial services to the same degree as financial systems that allocate credit to private sector<sup>136</sup>. Consequently, they computed the proportion of credit to private enterprises by the financial system to assess its impacts on the economy.

## **2.1.6 Concept of Insurance**

Insurance is a contractual agreement between two parties (the insured and the insurer) whereby the insurer undertakes to indemnify the insured in the event of a loss caused by the insured perils in exchange for a premium paid by the insured, subject to the contract terms and conditions<sup>11</sup>. Insurance is the pooling of fortuitous losses by transferring such risks to insurers, who agree to indemnify insureds for such losses, provide other pecuniary benefits on their occurrence, or render services connected with the risk<sup>12</sup>.

Individuals, households, and businesses can purchase insurance policies to manage risk exposures<sup>13</sup>. The insurer assesses all risks proposed to ensure that each insured pays a premium commensurate with the risk insured, subject to the insurance contract terms and conditions. The insurance business is subject to the law of large numbers and economies of large scale<sup>14</sup>. Insurers are custodians of the insurance premiums, which constitute a common pool or funds from which unfortunate insureds' losses will be paid. Insurance companies invest the fund accumulated through insureds' premiums in government debentures and stock markets, thereby increasing stock prices for investors' benefit and improving Nigeria's economy<sup>15</sup>.

### **2.1.7 History of Insurance in Nigeria**

The history of insurance in Nigeria dates back to the colonial era and has evolved over time. During the colonial period, British insurance companies dominated the insurance landscape in Nigeria, providing coverage mainly for expatriates and foreign-owned businesses. The history of insurance in Nigeria started far back in the precolonial era. Insurance remains one of the most profitable and rapidly rising industries in Nigeria. Basically, it is a service

that involves the exchange of risk for financial obligations called premiums. Insurance provides cover for individuals, businesses, and circumstances beyond your control. In 1918, Royal Exchange Assurance established the first insurance company in Nigeria, known as Royal Exchange Assurance (Nigeria) Limited. It initially focused on providing fire insurance. After Nigeria gained independence in 1960, there was a push for local participation and ownership in the insurance sector. The government introduced the Insurance Act of 1961, which laid the foundation for regulating the insurance industry in Nigeria. After independence in 1960, Nigeria started being in control of its own insurance marketing, nationalizing branches of previously owned colonial policies. Also, as a way to prevent currency outflows abroad, the federal government formed its own insurance markets. UNCTAS took official note of the importance of insurance and also its relevance to newly liberated countries. Therefore, this led it to facilitate the adoption of several bills by the parliaments of African countries<sup>16</sup>. They moved to formalize all insurance acts and relations. Basically, the state monopoly on insurance included 22 countries including Nigeria.

In the 1970s, the Nigerian government embarked on a policy of nationalization, leading to the creation of state-owned insurance companies. The National Insurance Corporation of Nigeria (NICON) was established in 1973 as a state-owned insurer, followed by other state insurance corporations. Economic reforms in the 1980s led to the deregulation of the insurance industry, allowing private insurance companies to operate alongside state-owned ones. The government initiated the process of privatization and divestment from the insurance sector<sup>16</sup>.

The National Insurance Commission (NAICOM) was established in 1997 as the regulatory body for the insurance industry in Nigeria, with a mandate to enhance regulation and supervision. The insurance sector underwent modernization efforts, including the introduction of new products, increased technological integration, and efforts to boost

insurance penetration. In recent years, efforts have been made to increase insurance awareness and penetration among the Nigerian population. Digital platforms and innovative distribution methods are being used to reach a wider audience<sup>16</sup>. The Nigerian insurance industry continues to face challenges such as low insurance awareness, fraudulent activities, and regulatory compliance issues. However, stakeholders are working to address these challenges and promote growth.

### **2.1.8 The Insurance Sector**

The Insurance sector is a major composite of the financial system anywhere in the world Nigeria inclusive. However in Nigeria the Insurance sector is laced with lots of potentials and opportunities amidst surmountable challenges. Hence the industry over the years has sauntered from being an ill perceived sector to one beginning to acquire a dominant role within the purview of the Federal Government of Nigeria's Vision 2020<sup>17</sup>.

The Nigeria Government envisions an Insurance industry that will rank amongst the twenty largest markets in the world by the year 2020 (though Nigeria is currently ranked 60 in the world). The Government has however undertaken some certain steps and measures towards actualizing this objective, particularly the strengthening of the Nigerian Insurance Commission (NAICOM) which derives its regulatory powers from the National Insurance Commission Act, 1997 and the Insurance Act of 2003. Section 86 of the Insurance Act empowers NAICOM amongst other numerous powers to be responsible for the administration and enforcement of the provisions of the Act, as well as empowering it to register insurance companies and to increase the amount of minimum share capital requirement as circumstances may demand.

Another important legislation for the regulation of the insurance industry in Nigeria is the Nigerian Council of Registered Insurance Brokers Act of 2003, which established the

Nigerian Council of Registered Insurance Brokers as the umbrella association of all registered insurance brokers, which statutorily are required by the Council before it can be licensed to operate by the National Insurance Commission<sup>18</sup>. Being a financial sector operator, the industry is also regulated by other legislations governing financial transactions especially, the Anti-Money Laundering Laws.

In 2016, the Nigerian insurance sector invested an estimated N178 billion in the banking industry as placements and deposits and held treasury instruments of over N270 billion<sup>19</sup>. Insurance plays an essential role in economic growth. Insurance is a risk transfer contract between the insured and the insurer whereby the insured undertakes to indemnify the insured in exchange for premium payment by the insured. The insurer must indemnify or compensate the insured for losses resulting from the insured perils during the period of insurance. Insurance companies act as custodians and managers of the accumulated premiums paid by the insureds. The accumulated insurance premiums constitute investment by insurance companies to promote economic growth.

The insurance sector helps a nation's economic activities and protects policyholders, including individuals, householders, organisations and the state. The insurance industry stimulates economic growth by investing the insurance premiums<sup>20</sup>. The insurer indemnifies the insureds who suffered a loss from the accumulated insurance premiums, subject to the contract terms.

Insurance is vital to a financial system because it helps individuals and businesses manage risk and mitigate the consequences of loss. Insurance protects individuals, households, companies and other entities against accidental losses caused by the insured perils, subject to the contract terms and conditions<sup>12</sup>. Benefits of insurance include guaranteed financial protection against insured losses, promoting long-term saving, mobilizing funds to finance

government projects to ensure national development, facilitating trade and commerce, promoting financial stability through stimulation of the growth of debt and equity markets, and contributing to GDP and economic development<sup>12</sup>.

**Figure 2.1: Core Activities of Insurers**



Source<sup>177</sup>

### **2.1.9 Development of Insurance in Nigeria**

Regulation of Nigeria insurance industry has become substantially intensified in the last two (2) decades. There are risks of potential abuse, low level awareness, poor market penetration, low operating capital, as well as low capacity for retention and acceptance of foreign risks, all of which led to massive regulation of the insurance sector of Nigeria

financial system<sup>21</sup>. The first major step at regulating the activities of insurance business in Nigeria the commission of 1961, which resulted in the establishment of department of Insurance in the Ministry of Trade and which was later transferred to the Ministry of Finance.

The report also led to the enactment of Insurance Companies Act of 1961, which came into effect on 4<sup>th</sup> May, 1967. By the provisions of the Act, the office of the Registrar of Insurance was created to supervise insurance practice. Other provisions of the Act included minimum capital requirement and other conditions for registration, monitoring, and control of insurance operation generally. This was followed by a series of legislation which sought to further the cause of insurance regulation in the country. The first major attempt at regulating insurance in the country was the promulgation of the Nigerian Insurance Decree, 1976. The biggest development in the Nigerian insurance includes the National Insurance commission (NAICOM) seizing control of the largest insurer - NICON. National Insurance Commission (NAICOM) is a refurbished institution, established by the penultimate military administration in the country in 1997. The power of NAICOM under the prevailing legislation for the industry in the country, the Insurance Act 2003, is clearly comprehensive. Section 86 of the Act provides that subject to the provision of the Act, NAICOM shall be responsible for administration and enforcement of the provisions of the insurance Act. Criteria and standards for registration, policy provision, rates, expenses limitations, valuation of asset and liabilities, investment funds, and the qualifications of sale representatives are set by NAICOM.

The first major recapitalization process was introduced by the insurance Act 2003. Section 9 of the Act raised the minimum capital requirement by as much as 650%. This recapitalization exercise which ended in February 2004, however, still left over 107 insurance as well as reinsurance operators in the market and was perceived as not

effectively achieving the aim of drastically reducing the number of players in the industry<sup>22</sup>. Section 9(4) of the Insurance Act provides that NAICOM may increase the amount of minimum capital requirement from time to time. The then Minister of Finance announced a new minimum capital regime in September 2005 which was to be complied with by the end of February 2007. While previous Insurance Act 2003 only required new capital of less than N 500 million (about \$ 4 million); the 2005 recapitalization directive required a minimum of N 2 billion (about \$ 15 million) for life insurance and N 3 billion (about \$ 23 million) for non-life business. The 2005 recapitalization changed the landscape considerably as many companies were forced to merge in compliance with the follow-up directive of NAICOM that the requirements were only to be met through mergers and acquisitions.

Out of the 104 insurance companies and 4 reinsurance companies in existence before the pronouncement, 49 insurance and 2 reinsurance companies met the new level and were certified by the government in November 2007. Based on the new capital base, insurers are to raise their capital according to the risks they underwrite. This is to enable insurers to concentrate on businesses in which they have core competence. The regulatory institution, NAICOM, is not looking at the direction of fresh recapitalization but a risk-based capital which will enable the insurance companies to recapitalize in accordance with the risks it is taking. For example, if you are an insurance company that does aviation and oil and gas underwriting, then you must have the wherewithal to absolve those risks. If you are an insurer that does motor insurance alone, you do not need the same capital.

#### **2.1.10 The Governance Framework of the Insurance Sector in Nigeria**

##### **A. Regulatory Framework in the Insurance Sector.**

The insurance sector is governed by two principal legislations – the NAICOM Act 1997 and the Insurance Act 2003. In the introductory part of the paper we outlined the historical

trajectory of legislation in the sector, starting from the 1961 Act and the various other regulatory interventions largely under the military regimes culminating in the 2003 Insurance Act passed by the National Assembly.

### **The NAICOM ACT 1997**

The Act established the sole regulator in the sector, with a mandate in Section 6 of the Act ‘to ensure the effective administration, supervision, regulation and control of insurance business in Nigeria’. The act grants further powers to stipulate rates of premiums, commissions and to establish general standards for the conduct of insurance business. The Act in Section 8(f) grants the regulator the power to make further regulations for the purpose of achieving its stated objectives and for giving effect to the powers granted. It establishes in Section 62 that the commission shall take policy instructions from the Minister shall be duty bound to comply therewith.

### **The Insurance Act 2003**

The Act prescribes the classes of insurance business in Nigeria and provides the increased minimum capital requirements for each class of insurance business. In Section 9(4) it grants powers to NAICOM to from time to time increase the minimum capital requirements for players in the industry. It makes provision for the structure and personnel of Insurance companies and also for other operators like brokers and commission agents. In Section 50, it provides for the place of paid up premium as the validating factor of an insurance contract, introducing the ‘No Premium No Cover’ Concept. In Sections 64 and 65, it makes provision for mandatory insurance for Buildings under construction and public buildings respectively. It creates offences for default with punishment of N250, 000.00 or three years imprisonment or both. Similarly in Section 68, it provides for mandatory Third Party Liability Insurance for use of Motor Vehicles making provision for cover of not less than

N1, 000,000.00 for such liability, and in addition, adopts the provisions of the Motor Vehicles (Third Party) Insurance Act 1950 . The punishment for default in this section is a fine or N250, 000.00 or one year imprisonment or both.

#### **2.1.11 Regulations, Guidelines, Circulars and Market Rules**

Following powers granted both under the NAICOM Act in Section 8(f), and Section 64 and the provisions of Section 101 of the Insurance Act, NAICOM from time to time issues regulations, guidelines and circulars as its regulatory interventions in the sector. The code of corporate governance for the insurance industry is an example of a regulation made under this power. Also the Market Conduct and Business Practice Guidelines for Insurance Institutions in Nigeria is another key industry regulation issued by NAICOM under these powers. It covers regulations on trade practices and Customer Treatment, claims processing and procedures, and general market conduct.

A key legal issue to be considered in the issuing of regulation is the doctrine of covering the field, to wit that where the principal legislation has made exhaustive provisions on the subject matter, a subsidiary legislation cannot extend the remit of those provisions. There is however sufficient legal latitude for NAICOM as the regulator to take innovative groundbreaking steps to reposition the industry, deepen its penetration and density, and improve its contribution to GDP and the economy in general. The next section will look at the key regulatory interventions by NAICOM in view of some provisions of the Insurance Act, the success of those interventions, or otherwise the limitations and why despite these interventions, the industry continues to lag behind comparatively in contributions to the economy and in general development.

#### **2.1.12 Key Regulatory Interventions and their Impact on Sectoral Development**

Right from the 1961 Act, the introduction of regulatory framework has had the very basic impact of introducing structure and organization into the sector. As has been shown earlier in the paper, by 1976 the number of operators in the sector was growing astronomically without a commensurate improvement in capacity or dent in the penetration ratios. The introduction of regulatory requirements and a governed environment had the immediate effect of gradually weeding out unserious players from the industry. Provisions as to registration, classes of insurance business, minimum paid up capital, principal officers of firms and structure were introduced to bring sanity and order to the sector.

### **Minimum Capital Requirements**

Historically the most outstanding and by far the most impactful regulatory tool in the sector was the introduction of minimum capital requirements. The 2003 Act provided for the minimum capital of the classes of business as follow: life insurance business, not less than N150,000,000 ; general insurance, not less than N200,000,000 ; composite insurance business, not less than N350,000,000 ; or reinsurance business, not less than N350,000,000.

In September 2005, NAICOM issued a directive increasing the requirements for Life and Non Life to N2b and N3b respectively, while Reinsurance and Composite Insurance were scaled at N10b and N5b respectively. The immediate result of the new capital requirements was the consolidation in the insurance industry. It had the impact of reducing the number of operators to 49 from the previous number of 104, resulting in bigger and stronger entities. While a lot of entities approached the capital market issuing new shares, many funded the new capital requirements with debt, issuing preference shares in order to maintain control and ownership of the companies.

In 2018, another attempt by NAICOM to implement an increase through the Tier Based Solvency Capital Policy was withdrawn due to a pushback from operators and general

industry uproar. NAICOM returned in May 2019 with a direct increase in the share capital requirement as follows, N8billion, N10billion, N18billion and N20b, for Life insurance, General Insurance, Composite and Reinsurance businesses respectively<sup>23</sup>. This latest intervention has attracted both commendation and condemnation from voices inside and outside the sector. The argument that this form of regulatory intervention has resulted in improved performance of the sector is a well worn one. It accords with popular logic and indeed common sense that the bigger the entity, the more capacity to provide cover for risks and to pay claims where they arise. Indeed the sector's historical development lends credence to this position that a large part of high end insurance business is lost to foreign entities, because of absence of capacity among local players to provide that level of cover.

NAICOM in driving this policy argues per Agboola Pius, Director (Policy and Regulation) that the capital base of an underwriter is of great importance . A large proportion of the local risks are presently ceded outside because of low retention capacity which is the maximum amount of risk retained by an insurer per policy/cover . It is argued that capital base is a huge component of retention capacity alongside other factors like underwriting experience, solvency margin, risk size, portfolio mix and others.

### **2.1.13 Regulatory Policy, Oversight and the Conduct of the Regulator**

Regulatory policy as a key element of public sector governance seeks to ensure that regulations and the conduct of regulators, support economic growth and development in a sustainable manner and the achievement of broader societal objectives like public welfare as well as strengthening the rule of law. In essence the policy maker in every piece of regulation must ask some key questions as to 'what to regulate, who to regulate and how to regulate'. The adoption of the specialist tools of regulatory policy help governments to be proactive and ensure that the rules of the game are fair, dynamic evolving, and that 'a

whole of government' or broader picture approach is applied to regulation rather than reacting to regulatory failures or regulatory opportunism. In the application of regulations to the insurance industry in Nigeria, one trend that is easily discernible is the reactionary approach to regulation. This is not entirely negative because regulation must seek to correct a present anomaly. The challenge is actually when the anomaly is not properly investigated and when the regulator takes a short term approach in proffering the corrective intervention. Suffice it to say that there is a strong correlation between regulatory policy and the achievement of broader socio economic objectives. There is a sense in which, regardless of the beauty of regulations enacted by a regulator, it is the conduct of the regulator, her adherence to rule of law, to corporate governance principles, to ethics and transparency, that spurs the regulated to comply and conduct itself in line with regulations<sup>24</sup>.

In the insurance industry, there are way too many instances of lethargy, outright disobedience to rule of law, poor administrative and business practices and general compromise in the enforcement of regulations. For instance, in the regulation of structure of insurance companies, the market rules insist that NAICOM must approve the appointment of executive directors and principal officers of every insurance company<sup>24</sup>. It is common knowledge in the industry that companies send the request for approval of such appointment to NAICOM and that approval is never given sometimes even until such director has served and retired from the company. The import of this is that the decisions taken by such a director may be treated as illegal by NAICOM based on the provisions of their regulation. The business practice of NAICOM, its prompt service delivery, adherence to its own rules, compliance with the principal legislations, ethics and transparency rules, are key to establishing an environment of ethical behaviour in the industry. Where the regulator does not operate in an ethical manner, it is difficult to create a culture of ethics in the industry. It is for this reason that Juvenal in his satires asked 'quis costodiet ipsos

constodes'. The principal legislation contains a provision establishing a supervisory role for the Minister of Finance over NAICOM. Information from the industry appears to indicate that this buffer has not worked out as a very efficient way of regulating the regulator. In addition, it does appear that legislative oversight in this regard is also not effective.

When considered in totality, it is easy to come to a conclusion that the insurance industry is a heavily regulated sector. It is commendable that NAICOM issues operational guidelines on a yearly basis and this has been the norm from 2010 till 2018. Each of the guidelines considered, has brought some innovation to the sector contributing to the development of the sector. What is not however clear is whether these guidelines are purely reactionary or following a well thought out and time based development roadmap that can only be the product of a well designed regulatory policy.

Whatever the case, it does appear that the guidelines each target the many areas of need and innovation like the specifics outlined in the previous section. For example, where one would have argued that NAICOM's regulatory efforts devote an unduly large amount of attention to big business insurance, like the Oil and Gas sector, we also have seen the introduction of Micro Insurance and Takaful to address the needs at the lower end of the income or business ladder. These innovations will no doubt contribute to the much needed depth, density and penetration desired in the sector. Yet it does appear that despite these innovations, spanning over a decade, the progress made vis a vis our growth in population and per capita ratios remain dismal. This reality must of necessity invite a different type of analysis seeing that the introduction of new products doesn't appear to be the elixir that will wake up the sleeping giant that the Nigerian insurance sector is touted to be.

#### **2.1.14 Mandatory Insurance**

Sections 64 of the Insurance Act provides for mandatory insurance of Buildings of over two floors under construction. Though no formal empirical information is available to show the level of compliance with these provisions, if opinions from the building industry are anything to go by, the compliance levels are abysmally low. Apart from the window dressing of inserting the clauses for contractor's insurance in the building contract where the client is a government institution, insurance operators confirm that actual policy in this segment is below 1%. This regulation has suffered gross under enforcement and therefore left a gaping hole in a segment that holds great potential given that the construction industry in Nigeria is growing by the day. Regulatory action in this regard has been half hearted and tepid, a fact that is appalling given the now increasing incidences of building collapse across the country

Section 65 of the Insurance Act provides for mandatory Insurance for public buildings. The definition of public buildings in the Act is interestingly wide enough to cover any commercial building operating tenement, or where business transactions are carried out. Once again the compliance or enforcement levels in this segment are abysmal and nearly non-existent. Yet it represents a pool of insurance business that if properly harnessed by concerted industry regulatory efforts, can contribute in deepening the insurance practice while raising the culture of risk consideration in society, something of immense benefit in the battle to combat widespread insurance ignorance.

Section 68 of the Insurance Act, provides for mandatory third party motor insurance. Motor insurance is the component that gives Non life insurance its higher traction in the industry. The administration of this insurance product is not without its own issues. Firstly, there is agreement in the industry that only about 20% of the potential policies for this product is currently written. This is despite the efforts of the regulator to sanitize the system and ensure that motorists procure genuine policy from registered service providers. The practice

of purchasing this insurance at the point of renewal of vehicle particulars was an initiative that out to help the operators to reach the customers. Yet, the complaint in the industry is that the motor vehicle registration agencies are profiting more from the insurance transaction than the insurance companies. For example, a motorist pays N5000, for the third party insurance policy, but the insurance companies complain that the registration agencies remit about 20% of that sum as premium. This has resulted in all kinds of unhealthy practices where the policy contract, issued by some operators, now contains a caveat that some policies do not have a right of claim thereby defeating the purpose of the product.

As a result, the concept of 'fulfilling all righteousness' or 'satisficing' is the main principle, driving the sector. Firstly the purchaser now only wants a paper that grants him pass from law enforcement agents, without any dream of ever making a claim in the event of third party damage. This practice definitely reinforces the general perception that insurance 'never works' and this continues to democratize the ignorance and misconception in the sector. Secondly this obfuscation of a potential revenue earner in the sector has resulted in serious service providers pulling out of the service, allowing these unhealthy practices to fester in the sector. Thirdly the regulator has not taken any tangible steps to interrogate why most purchasers of policy of this kind have the lowest or even non-existent expectation of cover from the policy that they have purchased.

### **No Premium No Cover**

Section 50 of the Insurance Act, provides that the full payment of premium is the factor that confers validity on any insurance contract. Though this provision was in force from the enactment of the Act in 2003, it was not until 2013 that NAICOM issued a directive enforcing it . In essence before this period, Insurance companies could issue policies to customers and cover will be given even though the customer has not paid the premium for

the policy. The effect of this practice is most evident in the accounts of the companies where policies for which consideration has not been received are provided as income in the books of the company. This had the effect of misrepresenting the financial health of the insurance companies, fostering a regime of weak reporting in the sector.

The purpose of the guidelines enforcing a strict regime of payment of premiums is to protect the solvency of the insurance industry and curtail the exposure of insurers to liability in respect of premiums which have not been received. Despite the efforts at enforcing this provision of the Act Insurance companies keep inventing new ways and arguments of seeking to circumvent the rule. Firstly, is the idea that the act does not insist on full payment, and that installment payments would suffice to meet the requirement of the rule. Yet there is a plethora of legal authorities holding that the legal provision does not contemplate installments. Without delving into the merits or otherwise of the legal positions, it raises questions that the insurers for whose protection the rule is made, would rather that they are allowed to continue in the old ways. One can only trace this reasoning to the era of poor understanding and implementation of corporate governance in the sector. This attitude may also be traceable to the environment of desperation for performance that the insurers impose on their marketers.

#### **2.1.15 Life and Non-Life Insurance**

The protection afforded by insurers helps improve the policyholders' confidence and peace of mind<sup>25</sup>. The insurance business entails three categories: life, non-life and reinsurance<sup>26</sup>. Life denotes extended-term funds, while non-life insurance denotes short-term funds. Reinsurance guarantees or protects other insurance companies against loss by spreading their risks to other insurers/reinsurance. One significant role of the insurance industry in

Nigeria is to promote the development and protection of the insuring public against their insurable risks.

Life insurance policies include whole-life, endowment and term assurance. Life denotes extended term funds, while non-life insurance denotes short-term funds. Non-life or general insurance covers properties and assets, including vehicles, buildings, ships, aircraft, and business interruption<sup>27</sup>. Insurance companies also enter a reinsurance contract to insure part of the risk insured under the original contract. Reinsurance guarantees or protects other insurance companies against loss by reinsuring part of the risks insured with other insurers and reinsurers<sup>12</sup>. In a reinsurance contract, the insurer and reinsurer jointly settle the loss arising from the primary insurance contract.

There are two types of insurance contracts types: Indemnity and benefit contracts. An indemnity contract is an insurance policy whereby an insurer places the insured in its position before the loss<sup>12</sup>. Examples of indemnity contracts include fire, theft, motor, house owner, aviation and marine insurance. An indemnity insurance contract seeks to restore the insured to its position before the loss<sup>26</sup>. The insurer cannot restore the insured to its position before the loss.

Indemnity contracts include life assurance, personal accident, health and sickness insurance. An insurer indemnifies the insured under an indemnity contract; hence such insurances are referred to as indemnity insurance policies<sup>26</sup>.

Conversely, the insurer compensates the insured under a benefits contract as it is impossible to indemnify the insured for the loss incurred<sup>26</sup>. The insurance claim paid under a benefits contract is compensation, while the claim paid under an indemnity contract is an indemnity.

An insurance premium is a consideration the insured pays the insurer periodically under an insurance contract. Insurance premiums vary depending on the type of coverage purchased by the insured<sup>11</sup>. The greater the risk associated with the event or property insured, the higher the premium the insured pays<sup>26</sup>. Gross premium is the total premium paid by the insured before deducting insurance brokers' commissions and discounts. The net premium is the premium left after deducting insurance brokers' commissions and discounts. The primary insurer pays the reinsurance premium from the primary insurance premium to the reinsurer. The gross premium is the total premium paid by the insured, which consists of the net premium plus the brokers' commission and administrative expenses. A gross premium is the total premium of an insurance contract before the deduction of brokers' commission and discounts<sup>26</sup>.

#### **2.1.16 Insurance Productivity**

One of the compelling imperatives for Nigeria's economic development and growth is a strong and competitive insurance industry. However, to adequately stimulate the economic growth of Nigeria, insurance functions in the following ways;

- i. Investment

Insurance business has traditionally had a favorable role in boosting investment activity across the board, including capital, real estate, and money markets. Without the protection from insurance, economy in the preset dispensation can progress while economy of any nation cannot flourish in the absence of both local and foreign investments. In all the sectors of the economy, insurance essentially stimulate investment of all types in different sectors of the economy by both facilitating movement of financial resources between deficit and surplus units in the economy.

ii. Gross premium income generation

In the form of accumulated premiums, the insurance business has the prospect to mobilize financial resources which may be used to stimulate economic growth.

iii. Outflow of resources

The insurance industry contributes to the economy by reducing outflows of resources from one country by keeping premiums realized by both insurance and reinsurance businesses within the country, thereby resulting in a favourable influence on the balance of payments. In addition, the country's earnings from the invisible trades are derived via international market retrocession.

iv. Employment generation

With about 49 insurance companies, about 250 insurance brokers, twenty (20) loss adjusters, and over 3500 agents, the insurance business appears to be booming. As a result, the industry has employed a sizable number of people, so contributing to the creation of jobs and the reduction of poverty in the country. The industry employs over 89000 people, according to estimates.

v. Claims statement to the insured

Due to the level of insecurity ravaging country, one can just imagine how bad things would have been if there had been no insurance. The explosions in the military cantonment in Ikeja on January 27, 2002, and the Eagles Square in Abuja on May 27, 2011, respectively, resulted in the deaths of thousands of people, significant property damage, and disruption of commercial activities. Many of the victims (both businesses and individuals) were covered by insurance against fire and other risks. More than #5.1 billion in insured claims arose from boom blasts and numerous airline disasters across the country, all of which were

completed by the insured. Insurers responded quickly to this terrible event by compensating the insured after making the appropriate adjustments.

vi. Foreign investment

The insurance market is truly worldwide, especially when it comes to big risks. In most cases, the risk insured in one nation is not entirely retained in another. As a result, substantial risks that could result in losses are reinsured and ceded over the country's borders. In addition, there are indications that the insurance sector has shaken off the influence of COVID-19 on its performance by recording 15.7 percent year-on-year growth in contribution to gross domestic product, GDP, in the second quarter of 2021<sup>28</sup>. The industry's revenue increased significantly in the first half of 2021, with a 23.2 percent increase in Gross Premium Written from N176.4 billion in the same period of 2020 to N217.3 billion in 2021<sup>28</sup>. Some of the ways to measure insurance productivity include the following:

**i. Total Income of Insurance Companies**

Among the many sources of a company's overall revenue is direct and indirect premium income from both life and non-life policies and dividends, rent, and other sources of income.

**ii. Insurance Premium**

An insurance premium is a set sum that an individual or organisation must pay to the insurer regularly to maintain the actual insurance coverage. Payments paid by insureds are the primary source of funding for insurance companies, which use these premiums to protect themselves against a specific set of risks. To put it another way, insurance companies take on the insured's risk in exchange for a premium.

### **2.1.17 Insurance Companies and the Nigerian Stock Exchange**

Thirty insurance businesses were listed on the Nigeria Exchange Group floor on December 31, 2021, according to the Nigerian Fact Book 2021. Because of the floatation of these businesses' shares and other securities, the NGX and the overall economic benefit from the increased capital formation. According to recent studies, stock market liquidity has been linked to long term growth in emerging nations. Saver's reluctance to tie up their money for extended periods would prevent many lucrative long-term investments without a thriving stock market. Liquidity in the stock market, on the other hand, makes it possible for companies to raise equity capital at a favourable price. Investments that are more likely to succeed over the long run are easier to come by in a market with more liquidity. Long-term financing for the government and private investors can be raised through the capital market, an organised market.

The NGX offers government and industry the ability to raise long-term financing for various purposes, including the funding of infrastructure improvements and the growth and modernisation of businesses. Long-term securities can be traded on the Nigerian Stock Exchange (NGX). The NGX platform contains all of the facilities, rules, and regulations that are necessary to keep competition healthy and to build the market. Therefore, the NGX is a conduit between fund providers and long-term investors. In order for the economy to grow, the allocation function of NGX is critical. As a result of its crucial and indispensable function, Nigeria's stock market is frequently referred to as the country's distinguishing characteristic.

### **2.1.18 Factors Influencing the Investors Decision in Adopting Insurance Products in Nigeria**

The adoption of insurance products in Nigeria, as in any country, is influenced by a variety of factors that stem from economic, cultural, regulatory, and personal considerations. Some key factors that influence investors' decisions in adopting insurance products in Nigeria include:

- i. **Financial Security and Risk Management:** Insurance provides a sense of financial security by offering protection against various risks such as health emergencies, accidents, property damage, and loss of income. Investors in Nigeria may consider insurance as a means to manage and mitigate potential financial losses.
- ii. **Awareness and Education:** Lack of awareness and understanding of insurance products can be a significant barrier to adoption. Investors need to be educated about the benefits, coverage options, and the role of insurance in their financial planning.
- iii. **Cultural and Social Norms:** Cultural factors can influence individuals' attitudes toward insurance. In Nigeria, traditional support systems and communal structures may affect the perceived need for insurance. Educating people about the complementary role of insurance to these systems can impact adoption.
- iv. **Regulatory Environment:** A well-regulated insurance industry can foster trust and confidence among investors. Regulatory policies that ensure fair treatment of policyholders and a stable insurance market can positively influence adoption.
- v. **Perceived Value:** Investors assess the perceived value of insurance products in relation to their premiums. If individuals believe the coverage provided aligns with their needs and is reasonably priced, they are more likely to adopt insurance.

- vi. **Trust and Credibility:** Trustworthiness of insurance providers is a critical factor. Investors are more likely to adopt insurance products from reputable companies with a history of fulfilling claims and providing quality service.
- vii. **Economic Conditions:** Economic stability and growth influence individuals' ability to afford insurance premiums. In times of economic uncertainty, individuals might prioritize other expenses over insurance.
- viii. **Personal Experience:** Personal experiences or those of close acquaintances with unexpected events that could have been mitigated by insurance can impact individuals' willingness to adopt insurance products.
- ix. **Distribution Channels:** Access to insurance products through various distribution channels, including agents, brokers, banks, and digital platforms, can affect adoption rates. Convenient and easy-to-use channels can encourage investors to consider insurance.
- x. **Peer Influence:** Recommendations from friends, family members, or colleagues who have positive experiences with insurance can play a role in influencing an investor's decision.
- xi. **Product Customization:** Insurance products that can be tailored to specific needs and circumstances are more likely to attract investors. Flexibility in coverage and premium options can enhance adoption.
- xii. **Digitalization and Technology:** The availability of digital platforms for researching, purchasing, and managing insurance.

#### **2.1.19 The Challenges of Selling General Insurance in Nigeria**

- i. The failure of government to enforce the provision of Insurance Act as it relates to compulsory insurances has contributed to the non-achievement of goals of increasing insurance penetration in Nigeria. Section 68 of the

Nigeria Insurance Act, 2003 states, “No person shall use or cause or permit any other person to use a motor vehicle on a road unless a liability, which he may thereby incur in respect of damage to the property of third parties, is insured with an insurer registered under this Act”. It is unfortunate that this Insurance Act is not totally adhered to by most Nigeria road users. Only few organizations and individuals adhere to this Act and the failure of the government to enforce the law is in itself a disaster to the efficient sales of general insurance in Nigeria.

- ii. Poor awareness of the relevance of genuine insurance is still low in Nigeria. For example, there is hardly any location for purchase of genuine insurance cover at rural environment in Nigeria. Thus, most road users and small scale entrepreneurs would have to depend on certificates which they can obtain from dubious agents. Due to distance of genuine insurance offices where genuine insurance cover can be obtained, many motorists ignorantly took fake insurance certificates from unregistered companies in Nigeria. The practice is so pervasive that it has become difficult to convince road users that the insurance certificate with them is fake and not genuine. Most time it is difficult to distinguish between genuine insurance certificate and fake insurance certificates in Nigeria as most of the fake insurance certificates are designed to look like genuine insurance certificate. The difference could only be identified through the insurance policy number. The insurance policy number on fake insurance certificate will not be located on the National Insurance Industry Database’s (NIID) website. While the insured details will be located immediately a policy or insurance certificate is purchased on the Nigeria Insurance Industry Desk (NIID).

The poor or lack of awareness of the populace on how to confirm genuine insurance in Nigeria is a challenge to the sales of the product in Nigeria.

- iii. Most Nigerians do not believe in Insurance. This is because the negative marketability of insurance products has become a problem not only to the insurance industry but also affect economic development in Nigeria<sup>29</sup>. Poverty is a major reason why Nigerians do not believe in Insurance. Since insurance is an intangible product, Nigerians do not see it as a necessity. They prefer to do without it.
- iv. Delay in settlement of genuine claim is another problem associated with selling general insurance in Nigeria. Only few companies can pay claim in just five working days. Payment of genuine insurance claim takes months and this makes it unbearable to the insured that depend on the facility insured for daily income. For example, a motorist who uses his vehicle for commercial purpose. He depends on the vehicle for daily income. The motorist would hope that if the vehicle has an accident, it will be indemnified in the shortest time possible, so that he can continue his daily activities. However, delay in settlement of his claim can unsettle him for months and years. This would dampen his belief in the insurance industry in Nigeria.
- v. In Nigeria, there are too many insurance intermediaries. Aside from the 58 insurance companies in Nigeria, there are 577 registered insurance brokers in Nigeria, 1900 registered insurance agent in Nigeria, 54 registered loss adjusters in Nigeria and numerous unregistered insurance agents and brokers in Nigeria. Some insurance brokers delays payment of premium to insurance companies, while some insurance brokers do not remit insurance premium to insurance brokers with the belief that the insured would not experience any claim during

the one year period his policy will run. Some brokers even believed that the insured would not file for claim when they experience any accident, so they may not remit the insured premium to the insurance companies. So at the point of claim, insurance companies will not pay for claim they had not receive the premium. This in turn may result to distrust between the insured, the broker and the insurance company.

- vi. Numerous illegal commission and rebate between and among insurance players. The National Insurance Commission has band the collection of Over Riding Cost and Public Relation (PR). However due to severe competition in the industry, insurance brokers still collect ORC and PR. Insurance companies that do not pay ORC and PR to insurance brokers and agent, may not get insurance transactions from them and this is a serious challenge to the industry survival and development.
- vii. Insurance companies are said to be risk takers, however insurance companies technically avoid huge risk that is prone to claim. They may turn down insurance transaction by increasing the rate for transactions; so that the client would be discourage to make payment due to high premium. Insurance companies can also reach their limit or volume of a particle risk which they want to receive.
- viii. Another challenge of selling general insurance in Nigeria is delay in remitting commission to insurance agents and staff. Retail insurance staff has been design to collect commission which serves as their salary. However, they experience delay in receiving their commission which can serve as a discouragement to retail insurance marketers in Nigeria. Religion is also a challenge of selling

insurance as some religious group belief in the supernatural as their insurer. In doing so, they exposed themselves to risk.

- ix. Ridiculous rate cutting due to unhealthy competition among and between insurance brokers, insurance companies, and its agents. In a quest to get insurance transaction, insurance companies would reduce its rate and increase the excess clause on the insurance policy. They reduce the rate to convince the client that insurance is not expensive, and they then increase the excess clause on the policy. Excess clause is the owner's liability and responsibility for care of the property insured. When claim is processed, the insurance company deducts excess before making the net payment to the client. Since most clients do not read their insurance policy at inception of the transaction, they become angry when insurance companies deduct excess. This often leads to complaints and distrust from the insured to the insurance companies.
- x. Non-disclosure of fact by the customer and the insurance companies at the inception of business. The insurance companies are meant to carry the risk of the insured. However, there is a limitation to claim payment of a particular loss. This may not be revealed to the insured at the inception of insurance transaction which may lead to distrust and argument in time of claim payment. The insured too may not disclose all the necessary details of the subject of insurance at the inception of the policy in order to reduce the premium. This may also be a challenge if loss occurs.

#### **2.1.20 Strategies for Improving Sales of General Insurance in Nigeria**

1. Provision of unique micro insurance services. Micro insurance services would help reduce the number of people who shy away from genuine insurance cover. The micro insurance scheme is designed to protect low income earners. With the frequent fire

outbreak in Nigeria, insurance companies should make their micro insurance policies flexible in order to accommodate small scale traders in lock up shops on the street and at the local market places.

2. Intensive capacity building and greater expertise in micro insurance. People have to be trained on the importance of obtaining genuine insurance policies in Nigeria. This would help alleviate poverty and improve the economic welfare of Nigerians.
3. There is need for insurance companies to develop of people friendly products. Most Nigerians has the perception that it cost a lot to have genuine insurance cover. Insurance companies need to employ an aggressive approach to selling their products. They can do this through advertisement on the social and print media. However, this can only be achieved when insurance companies develop people friendly products that appeals to all categories of people irrespective of the socioeconomic cum cultural characteristics.
4. Innovative distributive system. The insurance companies and its sales representative should design a unique method of selling it product considering the peculiarity of Nigeria market. There is need for insurance marketers to employ house to house selling of insurance product. Many Nigerian are familiar with annuity and vehicle insurance. But annuity and vehicle insurance are just about 1% of the available insurance products in Nigeria. Since Nigerian insurance sector has not appealed to the informal sector, which constituted over 80 percent of the population<sup>16</sup>. There is need to restructure the distributive system of selling insurance in the country.
5. The Federal Government of Nigeria should make the ownership of genuine insurance certificate as a prerequisite for opening of bank account, payment of school fees and construction of building in Nigeria. This will persuade Nigerians to purchase genuine insurance policies.

6. Insurance companies need to rebrand their marketing strategies and be more proactive and sincere to the insured at the inception of the insurance transaction. This would help breed confidence between both parties.
7. One of the best ways to sell insurance in Nigeria is through seeking for referrals from people. Those who had done genuine insurance can give referrals to others who truly need insurance. Another way to sell insurance is through the financial institutions and corporate organizations. This is because financial institutions would need insurance cover when giving out loan to their clients.

#### **2.1.21 Concept of Takaful**

Over the years, the insurance industry, in general, has experienced a remarkable growth<sup>30</sup>. In particular, the Islamic finance industry has seen significant development over the last few decades, and one of the most fruitful sub-sector poised for even greater growth is Takaful (Islamic insurance). In addition, the influence of globalization and privatization have strongly influenced the insurance market across the globe which led to a direct increase in trade and portfolio investment. Although the Takaful business is a couple of decades old, it is a fast-growing business in Islamic finance industry<sup>31</sup>. The adoption of insurance products in Nigeria, as in any country, is influenced by a variety of factors that stem from economic, cultural, regulatory, and personal considerations. Here Islamic insurance, also known as Takaful, is a form of insurance that is compliant with Islamic principles and Shariah law. Investment decisions related to Islamic insurance are guided by the same principles that underpin Islamic finance, which emphasize ethical and Shariah-compliant investment practices.

Takaful is perceived as the revival of the Islamic financial system and as a result, it has become an institutionalized phenomenon with its appearance and social function in public

spaces increasing rather than decreasing<sup>32</sup>. Many analysts and scholars believe that Islamic Financial Institutions (IFIs) were initially established to realize the unique value proposition of Islamic economics (channeling financial resources towards the real economy on the basis of the risk and reward sharing principle). IFIs are also meant to realize certain higher objectives (maqasid) of Sharia such as better and equitable distribution of wealth among various sections of society and improving the degree of financial inclusion. While everyone in the developed world is required to have insurance to cover unexpected losses, the need for such an instrument is much greater in developing countries. This is because vulnerability to risk is the highest since options for recovering from large losses are almost non-existent. So, poverty, lack of access to good healthcare, education, sanitation, and social security systems would demand a more friendly risk transfer system.

Takaful is a cooperative guarantee among a group of contributors and it is derived from an Arabic word “Kafalah”<sup>33</sup>. Islamic finance experts often make reference to the Holy Qur’an as basis for Takaful and it reads and cooperate with one another in virtue and righteousness, and do not cooperate in sins and transgression”<sup>33</sup>. As such, Takaful entails each member completing his or her commitment by donating to a fund known as the Takaful fund to indemnify a person in the event of any loss or hazard<sup>34</sup>.

Takaful was first introduced to the public in 1979 in Sudan and has since then evolved and developed in several other jurisdictions, as witnessed by the increase in the total amount of Takaful contribution as well as the increase in the number of strong Takaful and re-Takaful players.

Conventional insurance which entails the transfer of risk from one party to another for a fee was deemed invalid because it entails the elements of Gharar (uncertainty), Maysir (gambling) and Riba (interest) that are all prohibited in the Islamic economics and financial

system<sup>35</sup>. In conventional insurance, the insured pays a fee (premium) to the other party (insurer) in return for a financial protection against any unexpected loss which should happen within the agreed period. If loss does not occur within the specified period the insurance company is entitled to the whole amount of paid premium together with the profit that accrue there from.

Moreover, the existence of Gharar in conventional insurance contracts denies one of the parties certain information and therefore affect their ability to make informed decisions. Islamic jurists therefore considered conventional insurance based on existence of Gharar as prohibited. Furthermore, conventional insurance has elements of gambling which is a zero sum game with one party aiming to gain financial benefit at the expense of the other. The insured is betting on loss occurrence while the risk is transferred to the insurer by the insured for a fixed premium and will lose that if nothing occurs. However, this practice is clearly prohibited in Islamic law because of the high level of uncertainty and the possibility of deception and enmity arising between the parties involved. Allah says in Qur'an "O you who believe verily liquor, gambling, throwing of stores and the worship of idols are the dirty acts of the Satan, so abstain from them so that you may prosper. The third argument against the conventional insurance is the interest in investment. In conventional insurance interest is a major source of profit, specifically in investment of premiums in fixed deposit accounts, bonds, treasury bills etc. and Islam has completely prohibited any dealings with interest. This is evident in Qur'an where Allah says "and Allah has permitted trade and prohibited interest."

Hence, the elimination of the forbidden components of the conventional insurance system is central to the principles and practice of Takaful, which is in favour of a cooperative scheme based on these principles of Shari'ah<sup>31</sup>. We live in a risk pervasive world where individuals and businesses are on a daily basis exposed to several kinds of hazards which if not

attended to will lead to a chain of negative consequences such as low standard of living, closure of businesses and socio-economic instability<sup>36</sup>. In addition, it had been observed that the Takaful subsector has attracted the attention of academicians, practitioners as well as policymakers as a veritable tool in enhancing societal welfare, business resilience and long-term sustainability<sup>36</sup>.

Moreover, in Islam, there is a foundation already laid down for alternative risk transfer whereby risk is not transferred but shared among group of participants who are further assured that, the Takaful firm would not invest in non-Shari'ah compliant businesses<sup>31</sup>. Hence, eliminating the elements of Riba, Gharar and Maysir. The Takaful segment has maintained a steady, albeit slow growth rate in terms of gross contributions from USD 5 billion in 2006 to USD 27.07 billion in 2018<sup>37</sup>.

However, unlike the banking and capital market segments, Takaful is the least contributor to the total Islamic finance assets, having a meager percentage share of less than 2%<sup>37</sup>. Likewise, the Takaful sector is heavily concentrated in few countries, whose share of Takaful represents 91% of the global total contributions in 2018. Five countries were identified as the major contributors to the Takaful sector namely: Iran, Saudi Arabia, Malaysia, the United Arab Emirate (UAE) and Indonesia<sup>37</sup>. These countries are in three sub regions of the world, namely the Middle East, Gulf Cooperation Council (GCC) and Southeast Asia (IFSB, 2020). Recently, there is a remarkable surge of interest in the Takaful subsector especially in Muslim-majority countries like Nigeria<sup>36</sup>.

### **2.1.22 The Takaful Market**

Takaful, an Arabic word, means 'guaranteeing each other', and is a form of mutual insurance that is fully compliant with Shariah principles. Takaful works on the basis of members cooperating with and protecting each other, but it can also be used by investors

seeking returns while adhering to the principles of Islamic law. Members of the Takaful scheme pool their individual contributions together to create money which is then available to cover any subsequent loss or damage claims. Any surplus, after the costs of running the scheme, is then distributed between the Takaful operators and the participants on pre-agreed term. Takaful is the Arabic word for Sharia-compliant insurance system<sup>38</sup>. It is based on the Aqila, a pre-Islamic system of group payment of blood-money to the family of the deceased person<sup>38</sup>.

The takaful industry offers customers insurance products judged to be compliant with Islamic law, in return for payments into insurance funds managed and invested by a takaful company, henceforth called the 'operator'. The market is relatively new, dating from 1979 in Sudan, where the first company was established. Forty years later, the size of the global Takaful market had reached \$23.7 billion and includes life and general insurance. In 2019, takaful is available in more than 75 countries, from approximately 336 operators. Life insurance premiums are allocated to an investment and a risk fund<sup>37</sup>.

The year 2019 is the first for which takaful data have been included in the IFSB's PSIFI system. "PSIFIs" implies that the data used in a corresponding table are obtained from the IFSB's Prudential and Structural Islamic Financial Indicators database (IFSB, 2021). The overall takaful sector's direct contributions increased by 4.8% year-on-year to USD 24.2 billion in 2020, after a significant decline (-14.8%) in 2019. The decline was attributed to significant changes in the exchange rate (USD) used to denominate Iranian data. Over the past 10-year period (i.e. 2011–20), global takaful contributions have grown by an estimated compound average rate of 4.72%<sup>37</sup>.

Since insurance is a normal good, with demand positively related to income, as Gross Domestic Products (GDP) of Muslim countries increase, further increases in the size of the

takaful market are forecasted. In some takaful operations, upwards of 60% of participants have been non-Muslims, and conventional insurance companies have begun to supply takaful products through Islamic Insurance ‘windows’. The existence of takaful ‘windows’ in conventional insurance companies blurs the distinction between conventional and Islamic insurance<sup>37</sup>. A takaful window has the potential to increase its penetration that it will increase their customer numbers and narrow the protection gap if it is perceived as a transparent and well-regulated activity. Takaful operators have the ability to play a big role in the global insurance industry as a result of recent regulatory and public awareness improvements as well as a considerable projected population growth. Most of the takaful companies that have survived have done so because they have been able to build up sufficient reserves<sup>31</sup>. The financial success of the takaful market depends, as it does for conventional insurance, on its having sufficient demand for insurance products, cost control operations, as well as profitable investment. These factors are reflected in the level of reserves. Costs are made up of operating expenses and paying of claims. Demand is determined by the premiums charged. Due to the law of large numbers, an increased customer base lowers average risk per customer.

Similar to other Islamic financial products, a distinctive demand characteristic for takaful is its compliance with Shariah rulings concerning riba, gharar and maysir. Takaful consumers' confidence in the product is dependent on two criteria –

- (i) operations of the business must comply with Shariah principles or Islamic law, and
- (ii) wealth and financial progress of the takaful companies need to be disclosed.

Due to that, it is important for takaful business to be regulated by Islamic scholars of the Shariah. A Shariah Supervisory Board (SSB) certifies in an annual report that the takaful

operations are compliant with Islamic law. SSB certification is much like an auditor's certification that a financial report is compliant. It provides little detail of the bases for the opinion. Members of SSB are constrained by the advisory nature of their role, with no enforcement powers, and by the part-time nature of their involvement. The most cited areas of takaful operations that require a Shariah advisor's approval are underwriting surplus distribution and investment instruments (81%), allocation of qard facility (69.1%) and the investments portfolio (61.9%)<sup>37</sup>.

The distinctive characteristics of takaful and its complexity in certain products increase the importance of disclosure concerning its operating model. In particular, given the various models adopted in the industry. In practice, there are three forms of compensation received by takaful operator. First, where a takaful operator manages the operations against an upfront agency fee it is called a wakalah (agency) contract. In this arrangement, the operator as an agent receives an upfront agency fee at the time a participant is admitted to the takaful pool which is generally expressed as a percentage of the premium collected from participants.

The fund from the takaful pool will be used to cover all the claims and operational expenses and management of the takaful operation, which involves an investment of the technical reserves and all profits or losses are credited to the takaful pool. The takaful operator will still get a wakalah fee regardless of whether the pooling fund is a surplus or deficit, as long as new business is issued and continues to exist.

Second, the compensation comes from where the takaful operator receives a share in investment income from the technical reserve. This compensation is named the mudarabah (profit-sharing) contract. In this contract, the takaful operator only receives compensation from the investment of the technical reserves if it is making profit and nothing if it makes a

loss. Mudarabah serves the purpose of allowing the fund to grow rather than leaving it stagnant, waiting for claims and other related expenses. The takaful operator is expected to invest funds according to the rules and principles of the Shariah and he must abide by the terms of the takaful contract. The takaful operator is also obligated to be very transparent with the participants on where and how the company has invested their funds thus avoiding any uncertainty and uneasiness among the public<sup>37</sup>. If any profit is made from the investment then it will be appropriately distributed amongst the participants and the takaful operator based on the agreed profit sharing ratio by all parties. The losses will be borne by the takaful participants and not shareholders, only except in cases where that the loss is caused by the negligence of the manager where the manager will be held jointly responsible for the loss. The entrepreneur does not assume any liability in case of the loss because he has already provided the expertise<sup>31</sup>.

The third form is called ji'alah or the modified mudarabah contract. It is a surplus-sharing contract where the takaful operator receives a share in the insurance surplus net of the wakalah and mudarabah compensation and nothing if there is a deficit. Ji'alah is a performance-based contract where the surplus is shared with the takaful operator as an incentive for good performance in exercising prudent underwriting to protect the fund from turning into a deficit. Whether the takaful operator should be permitted to share in insurance surplus is a topic of disagreement within the Shariah community. Some Shariah scholars believe that this sharing violates the idea of mutuality and tarnishes the "purity" of the underlying Shariah-approved contract under wakalah. However, surplus sharing is viewed as a legitimate expansion of the wakalah contract by other Shariah experts. These scholars justify surplus sharing as an "incentive fee" for good performance<sup>31</sup>.

Most takaful operators use a combination of these three performance incentives in their operation as a form of operator compensations. For example, the mudarabah contract can be

used for the investment purposes of the fund whilst wakalah can be used for the insurance activities of the fund. The contract of ji'alah may also be used to provide incentives for the takaful operator to upgrade performance because the compensation is tied to overall performance and output. The variety of Shariah-compliant contracts helps in providing more flexibility, but there is little economic analysis of their incentive properties.

### **2.1.23 Takaful Window Operations and Shari'ah Compliance**

Window operations are obtained where takaful products and services are provided via a subordinate office of a parent conventional company which office remains attached and answers to the parent. In the global takaful industry, there are over 80 takaful operators and over 200 window operators. Countries which allow window operations include, among others, Pakistan, Indonesia, the United Kingdom, Nigeria and Thailand. In the first place, funds for the establishment of the windows are provided by shareholders of the parent company<sup>37</sup>. These funds do not have to pass the test of shari'ah compliance relating to investment avenues and the avoidance of riba, gharar or maysir<sup>37</sup>. This in itself may not be a problem if the takaful fund itself continues to observe shari'ah compliance but where the takaful fund runs into a deficit and there is the need to provide a qardhasan (benevolent loan), this will be done from the same shareholders' fund thus possibly infusing non shari'ah compliant funds into the takaful pool.

In addition, though most jurisdictions where takaful windows are allowed insist on the segregation of the takaful funds from those of the conventional business, this may not always be the practically possible as most companies usually retain and share accountants, auditors and investment managers<sup>37</sup>.

Also, to establish window operations, most conventional insurers co-opt staff already within their payroll to into their takaful units. These staff may not necessarily have knowledge of

and/or experience in Islamic finance particularly as it relates to takaful as it one of the problems already facing the industry is the dearth of suitably qualified personnel. In fact, even where specific persons are allocated as management of the takaful unit, this may not be so for marketing staff. Therefore takaful products may be marketed alongside conventional products by any and all marketers. This is further compounded by the fact that while legislation in some countries insists on minimum educational requirements and training for eligibility to engage in takaful management and marketing others are silent.

Lastly, an important aspect of the shari'ah compliance of takaful is the establishment of adequate retakaful. This must be done with an equally shari'ah compliant retakaful provider. However, due to the lack of sufficient retakaful providers in many jurisdictions, scholars have allowed for the use of conventional reinsurers though they are encouraged to first look for a retakaful company<sup>39</sup>. Takaful window operators, based on this concession, may be inclined to use the same reinsurer for both conventional and takaful products particularly where the takaful business has not achieved a lot of retention.

#### **2.1.24 Principles of an Islamic Financial System**

The rationale behind financial systems, whether they are conventional or Islamic, is to utilise the resources in an optimal method, through directing or redirecting these resources to different investment projects, in order to attain profit maximization. Nevertheless, the core rationales which rule the Islamic financial system is not solely profit-maximization. Profitability is neither the only nor the decisive factor of the theory for Islamic finance. Sharia rules, which governs Islamic finance, is characterised by an integrated and comprehensive framework that direct an economic, social and political life<sup>139</sup>. Therefore, the principles of an Islamic financial system reflect the interest of sharia on the consequences of the financial structure of other aspects of life. The object of such a system lies in the

aspiration to ensure that different Islamic financial products are compatible with legal and moral values of Islam<sup>140</sup>.

i. Prohibition of Riba (interest)

From the etymological standpoint, the term Riba is derived from the Arab word “arba”, which means to enlarge or to boost. According to the Muslim jurisprudence, Riba is defined as any financial benefit or excess established by one of the contractors without justifiable and satisfactory equivalent<sup>140</sup>.

ii. Prohibition of Interest in Other Religions

The interest or usury, whether it is at a low or excessive rate has been practiced in different parts of the world for no less than four thousand years. During this time, there is considerable evidence of a strong displeasure by different traditions, foundation and community reformers on the ethical, religious and formal basis<sup>141</sup>. The logic and arguments employed by these widespread critics have included work morals, community fairness, economic insecurity, and other aspects. Further evidence for the existence and prohibition of interest in history has been brought to existence<sup>141</sup>. It was reported that Aristotle disagreed with any amount of interest because he considered money as “sterile”, which means that it is not supposed to have the ability to increase unless it is serving certain purposes. Also evidence on cancellation of all private and public debts by authorised individuals in old Republican Rome in 594 BC was provided as interest was prohibited.

It was reported that barring the practice of interest is not voiceless in other religions as it has been found in Judaism, Christianity, as well as Hinduism and Buddhism<sup>139</sup>. There is evidence that in Judaism, interest (whether it had been charged on money, food or anything else) was seen as unacceptable and an unjust action, especially if it has been charged for

amongst their own nationality. Therefore, Jewish societies used ban interest among themselves, but allow interest on money lending to other nationalities. It was reported that Jewish philosophy supports the prohibition of interest in order to support the morals of their society<sup>139</sup>. Consequentially, this benevolent nature of the prohibition on interest implies that its contravention was not seen as an illegal offense that required legal sanctions, but fairly as an ethical misconduct.

### iii. Prohibition of Interest (Riba) in Islam

The prohibition of Riba in Islam is solely from the Quran and the Sunnah (the sayings and doings of the prophet Mohammed SAW). According to the Islamic financial system, the exchange between the buyer and seller is permissible. The understanding behind the legality of sales and exclusion of Riba in Islam has been explained<sup>139</sup>. They report that the financial exchange between the buyer and the seller is seen as justifiable because the profit is equivalent to the labour and time and risk is undertaken to secure or develop specific commodity to satisfy the seller. On the other hand, interest is deemed unfair, because the lender is legally assured of his principal and premium loan at the time of the agreement. This means that the interest paid is not based on the risk taken, labour and the time undertook to develop the commodity. From an Islamic ethical point of view, the use of interest is oppressive to the borrower, especially in a product or economic collapse.

According to the Islamic principles, there are two types of Riba: Riba al-nasi'ah (nasi'ah means delay) or credit Riba' and Riba al-fadl surplus Riba (excess in spot transaction). This type of Riba occurred when there is a delay in payment of an outstanding debt, whether the debt is a result of sold commodity or money lent. This kind of Riba comes from a fixed return of money that will be given to the loan provider following a certain period of time

from when the principal amount was given and if the borrower exceeds the time allowed to return the money, they will be expected to pay an additional amount of interest<sup>139</sup>.

### **2.1.25 Historical Background of Takaful in Nigeria**

Nigeria is the largest country in Africa in terms of population. According to the World Bank, the last estimation of Nigeria's population is approximately 201 million people. Out of the estimated population, about 50% are Muslims. International Monetary Fund (IMF) projection forecasted an increase of the Nigerian population to around 210 million inhabitants by 2021<sup>40</sup>. Besides, considering its estimated GDP of 1.1 trillion US dollars, Nigeria has been regarded as the largest economy in the whole of Africa since 2015. Earlier, the Central Bank of Nigeria (CBN) had divulged its 2020 Financial System Strategy as the blueprint designed to reposition the country in order to actualize the aim of being the Africa's major International Finance Centre (IFC) by the year 2020<sup>41</sup>.

In addition, Nigeria has been optimistically prophesized, by Goldman Sachs, as one of the 11 countries in world with great potential to possibly rival the G7 countries in the future. It should be noted at this juncture that there is a need for a robust financial system to support Nigeria's endeavors to actualize a vibrant economy. To achieve a vibrant economy, the insurance industry has experienced a recapitalization exercise in 2007 with the intent of repositioning the sector for greater efficiency and effectiveness. Being an integral part of the Islamic financial system, takaful is an important component in this development. The Central Bank of Nigeria, in its projection for 2012, initiated the so-called 'National Financial Inclusion Strategy' to pave the way towards the accomplishment of a significant increase in the access and use of financial services by the year 2020 as a result of the realization of severe financial exclusion, particularly in the Muslim dominated Northern region. Therefore, the National Insurance Commission of Nigeria (NAICOM) issued

Takaful-Insurance operational guidelines in 2013 so that the development of the takaful industry can be facilitated and to ensure the enhancement of financial inclusion.

However, despite the growing potentials of this market and the government commitment to achieve this end, the growth of takaful operations in Nigeria has not been really impressive. Concerning Takaful Legislation in Nigeria, it is important to note that takaful operations in Nigeria are regulated by the 2013 Operational Guidelines for Takaful Insurance Operators, which became enforceable before it was launched in March 2013 by the National Insurance Commission (NAICOM). This document provides detailed and comprehensive structure for all matters concerning takaful operations in the country. As part of the information in the guidelines, Section 1 features a general overview covering the introduction, objectives, scope, implementation, and the concepts of Takaful-Insurance<sup>37</sup>. Basically, the guidelines aim to increase insurance penetration and financial inclusion in Nigeria. It provides a framework within which takaful operators shall successfully carry out their business efficiently and effectively. The scope of the guidelines covers the regulation of commercial takaful activities and other related operations conducted in Nigeria.

Section 2 of the guidelines present general provisions and procedures for adopting an operating model by the prospective takaful operators in either of the two classes of business: family takaful or general takaful<sup>37</sup>. Furthermore, this section specifies three operating models: Mudharabah based, Wakala based, and Hybrid Wakalah Mudharabah model comprises both Wakala and Mudharabah. Documentation and disclosure requirements relating to the operating model adopted by the takaful operators are also contained in this section of the guidelines. In section 3, the guidelines present governance standards for takaful operators<sup>37</sup>. This entails the requirements for takaful operators to have an Advisory Council of Experts (ACE) as well as their required competency and code of conducts. Similarly, it includes the duties and responsibilities of the Advisory Council of Experts

(ACE) and the takaful operators, including the ACE opinion in the annual report, disclosure requirements by the takaful operators, accessibility of the ACE to the public, the regulator's Takaful Advisory Council (TAC), Shariah compliance, and other relevant requirements. The 2013 Takaful-Insurance operational guidelines provide three business models for Takaful operators. These include the Mudharabah contract (profit sharing), Wakala contract (agency), and Hybrid Wakalah-Mudharabah contract (agency-profit sharing). For effective oversight, takaful operators must obtain approval from the NAICOM after the approval of their ACEs and Board of Directors for the business model they intend to adopt. To promote innovation and product development, takaful operators may propose to adopt a different model apart from the three models provided subject to final approval by the NAICOM.

#### **2.1.26 Development of Takaful in Nigeria**

African Alliance insurance is the first company to introduce takaful products in Nigeria in 2015. The company is known as the country's early expert in life assurance and offers family takaful products that are similar to life insurance (conventional) that consist of both savings and protection components. Another insurance company, Niger insurance, came into the takaful market shortly after the African alliance. The company developed and introduced products that are in line with Shariah principles of savings and investment plan. Following this, cornerstone insurance came to the market by introducing halal takaful Nigeria; this company is a traditional insurer with a takaful window. In 2013, it became the first licensed composite operator in the country, offering both general and family takaful as well as a traditional product to the public in Nigeria. The operational guideline for takaful insurance was issued by NAICOM in the same year, which was the first national guideline for Nigeria's takaful insurance market with the establishment of Shariah compliant framework. This is to improve the transition of traditional insurance into the takaful operator to improve performance based on Shariah principles and corporate governance.

These guidelines outline and clarify the duties and responsibilities of the operators and as such, they influence the operational and disclosure requirement standard. There are three models of operating system: Mudarabah (profit-sharing), wakala (agency), and both wakala and mudarabah (hybrid). These guidelines make it compulsory for all the operators to provide a Shariah advisory council expert that will be responsible and accountable for any Shariah related matters in making decisions, judgement, sharing opinions and views. Due to the shortage of Shariah experts in the country at the initial stage of offering takaful, the stipulated guidelines allowed the NAICOM's takaful advisory council to be involved in the decision making of Shariah matters regarding takaful in the country. Since then, five insurance companies have sought approval to establish takaful business in the country.

Furthermore, NAICOM is currently considering how to permit foreign participants in the provision of takaful services to accelerate the growth of takaful and conventional insurance in Nigeria.

#### **2.1.27 Efficiency Analysis of Takaful Insurance Companies**

A review of existing literature reveals that the efficiency and performance of the insurance industry is undoubtedly a topic of great interest in the academic literature during the last two decades. Many studies examined the efficiency and productivity of the insurance sector, both in developed countries and developing economies.

The most common technique used by the researchers to measure the efficiency of the insurance companies is the Data Envelopment Analysis (DEA), which was introduced by Charnes, Cooper, and Rhodes<sup>42</sup>. DEA is a nonparametric technique that can be used to measure the relative efficiency of decision-making units with multiple inputs and multiple outputs. The technical efficiency of each decision-making unit refers to the ratio of the weighted sum of outputs to the weighted sum of inputs. DEA calculates the “efficiency

frontier” based on the input-output combination of the best performing units and the efficiency scores of other units calculated based on their distance from the frontier. The non-parametric frontier analysis uses mathematical programming to measure the relationship of services provided (outputs) to assigned resources (inputs)<sup>43</sup>.

The literature reveals that a few studies analyzed the efficiency of the takaful insurance companies and most of the studies analyzed the efficiency of the takaful companies with the conventional insurance companies together by using DEA methodology. The summary of studies that used DEA to analyze the efficiency of takaful insurance<sup>44</sup>. The studies reveal that efficiency analysis of takaful insurance companies has been done either as a comparison of the different regions or countries or as a comparison of companies in a country.

### **2.1.28 Measures of Investment Decisions**

#### **i. Market price per share**

The market value per share or fair market value of a stock is the price that a stock can be freely purchased or sold in the market at a given point in time<sup>18</sup>. In other words, the market value per share is the “going price” of a share of stock. Share price in any given market is a substantial pointer to the value of an investment at any given period of time which afford the investors information regarding the worth of their investments<sup>45</sup>. The market price per share can also be seen as a pointer to the financial position of an entity and a determinant of a firms’ market capitalization. The variation in the stock price of a firm is attributable to changes in the economy and stock market as well as the perception and expectations of the investors. The stock price sturdily predisposed to the law of supply and demand. There is an upsurge in the price of shares when there a superfluous demand for it and the price

plummets where there is excess supply. Market price per share is the current share price of a firm divided by the aggregate number of shares outstanding.

## **ii. Financial Reporting Quality**

Financial reporting is the method of reporting corporate financial operations on a structured basis. It was considered to be an important resource for any business participant. It also removes the mystery and difference of opinion between all interested users, such as administrators, customers, regulatory authorities, community and other stakeholders. Every party is engaged in this process, and any activity relating to this process should be carefully submitted, in particular the declaration process, all transactions, accounting practices and all decisions and opinions of the personnel involved in this process<sup>46</sup>.

Financial Reporting is the way in which companies demonstrate their success to diverse clients through the preparation of financial statements. This involves lenders, financiers, creditors, clients and the government. The aim of financial reporting is to provide valuable information for the decision-making of different stakeholders through the provision of information on the reporting agency. These decisions could require the provision of capital to the organization. The consistency of financial reports applies to the features of the company's financial statements. For Financial reporting is not just a final output; the consistency of this process depends on each of its elements, including disclosure of the activities of the company, details on the collection and implementation of accounting policies and knowledge of the decisions made<sup>47</sup>. With respect to the standard of financial statements, let us first remember that the purpose of financial reporting is to provide valuable knowledge for decision-making. However, even though businesses can produce financial statements in compliance with commonly agreed accounting standards, these statements may present varying degrees of consistency<sup>48</sup>.

Financial reporting consistency allows businesses to voluntarily broaden the reach and quality of the information they publish, and ensure that market investors are properly informed in order to make sound investment and credit decisions. This high-quality information promotes increased openness and eliminates information asymmetries and meets the needs of investors and stakeholders. Numerous benefits of delivering high-quality information have been mentioned: the quality of financial statements decreases information risk and liquidity prohibits managers from using discretionary control to their own benefit and allows them to make effective investment decisions<sup>49</sup>. Companies reporting higher-quality financial information offer more information to the agents of the different markets, helping them to operate on the market under better terms and a higher standard of information<sup>49</sup>. The characteristics of financial reporting are;

#### **a. Earnings Quality**

Earnings quality is a key characteristic of financial reporting. It exemplifies the principle that financial reports should be as valuable as possible to investors and other capital providers in making their resource allocation decisions<sup>8</sup>. High-quality financial reports should improve decision making and, thus, capital market efficiency. Earnings quality is however an elusive construct and people tend to understand it in various different ways. There is no generally accepted measure, but the literature has developed a variety of proxies for earnings quality, which focus on particular attributes of what earnings quality is considered to be<sup>50</sup>.

The notion and definition of income quality in literature is still confusing and no consensus is reached on its specific definition and measures<sup>51</sup>. Its use and qualities cannot, nevertheless, be overlooked in accounting literature. In order to examine properly the financial performances of a firm; earnings quality is known as the extent to which the

reported income reflects the economic reality<sup>52</sup>. The main aim of financial reporting on the capital market is to aid participants in the formation of judgments' and informed investment choices<sup>53</sup>. The stakeholders have to be helped to make dependable and quality investment choices in this regard<sup>29</sup>. Generally speaking, low income quality, chances of earning and biased financial report cause questions and concerns about their trustworthiness in creating reasonable investment predictions and judgments for analysts, investors and market participants.

Earnings quality gets higher once accrual is well estimated and used to spot out irrelevant changes in cash flow<sup>54</sup>. The study conjointly discovered that, the standard of reported earnings decreases once accruals is used by preparers of financial report to hide necessary changes within the income of an entity. Moreover, it was shown that accrual quality is usually used as proxy measure of earnings manipulation; large amount of reported accrual by company may be sign of earnings manipulation and represent poor quality of the reported earnings entity<sup>55</sup>.

#### **b. Accounting Conservatism**

Accounting Conservatism is the accountant's tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses. Conservatism is the asymmetry in the verification requirements for gains and losses<sup>56</sup>. Accounting conservatism is aim at safeguarding that cost are acknowledged immediately as they are incurred and revenue are also acknowledged only when they are taken in. This should not lead to undervaluing of assets or income. Some of the benefits of Accounting Conservatism of financial lists are: reducing opportunist motives for managers when disclosing optimistic results, increasing contracts control, and reducing court costs. The need for accounting conservatism is related to the increase of credibility in accounting

information. Accounting conservatism can be interpreted as capturing accountants' tendency to require a higher degree of verification in recognizing good news (gains) than for bad news (losses) in the financial statement<sup>57</sup>.

Accounting conservatism may minimize asymmetry of knowledge between managers and shareholders, and lower agency costs, thereby improving shareholder protection and business value. At best, conservatism is a bad strategy to address the phenomena of profit uncertainty and, worse even, to destroy accounting data altogether. Accounting conservatism encompasses pessimism which may lead to distortion and improper interpretation of accounting information, and hence its effect on its appropriateness, reliability and comparability<sup>58</sup>. Conservatism of accounts comprises asymmetry for the timing of profits versus losses, such that loss recognition is sooner and involves the evaluation of net underestimated assets. The frequency at which losses are reported is conservative. The prompt identification of loss of accounting Conservatism is carried out with the argument of a better financial statement by users in economic judgments being thoroughly checked information. Managers had opportunity for over-reporting assets and incomes such that contracts may have influence on accounting figures. Conservatism can offset this opportunistic behavior and minimize predicted losses for investors by employing the asymmetric loss functions. Accounting conservatism has been identified as an offset in net accounting asset related to an incomplete and inconsistent acknowledgement of economic value in the accounting income. In general, conservative accountability has two major reporting elements: asymmetrical timeliness to recognize accounting benefits against loss which is described as an unconditional accounting preservatism in terms of conditional conservativeness and systemic underreporting of net assets value<sup>56</sup>.

Conservative accounting requires verifiability that reduces the possibility for measurement mistakes and hence enhances the trustworthiness of resultant information. If unconfirmed

information is unreliable enough, its significance may easily be reduced<sup>59</sup>. Thus, when accounting methods grow more conservative, investors would profit from having verified information, hence increasing the utility, which means that accounting information is of value significance. Conservatism basically says that accountants should not expect profit but anticipate all losses while documenting financial occurrences<sup>56</sup>. Conservatism thus sets a high verifiability bar and offers important information for many uses.

### **c. Timely Loss Recognition**

Timely loss recognition is a technique used in detecting the value of earnings management. In international framework, the financial statements should focus on timely loss recognition in the moment once they had appeared, rather than reporting them on several periods of time<sup>55</sup>. This method is correlated with the principal of earnings management. Instances whereby an entity has higher values of earnings management than timely loss recognition is rarely seen<sup>57</sup>. Conditional conservatism is reflected in the asymmetric timeliness of loss vs. profit recognition, which stems from accountants' tendency to require a higher degree of verification for recognizing good news than bad news in financial statements." There are some limitations on timely loss recognition as a proxy for earnings quality; however, there are many papers that use it as a proxy for earnings quality. When managers have reduced or delay the popularity of earnings, they take additional income-decreasing measures that go beyond the investor protection objectives as defined in the conceptual frameworks, thereby increasing the information asymmetry coefficient<sup>60</sup>.

#### **2.1.29 Financial Inclusion**

Financial Inclusion (FI) is multi-dimensional, comprising financial access, financial use and financial quality, which are distinct from each other<sup>36</sup>. Financial inclusion (FI) is the process of extending financial products to the unbanked and vulnerable populace. This

process enables individuals and businesses to have access to financial services such as deposit, loans, insurance, payments and fund transfer at their convenience and to meet economic needs. In other words, it is the bringing home of financial services at an affordable cost to the disadvantage group in the society, especially the low-income and underprivileged. Generally, FI is an essential means to an end and not an end in itself. It has been revealed to be a means to achieving financial services accessibility, capital accumulation, poverty alleviation, increasing savings and investments, greater financial stability as well as entrepreneurial and economic growth in both developed and developing countries<sup>61</sup>. The importance of FI had been outlined by saying that it helps to alleviate enterprises' growth constraints and increases their access to finance thus leveling the playing field between firms of different sizes<sup>61</sup>.

The literature on measuring Financial Inclusion (FI) can be considered novel due to the recent discovery and realization of the immense importance and significance of FI in the economy at both the macro and micro levels. Consequently, the policy drive and goal by the international community cum national governments to achieve a greater level of FI has intensified since the advent of the 21st century. While a consensus exists in the literature regarding the sea of advantages and dire consequences of Financial Inclusion and Financial Exclusion, what is in contention however, is how to measure it. Measuring the level of FI has become imperative for economists and policy makers alike because it is regarded as the best way to access progress made in-light of several international and domestic initiatives, programs, reforms and policies established to improve it. Whilst across the world, several international and national efforts are underway to measuring FI. In Nigeria however, the primary data source for measuring the level of FI is the Access to Financial Services in Nigeria survey, a national representative survey conducted every two years by the Enhancing Financial Innovation and Access (EFInA). The 2017 Annual Report on National

Financial Inclusion Strategy (NFIS) showed that the overall Financial Inclusion Rate (FIR) comprising adults who patronize both formal and informal financial services stands at 58.4%. Undoubtedly, surveys are amongst the most effective methods available to researchers to adequately measuring FI. Undoubtedly, surveys are amongst the most

In Nigeria however, the poor, disadvantaged and other vulnerable groups, which are the chief hallmarks of the financially excluded reside in rural areas<sup>62</sup>. Additionally, the EFINA employs the use of certain specific aggregated data such as “Account Ownership” which is a basic feature in most national surveys. However, certain studies argue that the use of such data can be misleading as a single individual can own multiple accounts and in different banks<sup>63</sup>. This issues is reinstated in the study that discover that the percentage of adults in Nigeria that have and operate three or more bank accounts are 39.1% and those that have and operate two bank accounts are 42.1%, while adults who have and operate only one account is 18.8%<sup>64</sup>. This implies that the percentage of Nigerians that have and operate two or more accounts is 81.2%. The study further posits that there are strong indications to suggest that not all the accounts are active. As a result, account ownership is not a full-prove yardstick to gauge the level of account penetration. The limitation of such aggregated data is reiterated by several studies that maintain that ownership of account does not automatically transform to automatic usage of the bank accounts.

Alternative to the survey approach is the use of aggregate indicators (secondary data) of financial inclusion to gauging the level of FI. National Central Banks (NCB) has over the years collected a cache of financial data as part of their supervisory duties for regulated institutions and can thus be a good source of information at the national level. A salient advantage that aggregate indicators of FI possesses over the survey approach is the high frequency, timeliness and limited costs with which such data can be collected over time<sup>65</sup>. However, the researchers observe that, in Nigeria, a myriad of studies employ the use of

either a single indicator or a few numbers of indicators in measuring FI. Some examples of such indicators are; number of banks, number of bank accounts per adult, number of branches per 1000km, number of ATM's per 1000km, total bank deposits to GDP and average size of loans to GDP per capita to serve as proxies of FI. The use of such indicators captures only a limited aspect/dimension of FI and their use not only lead to a misrepresentation of FI but also yield misleading and biased results. In addition, commonly selected indicators, especially at the international level denote only the banking sector and lack the compositional representation of financial systems. Consequently, extant literatures not only show that efforts aimed at measuring financial inclusion through multidimensional indices are scarce but also disclose that the indicators used in measuring FI are not comprehensive as they neglect some important aspects of FI<sup>65</sup>.

Financial inclusion (FI) has gained immense recognition in many upcoming economies as well as at the international level as far as policy is concerned<sup>67</sup>. FI has taken a center stage on economic growth and development in an effort to create wealth among citizens of developing countries<sup>67</sup>. FI is an important financial literacy program, which creates the communities' ability to improve on the usage of any kind of financial service from formal financial institutions, which affects the citizen's standards of living, and economic fundamentals which are the major indicators of financial inclusion. Financial inclusion (FI) is the process by which all households and businesses regardless of income level have access to and can effectively use the appropriate financial services they need in order to improve their lives<sup>67</sup>. Financial inclusion is a state at which individuals access a full suite of financial services at affordable prices, in a convenient manner and with respect and dignity. Such services have to be availed in a responsible and safer manner to consumers and sustainably provided in an appropriately regulated environment.

At a macro level, financial inclusion can result in a diversified base of deposits creating a resilient financial system and increased stability<sup>69</sup>. IMF revealed that within a country's level, financial inclusion is affected by the limitations arising from numerous macroeconomic outcomes which include stability, equality, and economic growth<sup>69</sup>. Information and communication technology has greatly improved digital financing. The delivery of financial services through digital means of service provision has been increasingly emphasized by governments, development partners, and service providers themselves as a good step towards financial inclusiveness<sup>70</sup>. The provision of services like mobile banking has provided easy ways for electronic transfer payment to the financially excluded people and this method can help reduce theft and financial crimes which are related to cash transactions and reduce the risk of loss. Digital financing appears to be a better solution for those financially and socially excluded<sup>70</sup>. The attempt to support financial inclusiveness will address the challenges of access to finance that may likely hinder the growth of SMEs. The Financial Inclusion states that the usage of smartphones and broadband Internet is now important for supporting access to secure and affordable financial services such as money transfers, credit and saving, and payments both domestic and international<sup>71</sup>. Financial inclusion at a household level is associated with higher revenue and expenditure of gross domestic product (GDP), and it would equally increase the size of the fiscal multiplier and therefore would indicate that the output elasticity to interest rates will be higher for the countries with greater household financial inclusion. FI therefore covers the cost-effectiveness and meaningful financial services for those who are underprivileged and those who find it a challenge to access financial services, and most of them are rural dwellers. Much effort should be made by all stakeholders to increase financial access points to more rural areas and develop infrastructural services which promote financial inclusiveness<sup>72</sup>. The government should also develop policies for the

expansion of financial services to those who are financially excluded in rural areas, and this will ultimately address the growth of SMEs.

The traditional idea of financial inclusion is the provision of access to and usage of diverse, convenient, affordable financial services. Access to and use of financial services is one of the major drivers of economic growth<sup>72</sup>. Financial Inclusion covers sustainable, relevant, cost effective and meaningful financial services for the financially underserved population especially rural dwellers. Financial inclusion is the range, quality and availability of financial services to the underserved and financially excluded. Financial inclusion is about providing access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups, including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector. It is also, on the other hand, about making a broader range of financial services available to individuals who currently only have access to basic financial products. Financial inclusion is a state in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner and with dignity for the clients. Financial inclusion helps people to diversify or increase income stream in the house, provides liquidity/cash flow; absorbs shock of adversity by building assets which enables client to cope with loss through consumption smoothing, thus avoiding the sale of productive assets<sup>73</sup>. It increases income when the credit is used for an income-generating activity and that activity generates returns in excess of the loan installment repayments, while it builds asset when the credit-financed investment does not generate a significant net profit but create an asset since the investment remains with the clients. Access to safe, affordable credit and other financial services by the poor, vulnerable groups, disadvantaged areas and lagging sectors is recognized as an essential condition for accelerating economic growth, reducing income disparities and

poverty. Easy access to a well-functioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the mainstream and actively contribute to development and protects themselves against economic shocks crisis. So, financial inclusion means to bring disadvantaged and vulnerable sections of the society within the ambit of formalized and standardized financial system because “financial Inclusion is the process of ensuring access to financial services (basic banking, insurance, post office scheme, Micro finance, mortgage, etc., timely and adequate credit) where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost” . The achievement of full financial inclusion is indicated by the five A’s of availability, awareness, affordability, adequacy and accessibility.

### **2.1.30 Relationship Quality**

Relationship quality is a multidimensional concept that refers to the overall assessment and perception of the attributes, characteristics, and dynamics of a relationship by its participants. It encompasses a range of factors that contribute to the strength, satisfaction, and longevity of a relationship, whether in personal, professional, or other contexts<sup>110</sup>. The concept is often used to gauge the health and effectiveness of relationships, as well as to predict outcomes such as satisfaction, loyalty, and cooperation. Trust is a foundational element of relationship quality. It involves the belief that the other party will act in a reliable and benevolent manner, even when not closely monitored. Trust is essential for maintaining a stable and harmonious relationship. Effective communication is crucial for building and maintaining relationship quality. Open and honest communication fosters understanding, reduces misunderstandings, and facilitates problem-solving. The perception of fairness and equity in a relationship contributes to its quality<sup>111</sup>. When individuals feel that contributions and benefits are balanced, their relationship quality tends to be higher. The ability to handle disagreements and conflicts constructively is essential for relationship

quality. Effective conflict resolution prevents negative experiences from overshadowing positive aspects.

Key dimensions that contribute to relationship quality include:

- i. **Satisfaction:** This dimension reflects the extent to which individuals are content and fulfilled within the relationship. It encompasses perceptions of positive experiences, benefits, and the overall enjoyment derived from the interaction.
- ii. **Commitment:** Commitment refers to the intention and desire to maintain a relationship over the long term, even in the face of challenges and obstacles. High levels of commitment indicate a strong investment in the relationship's success.
- iii. **Emotional Connection:** Emotional connection signifies the depth of emotional resonance and bonding between individuals in a relationship. A strong emotional connection often leads to heightened relationship quality.
- iv. **Mutual Support:** Relationships characterized by mutual support involve individuals helping and caring for each other. This support contributes to feelings of reciprocity and positive relationship quality.
- v. **Shared Values and Goals:** When individuals share common values, interests, and goals, relationship quality tends to be higher. Shared perspectives create a sense of alignment and mutual understanding.
- vi. **Interdependence:** The degree to which individuals rely on each other for resources, emotional support, or cooperation influences relationship quality. Strong interdependence can lead to closer bond.

### **2.1.31 Service Quality**

Service quality is a fundamental concept in the field of marketing and customer experience management. It refers to the overall assessment of the excellence, reliability, and satisfaction that customers perceive when interacting with a service provider or utilizing a service<sup>112</sup>. Service quality is crucial because it directly influences customer satisfaction, loyalty, and ultimately, the success of businesses and organizations<sup>113</sup>. Service quality is an important element that peruses and encourages the customers towards the activities of trade. The service industry is becoming a more popular industry and the insurance industry is an important service-oriented and customer-enteric sector that is considered more essential than other industries for improving service quality<sup>143</sup>.

Service quality represents a consumer's holistic judgment of the relative excellence or inferiority of an organization and its services. Service quality, as well as quality in a broader sense, is known as the value of a service from the customer's perspective<sup>145</sup>. The shared elements of service quality—reliability, responsiveness, empathy, personalization, competence, diligence, consistency, safety, security, environmental variables, and user interfaces—are in line with this viewpoint<sup>146</sup>. Recognizing the imperative of achieving customer satisfaction and loyalty through the delivery of higher-quality services, studies emphasize the continuous efforts of service providers<sup>147</sup>. Highlighting the significance of addressing individual customer needs to enhance satisfaction, the importance of customized services was stressed<sup>147</sup>. In various service industries such as insurance, the focus is increasingly on providing exceptional customer service to maximize satisfaction.

Service companies place a significant emphasis on service quality as a critical tool for customer retention. In the financial services sector such as banks, competition varies in the market using differentiated products and such services are regarded as competitive tool<sup>148</sup>. To maintain the position held and to compete in the future, it is necessary to provide qualitative services by which old customers may be retained, and new customers may be

attracted<sup>144</sup>. With an increasing dynamism and competitive ability of the business environment, an increasing number of companies pay attention to creation, management determination, and increase of customer loyalty. Key Dimensions of Service Quality:

- i. Tangibles: The physical appearance of facilities, equipment, personnel, and communication materials. Tangibles contribute to the overall impression customers form about the service provider.
- ii. Reliability: The ability of the service provider to consistently deliver accurate, dependable, and promised services<sup>114</sup>. Reliability builds trust and confidence in customers.
- iii. Responsiveness: The willingness and ability of the service provider to assist customers promptly and address their needs, concerns, or requests in a timely manner.
- iv. Assurance: The competence, courtesy, credibility, and professionalism of the service provider's personnel. Assurance reassures customers that they will receive competent service.
- v. Empathy: The caring, individualized attention, and understanding demonstrated by the service provider towards customers' unique needs and circumstances.

### **2.1.32 Public Trust**

Public trust plays a critical role in influencing investment decisions, particularly in the context of government initiatives, public projects, and financial institutions. Public trust refers to the confidence and belief that individuals and organizations have in the transparency, reliability, and ethical behavior of entities involved in managing and utilizing funds, making investment decisions, and carrying out various activities<sup>115</sup>. Public trust is essential for maintaining investor confidence in financial markets and institutions<sup>115</sup>.

Investors are more likely to commit funds when they believe that the financial system is fair, transparent, and devoid of fraudulent activities. Government policies that promote transparency and accountability can bolster this confidence.

Public trust is closely tied to the perception of long-term stability. Investors prefer to invest in environments where policies are consistent and not subject to abrupt changes. Trustworthy institutions are more likely to provide this stability, attracting long-term investments. A high level of public trust can foster economic growth. When people have confidence in the government's management of fiscal and monetary policies, they are more likely to invest in businesses, real estate, and other economic activities that contribute to growth. Transparent communication of financial data, investment strategies, and risk management practices is vital for maintaining public trust. Investors are more likely to make informed decisions when they have access to reliable information.

### **2.1.33 Ways in which Public Trust can impact Investment Decision**

- i. **Public Projects and Infrastructure:** Government-initiated projects, such as infrastructure development, healthcare, education, and public services, often require substantial investments. Public trust in the government's ability to manage these projects efficiently and allocate resources wisely can influence private and foreign investments.
- ii. **Accountability and Oversight:** Entities with a high level of public trust are often subject to more rigorous accountability measures and regulatory oversight. Investors may perceive such entities as safer investments due to the increased likelihood of ethical behavior and responsible financial management.
- iii. **Risk Perception:** Public trust can influence how investors perceive risks. In an environment where trust is high, investors may perceive risks as more

manageable and be more willing to take on investments that have a certain degree of risk.

- iv. Foreign Direct Investment (FDI): When considering investing in a foreign country, investors often assess the level of political stability, legal framework, and overall trustworthiness of the government. Countries with a strong track record of public trust are more likely to attract FDI.
- v. Socially Responsible Investing: Public trust is closely related to ethical and socially responsible practices. Investors who prioritize environmental, social, and governance (ESG) factors in their decisions may favor entities that are trusted to adhere to such principles.

#### **2.1.34 Factors influencing the adoption of Islamic finance**

Customer preferences vary not only according to geographical location but also from segment to segment, for example, in Muslim-majority versus Muslim-minority countries<sup>74</sup>. In an investigation into the factors that motivate consumers to adopt Islamic banking, it was discovered that, while peer group influence, awareness about profit/loss and economic and social development are the main factors that influence the adoption of Islamic banking, religious motivation does not appear to be the main justification when selecting Islamic financing<sup>75</sup>. The adoption of Islamic finance products by investors is influenced by a combination of factors that stem from both financial considerations and religious beliefs. Islamic finance is based on principles derived from Shariah law, which prohibits certain types of financial activities such as charging interest and engaging in speculative transactions.

The nine core markets for the Islamic banking industry are: Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, the United Arab Emirates, Turkey, Kuwait and Pakistan. These countries

will remain the industry's key driving markets<sup>76</sup>. Together, they account for 93 per cent of industry assets, which in 2015, were estimated at over US\$920bn<sup>76</sup>. As shown, a number of studies have investigated customer preferences for Islamic finance in these markets<sup>76</sup>:

- i. Malaysia: Using the theory of planned behaviour (TPB) model, it was discovered that there is a significant relationship between attitude, subjective norm, perceived behavioural control, level of knowledge or awareness and religiosity and a customer's intention to select Islamic home financing<sup>77</sup>. Religiosity is the most influential factor in selecting Islamic financing<sup>77</sup>. A study was conducted to identify religion, bank reputation and cost-benefit factors as factors that influence Malaysian customers' selection of Islamic banking products and services, while convenience is not seen to be a significant factor<sup>78</sup>.
- ii. Pakistan: Using the theory of reasoned action (TRA) model, a study on factors affecting intentions to select Islamic credit cards and find that attitude and subjective norms was investigated in Pakistan<sup>79</sup>. The attitude was positive and significant factors in choosing an Islamic credit card, while perceived financial cost has a negative effect. In addition, it was discovered that religion, awareness regarding Islam's teachings on finance, awareness of Islamic banking products and services, advertising and networking are the most important factors which affect customer perception regarding Islamic banking.
- iii. Indonesia: It was stated that religious norms play an important role in the relationship between religiosity and choosing of Islamic banks<sup>80</sup>. More specifically, they show that religiosity does not always play a critical role in selecting Islamic banks, as only people with a higher degree of religiosity tend to prefer Islamic banks. According to the authors, their results aligned with previous studies they examined which showed inconclusive findings on the relationship between

- religiosity and the selection of Islamic banks. For customers of conventional banks, their results found that religiosity is not a determinant for choosing an Islamic bank.
- iv. Turkey: It was discovered that household and corporate customers adopt Islamic banking because of staff friendliness; the other factors that motivate them to use Islamic banking include the availability of interest-free financial institutions, efficient service and financial counselling offered by staff<sup>81</sup>.
  - v. Qatar: It was found that Sharī'ah-compliance and family/friends are the most influential factors that attract customers to adopt Islamic banks, while factors such as quality of services and corporate social responsibility activities have less influence on customers<sup>82</sup>.
  - vi. Kuwait: It was found that quality of service and low service charges offered by Islamic banks are the most important factors that motivate customers to deal with them, while banks' mass media advertising is the least important factor<sup>83</sup>.
  - vii. The United Arab Emirates: A study carried out in UAE found that students' Arabic language skills and their expectations in terms of the conformity of a bank's operations with Islamic principles are the main factors that affect their decision to open an account with an Islamic bank<sup>84</sup>. On the other hand, factors such as students' nationality, gender, education and familiarity with Islamic banking are not seen to have any effect on the decision to open an account with an Islamic bank.
  - viii. Bahrain: A study identified the criteria that customers consider to be important when selecting Islamic banks; they find that religion is the major factor, followed by service quality<sup>85</sup>.
  - ix. Saudi Arabia: a study showed that people in Saudi Arabia prefer to invest in Islamic banks rather than conventional banks and that they are satisfied with Islamic banking operations<sup>86</sup>. This study emphasises that Islamic values are more important

for Saudis than anything else. Similarly, it was concluded that Saudi Arabian customers are satisfied with Islamic banking and that customer satisfaction is the key element contributing to the success (or failure) of Islamic banking institutions<sup>86</sup>.

Some other key factors that influence investors' decisions in adopting Islamic finance products include:

- i. Religious Beliefs and Ethics:** One of the primary drivers for investors choosing Islamic finance products is their religious beliefs. Muslims who adhere to Islamic principles may prefer financial products that align with their faith, avoiding interest-based transactions and other activities deemed unethical in Islam.
- ii. Shariah Compliance:** Investors interested in Islamic finance products seek investments that are certified as Shariah-compliant. They want assurance that their investments are in line with Islamic principles and free from prohibited activities.
- iii. Risk and Return:** Like any other investment, investors consider the potential return on their investments and the associated risks. Islamic finance products often incorporate risk-sharing mechanisms, and some investors may find this approach appealing. However, the potential returns may vary compared to conventional investment options.
- iv. Stability and Resilience:** Islamic finance products often emphasize ethical and sustainable business practices. Some investors may perceive these products as more stable and resilient, as they are designed to avoid excessive speculation and focus on tangible assets and real economic activities.
- v. Lack of Interest (Riba) and Speculation:** Islamic finance prohibits the payment and receipt of interest (riba) as well as speculative activities. Investors who are

uncomfortable with interest-bearing investments or speculative trading may opt for Islamic finance products that avoid these elements.

- vi. **Asset-Backed Nature:** Islamic finance products are often asset-backed and tied to real economic activities, promoting a closer link between financial transactions and tangible assets. Some investors appreciate this direct connection and the reduced exposure to financial bubbles.
- vii. **Socially Responsible Investing:** Islamic finance promotes ethical and socially responsible investing. Investors who value these aspects may be drawn to products that avoid industries such as gambling, alcohol, tobacco, and other activities deemed harmful by Islamic principles.
- viii. **Cultural and Regional Factors:** The popularity of Islamic finance products can also be influenced by cultural norms and regional factors. In regions with a predominantly Muslim population, there might be a stronger demand for such products due to familiarity with Islamic principles.
- ix. **Availability of Products:** The availability and variety of Shariah-compliant investment products can significantly impact investors' decisions. A wider range of options can attract more investors to the Islamic finance market.
- x. **Education and Awareness:** Investors' decisions are also influenced by their understanding of Islamic finance principles and products. Adequate education and awareness campaigns can help potential investors make informed choices.
- xi. **Regulatory Environment:** Supportive regulatory frameworks that facilitate the development and marketing of Islamic finance products can encourage investor participation.
- xii. **Performance Track Record:** Investors often assess the historical performance of Islamic finance products to gauge their potential returns and risks.

## 2.2 Theoretical Reviews

### 2.2.1 Theory of Reasoned Action (TRA)

Gordon Allport said “attitude is probably the most distinctive and indispensable concept in contemporary American social psychology<sup>87</sup>. No other term appears more frequently in experimental and theoretical literature”. It was said more than 40 years ago and the statement seems to be valid until today. It has even been expanded across continents and the study of attitude has taken place in even wider body of knowledge. The study of attitude, in more definitive and structured manner, which was started by Ajzen and Fishbein, was not the first of its kind in the field. Yet, the conclusion and theory of reasoned action has been instrumental in setting the course of behavioral intention study till today. Earlier on, the attitudinal study has failed to recognize and organize the attitude’s definition, and how it has significantly affecting the behavior. It was observed that TRA model theory was born out of frustration to the traditional discussion of attitude<sup>88</sup>. Most of the frustrations were seen in the weak correlation between attitude, measures and performance of volitional behaviors. TRA is a theory that explains volitional behaviors. The simplest form of TRA can be explained as in equation 1

$$BI = (ATT)W_1 + (SN)W_2 \quad (1)$$

where, BI represents one’s behavioral intention. The behavioral intention is a function of both ATT (one’s attitude towards performing the behavior) and SN (one’s subjective norms related to performing the behavior) and the WS represent empirically derived weights. TRA postulates that voluntary behavior is directly influenced by behavioral intentions which in turn are directly related to attitude and subjective norms related to the behavior<sup>88</sup>.

### 2.2.2 Agency Theory

Agency theory was developed by Jensen and Meckling<sup>89</sup>. The ideology of the Agency is outlined by the key agent association. Shareholders are the principals, while administrators are the agents. These factions have various agendas, creating the expenses of the agency. Corporate disclosures through financial statements as well as regulatory assistance to resolve agency concerns, as it allows the management of agencies to publish both required and optional information for the good of shareholders and other invested parties. Overall, when administrators receive first-hand organizational knowledge about an entity's operations, they are obliged, in compliance with the Agency's philosophy, to report as necessary information to the entity's shareholders.

Since managers are commonly compensated on the basis of the firm's results, it is plausible to assume that aggressive exploitation of earnings would take place in order to maximize management pay packages<sup>90</sup>. This approach is heavily focused on a narrow logical decision-making method including rewards, knowledge and self-interest. It is therefore a perspective that indicates that it might be appropriate to limit the discretion of management with regard to accounting, because investors cannot, as a result of asymmetrically dispersed market knowledge, reverse the valuation impact of reported earnings in a timely manner in compliance with current reporting requirements<sup>90</sup>. The agency theory was adopted for this study because it argues that there might be a conflict of interest in companies when personal interests of managers trump their duty to comply with the chief executive officer's shareholder wealth optimization contract. As managers prefer to participate in earnings management and therefore diminish the overall quality of the reporting results since their owners and future owners desire to achieve an improved outcome. Also, one reason why managers provide a better idea of the financial situation of the enterprise is the ongoing requirement for funds via investment choice. This relationship allows for improved decision making through financial reports created by managers to afford shareholders much more

facts about the investment decision based on the information in the annual report and accounts consequently allowing for more transparency and accountability at all times.

### **2.2.3 The Internal Funds' Investment Theory**

The internal funds' investment theory is used in this study. Insurance premiums are a significant part of funds available for investment by insurance companies (insurers)<sup>91</sup>. This implies that the investment of insurance premiums strongly correlates with the funds available for investment in the economy and expected profits. There are two broad sources of insurers' funds: external and internal. The internal funds' investment theory postulates that the profit level determines the fund available for investment and required capital stock<sup>92</sup>. External sources of insurers' funds include insurance premiums, debts and funds from the public in the form of deposits or new shares of stock. An insurer can accumulate funds internally in several ways, including insurance premiums, retained earnings, depreciation funds and the sale of fixed assets. Therefore, insurance premiums constitute significant parts of insurance companies' internal and external funds.

The internal funds' investment theory focuses on the importance and role of profitability in determining available investment funds. The internal funds' investment theory advocates that a firm's investment level directly impacts its profitability. The internal funds' theory of Investment is suitable for this study because insurance premiums are part of both internal and external sources of funds. The internal funds' investment theory emphasises that the generation of excess profits induces more investment due to an increase in the availability of internal funds.

The internal funds' investment theory emphasises that the generation of excess profits induces more investment due to an increase in the availability of internal funds. Increased insurance premiums mean increased available funds to promote economic growth. Hence,

the higher the insurance industry premium income (insurance premiums), the higher the investment funds to improve the nation's economic activities. Furthermore, the internal funds' investment theory helps protect companies' interests. It encourages insurers to increase their profitability through increased premium incomes (insurance premiums) to ensure sustainable growth and accumulate insurance premiums for investment to improve economic activities. The theory is suitable to encourage companies to find an efficient way to raise funds without jeopardising their future and long-term growth.

## **2.3 Empirical Reviews**

### **2.3.1 Awareness of Takaful**

A study on the Level of Acceptance and Awareness of Takaful was conducted in Nigeria.<sup>116</sup> The study made use of a survey research design. To examine the acceptance and awareness of takaful in Nigeria, 209 questionnaires were distributed to respondents in five states, including Lagos, Abuja, Kano, Kaduna, and Enugu; and the data collected were analyzed using SPSS, version 25. The results show that Shariah view, locality, consumer acceptance, service quality, attitude, awareness, subjective norm, and perceived behavior control are the factors influencing the awareness and acceptance level of takaful in Nigeria. The implication of this study is that the majority of respondents do not possess sufficient information to differentiate between conventional and Islamic insurance. As such, for proper implementation and development of takaful in Nigeria, it is important for the policymakers and other stakeholders to provide enough information about the takaful services, products, and operating system to the general public. The future of takaful industry in the country will be determined by a proper understanding of the operating system and the rights of participants as well as other stakeholders, including customers and insurance regulatory bodies.

A study on determinants of clients' intention to adopt Takaful services was carried out in Gombe State.<sup>117</sup> The study made use of a survey research design and primary data was utilized in the study. Primary data requirements were met in Gombe state, which is situated in the North-east geopolitical zone of the country. It utilises the partial least square structural equation modelling method adapting the Ajzen's Theory of Planned Behaviour through the expansion of Subjective Norm into Religious influence, Social & demographic influences and perceived usefulness. The study's interesting finding is that the attitude towards purpose beta (at  $\beta = 0.473$ ) is greater than the beta of the remaining constructs in the model. This indicates that the degree of positive understanding and perception has a greater effect on changing consumer attitudes towards behavioral intentions. The study, therefore, recommended the building of societal knowledge and awareness towards Takaful and financial inclusion by all stakeholders through campaigns.

A study on Awareness and Knowledge of Takaful was carried out in Malaysia: A Survey of Malaysian Consumers<sup>4</sup>. Government regulations and employment are two very important factors that contribute to the huge overall growth of the insurance industry because they force general public to buy it. The concept behind conventional insurance is contrary to the principles of Islam and socio-ethical perspective. The purpose of Shari'ah is to create and maintain a harmonious social environment by moulding our conducts in all aspects of our ritual and daily life. Takaful industry remains to be relevant even after three decades of its introduction due to the continuous demands from the multiracial and multi-ethnic participants from various backgrounds. The said industry celebrates the contributions of their stakeholders, namely the Takaful operators, Shari'ah advisors and the participants or customers. Additional credit for the progressive development of Takaful industry goes to the consistent guidelines from the regulators. However, one factor that hinders further development of Takaful industry is the lack of awareness of its presence and purpose in

Malaysian market. Therefore, this paper was designed to examine the knowledge and awareness of Takaful among Malaysian consumers in Malaysia by collecting primary data through survey questionnaires. Out of the 600 questionnaires that were sent to consumers in greater Malaysia i.e. Kuala Lumpur and Selangor, we received 503 questionnaires. Random selection was used to select the sample from the known population. The findings show that out of the 503 respondents, 124 have no knowledge of Takaful and 45% are not aware that Takaful policy holders share risks mutually. Also, 33.2%, 38.8% and 37.2% do not know that Takaful is free from gambling, uncertainty, and interest. 70.2% respondents, however, think that Takaful products comply with Shari'ah.

A study on Integration of Takaful Insurance in the Tunisian Market: Analysis of Consumers' Perceptions was conducted in Tunisia<sup>137</sup>. The study was on the impact of situational factors, subjective criteria, and information quality on Islamic insurance applications. Drawing inspiration from the theory of logical action, this research introduces a model to analyze key factors within the Islamic insurance application context. The model undergoes testing with data obtained from a survey involving 100 participants. The findings emphasize the significance of attitude, subjective considerations, and the quality of available information in shaping the demand for Islamic insurance. Additionally, the study sheds light on the level of acceptance of Islamic insurance among Tunisian consumers, offering valuable insights for operators to enhance the effective management of Islamic Takaful Insurance Services. By elucidating the intricate interplay between individual perceptions and contextual factors, this research contributes to a deeper understanding of consumer behavior within the Islamic insurance domain. These insights serve as invaluable guideposts for operators seeking to navigate the complex terrain of Islamic Takaful Insurance Services, empowering them to devise tailored strategies that resonate with consumer preferences and foster greater engagement with Islamic financial solutions.

A study on the performance in the Insurance Industry (Islamic versus Conventional) and Risk Management was carried out in Tunisia<sup>138</sup>. A sample made up of 9 insurance companies from 2000 to 2013 was used. Accounting data on conventional and Islamic insurance were collected from the World Bank database and FTUSA annual reports from 2000 to 2013. The sample was constructed in 9 insurance companies. More explicitly, the number of conventional insurance is 8 and one Islamic insurance. Findings showed that the risk premium and the size are significant and positively related to the performance (efficiency) of insurance whether conventional or Islamic.

A study on customers' perceptions of Islamic banking services and their impact on satisfaction and word of mouth (WOM) with others was conducted in Dhaka city<sup>151</sup>. The study designs the bootstrapping procedures using a partial least square method to test path coefficient results. Structured questionnaires were distributed among clients of Islamic banks in Dhaka city, where 377 responses were collected for data analysis. The findings revealed that there is a highly significant relationship between security and customers' perception. Ethical responsibility and religious value have a positive and significant impact on customers' perception whereas benefit has a negative significant impact on customers' perception. Findings from this study also indicated that customers' perceptions mediate the effect of ethical responsibility, religious value, benefit, and security on satisfaction. In addition, customers' satisfaction mediates the effect of customers' perception and WOM. These findings can promote managers of Islamic banks to build customer satisfaction and WOM with Islamic banking services, and attain competitive advantage that may lead Islamic banks to succeed in the competitive business. This study also provides new insights into customers' WOM with others about Islamic banking services. This knowledge could assist Islamic banks to understand the customers' perceptions that would increase

satisfaction and in turn, contribute to WOM with others in determining where would be best to target marketing attention of Islamic banking services with limited resources.

A study was carried out to examine the factors that contribute to the acceptance of Takaful services in Nigeria<sup>154</sup>. The study identifies several key factors, including Shariah view, locality, consumer acceptance, service quality, attitude, awareness, subjective norm, and perceived behavior control, as determinants that influence the level of awareness and acceptance of Takaful in Nigeria. The authors underscore the importance of policymakers and stakeholders in disseminating adequate information about Takaful services to the general public, aiming to foster its implementation and development.

### **2.3.2 Effect of Investors Satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) on the Performance of Islamic Insurance Industry**

A study on the Impact of Service Quality on Customer Satisfaction and Firm Performance was conducted in Nepalese Life Insurance Companies.<sup>118</sup> Data are collected through structured and self-administered questionnaire from 350 respondents of 19 life insurance companies which are based on SERVQUAL model. Descriptive and causal-comparative research design have used to achieve the objectives and descriptive statistics, correlation, as well as multiple regression models, have been used to analyze the data. It is observed that reliability, responsiveness, assurance, empathy, and tangibles have a positive and significant impact on customer satisfaction and firm performance. It is also found that responsiveness shows the highest positive correlation with customer satisfaction and performance in terms of ROA and assurance demonstrates the least positive correlation with customer satisfaction and ROA.

A study on service quality management practices, industry competition and performance of insurance companies was conducted in Kenya.<sup>119</sup> The study adopted a descriptive cross-

sectional survey with primary data collected through semi-structured questionnaires. The Cronbach's Alpha Coefficient ranged from 0.783 to 0.853 showing the reliability of all the scales used in the study. Data was analyzed using descriptive statistics, factor analysis and regression analysis. The results of the study revealed a statistically significant relationship between service quality management practices and performance of insurance companies in Kenya. The results further revealed that industry competition has no statistically significant moderating effect on the relationship between service quality management practices and performance of insurance companies. The results of the study extends the frontiers of Service Quality Theory which contends that service quality depends on the nature of the discrepancy between expected service and what is perceived. Adoptions of service quality management practices appear to render the influence of industry competition on the relationship between service quality management practices and performance irrelevant.

A study on the impact of Customer Relationship Management on Performance of Insurance providers was conducted in Pakistan.<sup>120</sup> The quantitative approach has been used for this study. The data was collected from the insurance companies because they are applying customer relationship management techniques. This study implemented a quantitative approach by applying the questionnaire to find the relationship between the independent, dependent, and mediating roles of the variables. The population selected for this study comprises team players of insurance companies of Pakistan and the sample size selected for this study was 300 respondents. The software used for the analysis was SPSS and Confirmatory Factor Analysis (CFA). It was found that customer relationship management has a positive impact on the organization's performance, with employee performance and customer handling mediating the relationship of CRM and organization performance.

A study on Service Quality and Customer Satisfaction was conducted in Malaysia Takaful Industry<sup>94</sup>. In Malaysia, the takaful sector is expanding. The Malaysian Muslim population

needed an alternate form of life insurance. Hence this sector was developed. The Takaful industry, like other life protection plan industries, faces a variety of obstacles and chances to maintain its position in the market, ability to compete, and viability, similar to the conventional life insurance industry. Given this, the takaful sector must treat its clients well. One of his goals is to ensure the level of service provided can satisfy the desires and needs of current clients. The evolution of technology and the passage of time both have an impact on service quality. Additionally, it's crucial to prioritise customer satisfaction in order to keep this sector healthy. In Malaysia, the takaful sector is expanding. The Malaysian Muslim population needed an alternate form of life insurance. Hence this sector was developed. The Takaful industry, like other life protection plan industries, faces a variety of obstacles and chances to maintain its position in the market, ability to compete, and viability, similar to the conventional life insurance industry. Given this, the takaful sector must treat its clients well. One of his goals is to ensure the level of service provided can satisfy the desires and needs of current clients. The evolution of technology and the passage of time both have an impact on service quality. Additionally, it's crucial to prioritise customer satisfaction in order to keep this sector healthy.

The pertinent components of satisfaction variables that could help the Takaful Insurance to identify and prioritise ways to gain customers was examined in Malaysia<sup>95</sup>. The study employed a quantitative research approach by conducting surveys through questionnaires to respondents from two universities in Malaysia. The findings from the research proved that service quality and the role of agents are significant towards the determinants of customer satisfaction in Takaful insurance services. However, the performances of the takaful operators are found to be insignificant to the service quality. In conclusion, takaful operators need to improve and strengthen their service quality and the role of their agents as well. As for the performance of these takaful operators, customers do not rely much on

it, and takaful operators should not concentrate much on this factor while offering their services.

A study on Islamic influence on customer satisfaction was conducted in Pakistan Takaful and conventional insurance industry<sup>96</sup>. The data from 400 customers of both the family Takāful and life insurance (200 each) were collected. Further, the regression-based bootstrapping approach was applied through process macro developed by Hayes. The results indicate that a higher Shari'ah perception positively affects the customer satisfaction in the Takaful industry with improved service and relationship quality; whereas, it negatively affects customer satisfaction in case of the conventional insurance. Further, it has been found that customer satisfaction partially mediates the customer switching intentions in both the Takaful and conventional insurance industry in the presence of service quality and relationship quality.

The impact of PAKSERV model on customers' satisfaction, loyalty and trust was examined in Malaysian Islamic banks<sup>97</sup>. These comprehensive measures concern on the cultural dimension of service quality by focusing on the mediating role of trust in the Malaysian context. A survey was conducted involving 401 customers of Islamic banks in the states of Kuala Lumpur and Selangor, Malaysia. The data were analyzed through exploratory factor analysis, confirmatory factor analysis and structural equation model employing AMOS 23 and SPSS 23. The study found positive relationship of PAKSERV dimensions of service quality, customers' satisfaction, customers' loyalty and the mediating role of trust in enhancing customers' loyalty. This study provides new evidence on how trust can act as a partial mediation on the relationship between customers' satisfaction and customers' loyalty in the cultural context of Islamic banking in Malaysia. The findings of this study can be used as a framework for other Islamic Financial Institutions (IFIs) in improving services to its customers.

### **2.3.3. The Impact of Investment Decisions on Performance of Islamic Insurance Industry in Nigeria**

A study on Institutional Efficiency and Financial Performance of Insurance Companies was carried out in Nigeria.<sup>121</sup> The study investigated the impact of institutional efficiency on the financial performance of insurance companies in Nigeria covering the period from 2011 to 2022. The study employed an ex-post facto research design, the estimation techniques utilized were feasible generalized least squares (FGLS) on a sample of five insurance companies were taken. The key variables used in the analysis included net profit margin (NPM) as dependent variable and claims processing efficiency (CPE), risk management effectiveness (RME), and regulatory compliance (RC) as independent variables. The findings displayed that claims processing efficiency ( $\beta = 0.185$ ,  $p > 0.05$ ) had positive but no significant effect with net profit margin, risk management effectiveness rate ( $\beta = 105.910$ ,  $p > 0.05$ ) is positive but not significantly influencing in net profit margin, regulatory compliance also have negative but does not significantly impact net profit margin of the selected insurance companies in Nigeria at 1% level ( $\beta = -12.504$ ,  $p > 0.05$ ). The study thus recommended, among others, that policy maker should encourage insurance companies to adopt measures that enhance institutional efficiency, such as investing in technology, improving risk management practices, and enhancing customer service.

A study on the Impact of Investment Decision on Firm Financial Performance Moderated by Economic Policy Uncertainty: Evidence from the Non-Financial Sector was conducted in Pakistan.<sup>122</sup> The objective of the dissertation is achieved using a quantitative method. A sample of 223 nonfinancial listed firms in the Pakistan Stock Exchange is employed for the period of 10 years (2010-2019). Different panel regression estimation techniques were applied: pooled OLS, random and fixed effects, and two-step system (GMM) dynamic panel data estimation to examine the association among the variables to provide the

consistent results of the study. The result of the dissertation shows that investment in tangible assets, investment in intangible assets, financial leverage and economic policy uncertainty has a negative and significant impact on firm financial performance measured by return on assets (ROA) but investment in working capital shows a positive and statistically significant influence on ROA. On the other hand, investment in intangible assets and financial leverage has a positive impact on firm market performance measured by Tobin's Q but investment in tangible assets has negative impact on Tobin's Q. Moreover, the moderating impact of economic policy uncertainty significantly and positively moderates the relationship between investment in tangible assets, investment in intangible assets, and financial leverage, and negatively moderates the investment in working capital on firm financial performance (ROA). On the contrary, the interaction of economic policy uncertainty moderates investment in intangible assets and financial leverage significantly and negatively, but has a positive influence with investment in tangible assets and investment in working capital on Tobin's Q. The result of the study confirms that the economic policy uncertainty significantly moderates the relationship between investment decision and firm financial performance in the nonfinancial sector of Pakistan.

A study on analyzing the drivers of insurance sector growth and the economy was conducted in Nigeria.<sup>123</sup> The study investigates the impact of insurance sector development and the Nigerian economy from 1990 to 2022. The study employed time series data sourced from CBN statistical bulletin and using ARDL model to analyze the data. The empirical results indicate that insurance investment does have a significant impact on the overall growth and development of the Nigerian economy, also insurance premium does have a significant impact on the overall growth and development of the Nigerian economy, and total insurance transaction does have a significant impact on the overall growth and development of the Nigerian economy. On the basis of the findings of this study, the

following recommendations are made: Policymakers should encourage inclusive insurance practices through regulatory measures promoting accessibility and affordability for a broader Nigerian population, fostering competition, innovation, and consumer protection. Policymakers and regulators must carefully balance premium regulation to ensure profitability for insurance companies and affordability for consumers, preventing excessive premiums that could hinder economic growth.

#### **2.3.4 The Effect of Public Trust and Confidence on Performance of Islamic Insurance Industry in Nigeria**

A study on determinants of Takaful adoptions mediating perceived trust was conducted in Somalia.<sup>124</sup> The study adopted a survey research design using 419 questionnaires as research instruments for the study. The survey was conducted using convenience sampling technique in Somalia and the respondents were potential Takaful product users. The DOI theoretical model was put to the test through structural equation modeling (SEM). The findings show that relative advantage, compatibility, culture has positively and significantly influence on adoption of Takaful with mediating perceived trust. On the other hand, perceived complexity and awareness is positively related to adoption of Takaful but there is no mediation with perceived trust.

A study was conducted on the Effects of Trust on Policyholders' Purchase Intentions in an Online Insurance Platform.<sup>125</sup> The study investigates the three dimensions of trust belief on policyholders' purchase intentions in a third-party online insurance platform. Extending existing studies, we further explore the antecedent factors of trust. In the study, 332

samples were collected from the insurance platform Zuihuibao. The results show that two dimensions of trust belief, ability and integrity, can significantly affect policyholders' purchase intentions. Additionally, reputation, system quality, cooperation, financial risk and benefit serve as crucial antecedent factors that affect policyholders' trust beliefs.

A study was conducted on the importance of trust factor in the intentions to purchase Islamic insurance (Takaful) in Indonesia.<sup>126</sup> The study used a quantitative research method. Online questionnaires were distributed and collected for people who already have an insurance policy, have the knowledge and are interested in buying Islamic insurance in Indonesia. A total of 322 valid responses were collected using non probability purposive sampling and snowball sampling method. To achieve the purpose of this study, an analysis using SEM or structural equation model for hypothesis testing was performed. The results show that trust significantly affected purchase intention regarding Islamic insurance. Other than that, trust is significantly influenced by awareness, religiosity and subjective norm. Moreover, the attitude toward trust found that not significantly related.

A study on the Mediation effect of trust on willingness to pay for health insurance among co-operative members was conducted in Tanzania<sup>149</sup>. The study analysed co-operative members' willingness to pay (WTP) for health insurance. Quantitative method research was adopted to measure the relationship between the independent variables (price, quality, access and trust) and the dependent variable (willingness to pay) mediated by trust. A cross-sectional survey design was used in this study. The social capital theory was adopted to analyse the mediation role of trust issues on other variables determining co-operative members' WTP for health insurance. A single Contingent Valuation Method (CVM) was used to elicit and estimate the amount cooperative members that were willing to pay for health insurance. The Partial Least Square Structural Equation Modelling (PLS-SEM) was used to analyse variables affecting co-operative members' WTP for health insurance.

Findings indicated that most co-operative members were willing to pay for health insurance. Further, except for price, trust issues fully and partially mediate quality attributes and access criteria, respectively, when it comes to WTP for health insurance. Firm trust is required among co-operators, management, health insurers, and health facilities in order to increase WTP for health insurance among co-operative members.

A study on the effects of trust mediator and education level moderator on adoption of Islamic banking system was conducted in Tajikistan<sup>150</sup>. Therefore, the study seeks to measure the impact of trust and educational level on the decision as to whether to adopt Islamic banking in Tajikistan for business activities. The data of the study was developed based on a survey and collected through a distributed questionnaire. A total of 408 respondents were obtained from 14 banks in Tajikistan. The study adopted the Structural Equation Modeling (SEM) approach (using AMOS version 22.00) to examine these relationships. The findings of the study revealed that relative advantage and product knowledge were statistically significant in influencing perceived trust in

Islamic banks, while perceived trust in Islamic banks had a directly significant impact on the adoption of the Islamic banking system in Tajikistan. Also it found that perceived trust plays a mediating role between awareness and adoption of the Islamic banking system. This indicates that banks' customers in Tajikistan have more trust in, and prefer dealing with, a banking system that is Shariah-based in line with their Islamic beliefs. In addition, the findings revealed that educational level plays a significant moderating role between the awareness of Islamic banks and the adoption of the Islamic banking system. The findings of the study therefore may assist policy makers to improve the current banking industry, by focusing on the Islamic banking system that would be able to restore trust and create interest among the Muslim majority population as they believe in the Islamic banking system, which will contribute positively to economic growth.

### **2.3.5 The Moderating Role of Religion (Shari'ah Perception) towards Investors Decision on Performance of Islamic Insurance companies**

A study on the Factors influencing the investors' intention to adopt Takaful (Islamic insurance) products was carried out in Pakistan<sup>98</sup>. The study is an effort to find out the behavior of Pakistani individuals toward usage of Takaful insurance. The study aims to identify the factors, which influence investors' intention toward the adoption of Takaful. Islamic finance is growing rapidly in the international market, especially in Islamic countries. Both explanatory and descriptive research designs used for the research framework. The theory of planned behavior is the base theory and the model incorporates several factors such as relative advantage, compatibility, social influence, awareness and religiosity that may influence the adoption of Takaful. The primary data collected through the distribution of self-administered survey-based questionnaire, containing 23 items scaled at a five-point Likert scale. The non-probability snowball sampling and judgmental sampling techniques are used due to the scarce of Takaful users. The sample consists of 345 individuals (127 Takaful users and 218 non-users) living in the three main cities, namely, Karachi, Lahore and Islamabad. The data are further analyzed and interpreted with IBM SPSS 21. The results are evaluated using descriptive statistics, reliability, confirmatory factor analysis, correlation and binary logistic regression models.

The research findings reveal that factors such as relative advantage, compatibility, social influence, awareness and religiosity have a significant impact on the behavioral intention of Takaful amongst a depicted sample of Pakistani people. Similarly, Takaful has great potential in the Pakistani market, but due to lack of awareness, Takaful share is far behind than conventional insurance. It is further suggested that Takaful operators must devise some policies and plan to spread awareness about Takaful and come up with more innovative products. The Takaful operators must devise plans to aware people about Islamic insurance.

The study provides implication to Takaful management; Takaful users; and more importantly, the regularity authorities to operate and successfully conduct Takaful applications. Further, they should advance Takaful operations and produce more innovative products.

A study on Factors Influencing Adoption of Islamic Banking was conducted in Morocco<sup>75</sup>. The objective of this research is to explore the factors influencing the choice of Islamic banking services by Moroccan banking customers. This study is based on an exploratory qualitative study conducted with a sample of forty active users of the banking services (having a bank account), but non-users of Islamic banking products, aged 25 to 60 in Morocco. The findings identified factors influencing the choice of Islamic banking services by the Moroccan banking customers, mainly the compatibility of the ethical and economic benefits provided by the Islamic banks with the needs of the potential adoption, as well as the influence of the two variables, namely the perceived complexity and the risk perceived by the potential adopter of the services and products offered by participatory banks in Morocco. The study allows managers of participatory (Islamic) banks to understand Moroccan's views as regards Islamic banking products. The major concern of Islamic banks is to increase the number of accounts and deposits of customers to face the challenge of the liquidity crisis. To this end, Islamic banks need to understand the factors that hinder or motivate the adoption of Islamic banking by consumers in Morocco so as to focus on these factors at the level of commercial communication.

A study on the factors affecting intention to adopt Islamic financing was carried out in Morocco<sup>77</sup>. The study aims to explore the determinants of intention to adopt Islamic financing in micro-business. The study utilizes data collected from a selected sample of Moroccan micro-business owner-managers using face-to-face interviews during March 2021. The results from the partial least squares analysis indicate that religious obligation and

Islamic financing reputation positively affect attitude towards Islamic financing. Findings also reveal the positive and significant influence of subjective norms, attitude towards Islamic financing, and perceived behavioral control on intention to adopt Islamic financing.

A study on Investment-Linked Takaful Plan Patronage was conducted in Pakistan<sup>99</sup>. The study used primary data based on a sample of 143 respondents from the Klang Valley area in Malaysia. The analysis of data using regression analysis found that fee payment and benefits play a significant role in Takaful operator selection while coverage and benefits affect the investment-linked product selection in Malaysia. In a proposed conceptual framework based on Diffusion of Innovation (DOI) and Unified Theory of Acceptance and Use of Technology (UTAUT). Another study investigated general Takaful adoption among MSMEs owner-managers in Northwest Nigeria<sup>36</sup>. The study identified relative advantage, compatibility, complexity, uncertainty, awareness, social influence and government support as factors affecting MSMEs owner-managers decisions regarding general Takaful adoption as the relevant factors that specifically appeal to MSMEs owner-managers intention to adopt general Takaful schemes.

A cross-sectional study on the determinants of family Takaful plans was examined in Islamabad, Lahore and Karachi using Structural Equation Modeling (SEM) technique<sup>100</sup>. The study found that religious adherence, reputation, and product awareness had a positive and significant relationship with the family Takaful demand. While, the relationship between marketing and advertising had insignificant relationship with the family Takaful demand. Another study investigated the intentions to adopt Takaful, mediating perceived trust in the case of Somalia<sup>74</sup>. The study was directed at potential Takaful product users using convenience sampling technique. In addition, the DOI theoretical model was put to test through Structural Equation Modelling (SEM) and the findings reveals that relative advantage, compatibility, culture have a significant positive impact on adoption of Takaful

with mediating perceived trust while, perceived complexity and awareness are positively related to adoption of Takaful but without a mediating effect with perceived trust.

A study empirically examined the determinants of patronage of motor vehicle Takaful by members of National Association of Road Transport Owners (NARTOPTD) in Kano State Nigeria<sup>101</sup>. Using partial least square-structural equation modelling (PLS-SEM) technique of data analysis, the study found that awareness is insignificant but perception and religiosity significantly affect patronage of motor vehicle Takaful by members.

In another study, the determinants of life insurance demand was examined in the BRICS countries<sup>30</sup>. The study employed a panel of the BRICS bloc of countries as a unit of analysis from 1999– 2020 and applied panel data econometric techniques. The study found that the life insurance demand variable (proxied by life insurance density and alternatively by life insurance penetration) was negatively affected by income, unemployment, interest rates and inflation variables while, a positive relationship between life insurance demand and the economic growth and financial freedom variables was documented.

A study was carried out on the demand for home and property insurance in Nigeria<sup>102</sup>. The study adopted a positivist paradigm and a quantitative technique based on the primary data sampled from 500 legal tenants and landlords. Using logit regression and maximum likelihood estimation technique for the investigation, it was found that risk attitude and aversion and low education and literacy levels are positive and significant determinants of home and property insurance demand. In contrast, the non-performance of the insurance companies in managing primary risks shows a negative and significant impact on insurance demand purchase. Moreover, culture, religion, the quality of the service of the insurance operators, and other economic factors were not significant determinants of home and property insurance demand.

A study on the examination of the determinants of profitability of insurance companies was conducted in Fiji as a reference country<sup>103</sup>. The study used the sample of eight insurance companies' financial data over the period 2010-2015. First, a base model is estimated, followed by additional models which include interaction effects as part of the sensitivity analysis and further insights. The overall result of the estimation indicated that premium income, underwriting expenses, administrative expenses, and volume of capital are positively associated with profitability, while leverage measured by total liability over equity, and contingent liability are negatively associated with profitability.

A study on the factors Influence Intention to Opt for Islamic Investment Schemes among Market Players was conducted in Malaysia<sup>104</sup>. The study employed the theory of reasoned action with religiosity as its additional construct in the model. As many as 120 questionnaires were collected from market players in Bursa Malaysia using online survey. Afterwards, the data collected were analyzed using structural equation model to reveal the relationship of variables tested in the proposed model. The result shows that religiosity and subjective norms appeared to be the significant factors affecting intention to choose Islamic investment schemes in Malaysia Islamic capital markets. Interestingly, despite its significant role shown in previous studies, the study has shown insignificant level of the attitude in predicting the intention behavior.

A study on the link between the growth of insurance industry and its economic growth was conducted in Nigeria<sup>105</sup>. The ordinary least squares method estimated secondary data from 2001 to 2017. An analysis of the economy looks at things like insurance investment, premiums, and claims to figure out why the economy is the way it is. Insurers' overall investment, premiums, and claims were all positively correlated with the growth of the economy. The overall amount of insurance premiums and investments was statistically significant, but the total amount of insurance claims were not. According to the findings,

the rise of Nigeria's insurance industry was a significant factor in the country's economic progress. Insurance investment, total premium, and total claims in the previous study were employed as explanatory variables; in this new study, total insurance investment was utilised, along with total premiums and revenue.

Non-life insurance penetration was explored in Nigeria<sup>106</sup>. Ex-post-facto research was used in this study. Multiple regression was used to examine time series data from 1988 to 2014. Non-life insurance penetration had a favourable and substantial impact on Nigeria's economic growth over the research period, according to the data. Between 1988 and 2014, prior research looked at the influence of non-life insurance penetration on Nigeria's economic growth; the period covered by this one is 1999 to 2019.

A study on the determinants of the decision to adopt Islamic finance was carried out in Oman<sup>39</sup>. The authors administered a questionnaire survey via face-to-face interviews to 385 SME owner-managers operating in Muscat, Oman's capital city. The Kruskal–Wallis one-way analysis of variance (ANOVA) non-parametric test was used to analyse the questionnaire survey data. The findings indicate that while SME owner-managers' Islamic financial knowledge and personal characteristics do influence their intention to adopt Islamic finance, their firms' characteristics have no significant influence on SME owner-managers' decisions to accede to Islamic financing. The research's first limitation is that it gathered data from SME owner-managers in Muscat only. Future studies could survey a wider sample of Omani SME owner managers. Second, the study's findings cannot be generalised to large and public firms, as the sample includes owner-managers of SMEs only. Finally, there is a need to investigate other factors such as nonfinancial and behavioural factors, which were not explored in the present study, but which may influence SME owner managers' Islamic financial decisions. Theoretical and empirical studies on capital structure have focused primarily on large listed firms. Only a few studies have paid attention to the

capital structure of SMEs, particularly in the context of an emerging market such as Oman. This gap in the literature is mostly evident when investigating the factors that influence the funding decision towards Islamic financing in a country, such as Oman, where Islamic finance represents a new banking sector offering.

A study on emergency of Takaful, an Islamic insurance model, as an alternative to conventional insurance was conducted in Uganda<sup>107</sup>. Takaful is strongly advocated for and aligned with the teachings of the holy Quran and traditions of prophet Muhammad (SAW). Takaful is an emerging global demand for both short term (general) and long-term (life) insurance. The study is an in-depth exploration of how Takaful models can be marketable in Uganda. The paper focuses on four key areas; i.e., Takaful as an alternative insurance policy, models of takaful, takaful versus conventional insurance and prospects of takaful in Uganda's insurance market. The study is a Literature Related Discovery (LRD) by methodology. The study concludes by recommending commencement of takaful and future takaful models for sustainable growth if insurance companies decide to enter into the Islamic Insurance system in Uganda.

A study on the Efficiency Analysis of Takaful Insurance Industry was conducted in UAE<sup>108</sup>. The study analyzes the comparative efficiency of takaful insurance companies by implementing empirical research. Takaful, which is an Islamic insurance instrument, manages risks in business, according to Shariah (Islamic law) principles and offers risk protection and savings assets. The study also provides a comprehensive literature review on the efficiency analysis of the takaful industry. The empirical part presents a wide range of efficiency comparisons of 41 takaful insurance companies in 16 countries between 2009 and 2014. The data enveloping analysis technique is utilized using the rDEA package in the R environment to compute the efficiency score. In the study, the technical efficiency, overall technical efficiency, and pure technical efficiency are calculated and compared per

year and per country. The findings of the study suggest that the overall average efficiency scores of takaful companies are considerably high. The study results also indicate that the excess in the consumption of inputs decreases while the deficit in achieved outputs has been declining in the covered period. The study suggests the managers of the takaful companies can use the target efficiency scores, which are calculated by using the DEA analysis, as an ideal reference benchmark for planning their inputs and outputs.

A study explored a trend analysis related to takaful research from 1989 until March 2022<sup>109</sup>. The research aims to determine: (1) the current growth and trends of publications in takaful; (2) the most productive contributors in takaful studies; (3) the highly-cited documents in takaful research; and (4) the essential keywords and themes involved in the takaful studies. The data was obtained through the Scopus database with the keywords “takaful,” “Islamic insurance,” or “sharia insurance.” The search resulted in 423 documents and became 356 documents after screening. The data has been exported and analyzed using tools such as Biblioshiny, VOSviewer, Publish or Perish (PoP) and Microsoft Excel. The results showed that most publications were in 2017 and 2020. The most significant contributor that published the most research documents were Syed Ahmad Salman by the author (21 publications), International Islamic University Malaysia by Institution (24,4%), English by language (97,5%), Malaysia by country (64,04%), Journal of Islamic Accounting and Business Research by title (22 publications). This study found the article “the cost efficiency of takaful insurance companies” written by Kader as the most cited publication. Moreover, based on the results of network visualization mapping, takaful research was divided into four main themes: risk management in the takaful industry and its relation with Islamic banks, efficiency in the takaful industry, and behavior of takaful customers, and development of takaful. This study recommended a systematic literature review on popular topics such as efficiency and family takaful for further studies.

A study was conducted on Understanding family takaful purchase behaviour: the roles of religious obligation and gender<sup>152</sup>. Understanding the factors that influence Muslim consumers' purchasing behaviour is crucial to accelerate the growth in the family takaful market segment. However, research has yet to adequately address the drivers of family takaful purchase behaviour. A survey strategy was used to obtain the data for the study. The survey questionnaire comprised two parts. The first section consisted of demographic and background questions concerning gender, age, level of education, and culture. The second section contained the items used to measure the study's constructs. Multi-scaled items, selected and adapted from previous studies, were utilised to measure this study's constructs. The items for measuring attitude, subjective norm, perceived behavioural control, and intention. By integrating religious obligation into the theory of planned behaviour, this study proposed and tested a model of the factors underlying family takaful purchasing behaviour, and further examined the moderating impact of gender. The findings show that Muslim consumers' intentions to purchase family takaful are influenced by attitude and subjective norm, and purchasing behaviour is influenced by intention and perceived behavioural control. Although religious obligation affects attitude, subjective norm, and perceived behavioural control, its influence on family takaful purchasing intention and purchasing behaviour is not supported. These findings differ across male and female groups, emphasizing the centrality of gender as a moderator and a boundary condition in the relationships posited in the model. The findings have various theoretical and managerial implications which are highlighted.

A study to explore the impact of risk attitude on the market share of small and medium enterprises (SMEs) was conducted in Lagos, as well as the correlation between insurance patronage and financial earnings<sup>153</sup>. The study unveils a notable yet limited influence of SMEs' risk attitude on their market share. Furthermore, it highlights a significant but

moderate relationship between insurance patronage and the financial earnings of SMEs. The authors propose the implementation of robust risk management strategies to address economic downturns and advocate for stakeholder collaboration in integrating insurance education into the curriculum, fostering the growth and development of Nigerian youth.

A study was carried out on the limited utilization of insurance services by Micro, Small, and Medium Enterprises (MSMEs) in Nigeria<sup>155</sup>. The study examines the influence of regulatory origins and trust on MSMEs' consumption of insurance. The authors contend that the adoption of the Western insurance business model in Nigeria, which fails to align with the values and societal orientation of consumers, contributes to the subdued interest in insurance. They propose regulatory reforms that incorporate traditional insurance systems and adopt a consumer-centric approach to product design, with the aim of increasing the adoption of insurance by MSMEs. Additionally, they suggest leveraging traditional trust-building institutions to enhance consumer trust in insurance services.

A study on the factors that drive the patronage of motor vehicle Takaful (Islamic insurance) among members of the National Association of Road Transport Owners-Petroleum Tanker Drivers (NARTO-PTD) was conducted in Kano State<sup>156</sup>. The study employs the Taro Yamane sample size formula and randomly selects 178 respondents using a simple random sampling technique. The research employs the Partial Least Square-Structural Equation Modeling (PLS-SEM) method to test the hypotheses. The findings reveal that perception, religiosity, and awareness have a significant influence on motor vehicle Takaful patronage. The study suggests that Takaful companies should develop strategies to engage religious individuals and attract those with less religiosity by organizing educational programs in religious institutions. Additionally, policies should aim to enhance the perception of NARTO-PTD members towards Takaful services.

A study to investigate the factors influencing the patronage of Takaful services among

entrepreneurs in SabonGari market of Kano metropolis was carried out in Nigeria<sup>157</sup>. The study reveals that religiosity, trust, confidence, and awareness have a predominantly positive and significant impact on the patronage of Takaful services, with a significant level of 0.05. The three explanatory variables were able to account for 58% of the variation in the dependent variable.

A study on the literature review that offers valuable insights for the insurance industry was conducted in Nigeria<sup>158</sup>. The study specifically examines the determinants of home and property insurance in Lagos Metropolis. The findings indicate that risk attitude and aversion, as well as low levels of education and literacy, have a positive and significant influence on the demand for home and property insurance. On the other hand, the inadequate management of primary risks by insurance companies has a negative and significant effect on insurance demand. Interestingly, factors such as culture, religion, the quality of service provided by insurance operators, and other economic factors were not found to be significant determinants of home and property insurance demand. Therefore, the study suggests that insurers should consider different risk attitudes when designing insurance packages and prioritize accountability and transparency in fulfilling their obligations to reduce concerns about underperformance and mitigate basic risks.

A study on the impact of socio-economic status, trust in the insurance company, and knowledge/awareness of insurance products on the intention to purchase children's educational insurance policies was conducted in Lagos<sup>159</sup>. The results revealed that customers' socio-economic status, trust in the insurance company, attitude towards children's educational insurance policies, and knowledge/awareness all played a significant role in influencing and predicting the intention to purchase such policies. Socioeconomic status, trust, and attitude were found to be strongly associated with behavior. Therefore, marketers targeting Nigerian consumers with insurance services should consider integrating

fundamental psychoanalytical factors into their marketing strategies. This approach would facilitate the acceptance of insurance products by the public, highlighting the perceived benefits and rewards associated with them.

A study to examine the influence of socio-economic and demographic factors on insurance buying behavior, specifically focusing on the perceptions of selected SMEs was carried out in Lagos, Nigeria<sup>160</sup>. The findings underscore the significance of socio-economic and demographic factors in shaping the evaluation of insurance purchases among SMEs in Lagos. The study suggests that insurance providers in Nigeria should customize insurance products in a manner that is both attractive and affordable to SME operators/owners, thereby aligning with their socio-economic and demographic risk attitudes. Additionally, SME operators should consider shifting their inclination towards managing risks on their own to relying on insurance providers for comprehensive business, economic, and financial security. These implications highlight the need for similar studies to be conducted in other industries within the country to gain a broader understanding of the subject.

A study to investigate consumers' perceptions regarding the acquisition of life insurance policies was conducted in Lagos State<sup>161</sup>. Their research unveiled a robust positive association between culture, religion, and the patronage of life insurance policies. This discovery highlights the influential role of cultural and religious factors in shaping individuals' inclinations towards insurance products. In light of these findings, the authors put forth a recommendation for life insurance advertisements to be more informative and tailored to enhance public awareness and accessibility to life insurance. A study was conducted to examine the impact of promotional activities on consumers' engagement with insurance business in Ado-Ekiti Metropolis, Nigeria<sup>163</sup>. The research utilized a sample of 373 questionnaires collected from a population of 19,998 insurance customers in Ado-Ekiti metropolis. The findings of the study revealed a robust and favorable correlation between

media advertising and consumer patronage. Additionally, the research highlighted a significant influence of personal selling on consumer patronage. Furthermore, findings of the study showed a notable association between sales promotion and consumer patronage of insurance businesses in Ado-Ekiti Metropolis. The study emphasized the significance of comprehending essential factors like culture, trust, information technology, publicity, and customer relationship strategy in order to facilitate effective insurance operations.

A study to examine the influence of insurance investments on economic growth was carried out in Nigeria<sup>162</sup>. Their research findings indicate that insurance investments in government securities, stocks, and bonds did not contribute to the expansion of goods and services in the Nigerian economy. This implies that factors other than economic growth may play a role in shaping the preference for TPL (Third Party Liability) motor insurance. The study suggests that insurance companies should align their products with the evolving market conditions, lower entry barriers, establish effective regulatory frameworks, and demonstrate a strong commitment to enforcement in order to address the challenges identified.

A study on the impact of relationship marketing on customer perception of insurance was conducted in Lagos State<sup>164</sup>. The research findings demonstrate a significant correlation between relationship marketing and customer perception of insurance. The study highlights the crucial role of customer awareness, trust, service quality, product innovation and customization, and customer satisfaction in shaping customer perception. In light of these findings, the study recommends that insurance companies implement relationship marketing strategies to effectively influence customer perception and foster increased patronage.

A study investigated the impact of insurance management information systems on enhancing insurance services in Nigeria<sup>173</sup>. The research reveals that the utilization of various types of information systems, including transaction processing systems, decision support systems,

office automation systems, expert systems, and personal/work group information systems, plays a significant role in deepening insurance services. The study emphasizes the importance of insurance companies adopting and updating their information systems to ensure effective and efficient delivery of services.

A study was carried out on the connection between life insurance company financial performance and corporate characteristics in Kenya<sup>174</sup>. For the years 2008 to 2012, data from 17 life insurance firms in Nigeria were used. Size, diversity, leverage, liquidity, age, premium growth, and claim experience were employed as the independent variables, while ROA was used as the dependent variable. According to the study's findings, there is a link between an insurance company's profitability and the magnitude of its premiums.

A study was carried out on firm specific attributes and financial performance of listed insurance companies in Nigeria<sup>165</sup>. The study covered a period of eleven years from 2008 to 2018. The research used correlation research design and secondary data obtained from the annual reports and accounts of firms from 2008-2018. The population of the study is all the 27 insurance firms listed on the Nigerian Stock Exchange as at 31st December 2018, eighteen (18) of these firms were selected as sample. Multiple regression analysis was used in estimating the research model. The result of the study shows that underwriting risk and operating expenses have negative and significant impacts on financial performance and Premium growth reveal a positive and significant impact on financial performance of the study firms. The study concludes that underwriting risk and operating expenses inversely affect the financial performance of listed insurance firms. The study recommends among others that the management of the listed insurance firm should focus more on reducing the level of their underwriting operation and cut their present level of operational cost drastically to improve financial performance.

A study was carried out on the determinants of financial performance of selected insurance firms in Nairobi County<sup>166</sup>. The target population was 55 licensed insurance firms (42 locally owned insurance firms and 13 Foreign owned insurance firms). The study used two respondents in each insurance firm who were Finance Managers and Corporate Affairs Managers and all these had total of 96 respondents. The study used both primary and secondary data. The main primary data source was semi structured questionnaire. The data from the study was analyzed qualitatively and quantitatively using percentages, means and frequency distribution with the aid of Statistical Package for Social Sciences (SPSS) version 17. Since data was descriptive, variants such as means, frequencies and percentages were used to describe the findings of the study. Bivariate – ANOVA statistical data analytical technique was used to find the determinants of financial performance of selected insurance firms in Nairobi County. The study concluded that insurance firms had liquid investments which helped them to settle claims especially if their underwriting income cannot cover claims. The firms would sell off their investments if they lacked money to settle claims. Majority of insurance firms relied on cash flow from operations in liquidity management. This implied that all firms had certain source of funds for liquidity management. The study recommended that insurance firms should establish a well matched portfolio of their assets and liability in terms of cash flows or rather they should ensure that they create additional reserve so that it can assist them to cover the interest rate since low interest may create a discrepancy on the earnings.

A study investigated the ownership structure and Financial Performance of Listed Insurance Firms in Nigeria<sup>167</sup>. The financial performance of listed insurance firms in Nigeria has been declined significantly. There are other factors that could lead to the poor financial performance but the researchers are specifically interested in examining the effect of independent director on the relationship between ownership structure and financial

performance of listed insurance firms in Nigeria from 2013 to 2022 financial years. The ownership structure variables used in this study are institutional ownership and managerial ownership while the financial performance used is represented by return on assets (ROA), and the moderating variable is independent director. The sample of the study is all the twenty-three (23) listed insurance firms in Nigeria that make up the population of the study. The study uses secondary data and multiple regressions for the purpose of this study. The findings of the study reveal that institutional ownership and managerial ownership have negative and insignificant effects on financial performance of listed insurance firms in Nigeria. Independent director has a positive effect on the relationship between institutional ownership, managerial ownership and financial performance. The researchers therefore recommend that the Central Bank of Nigeria and National Insurance Commission should ensure that there is diversity of experience without compromising compatibility, integrity and independence.

A study was carried out on Key Financial Ratios and Listed Insurance Companies' Performance in Nigeria<sup>168</sup>. The research is objectively analyzed independent variables with dependent variable in Nigerian insurance industry. Subsidiary tools generated are employed through financial and accounting reports from five randomly chosen financial institutions for ten (2011-2020) years. Correlation and multivariate ordinary statistics are utilized to analyze the generated tools. The findings reveal the autonomous variables to have shown unimportantly direct and not strong membership to subordinate variation (ROA). In relation to the outcomes, the following recommendations for this study are given below. The key financial ratios parameters on production should effectively and efficiently underwrite insured risk prudently increase the retention values and capacity as well as decrease reinsurance cost transferred. Since insurance is a risk management tool to drive the economy, the utmost decision policies should be exercised to make sound competitiveness

among other financial institutions for futuristic reputation to be ascertained. Quoted and general insurance operators should prudently energize their reserves and hedge their funds against catastrophic risks in order to reduce capital flight of insurance funds to counterpart reinsurance companies. The primary insurers' reactivity should be improved in order to reduce losses and damage to the Nigerian economy.

A study evaluated the effect of investments in ICT on financial performance of listed insurance companies in Nigeria<sup>169</sup>. The population of this study is made up of 25 listed insurance companies on the Nigerian Stock Exchange from year 2012 to 2018. Insurance companies that have complete data set for the periods of 2012-2018 were selected purposively for this study, the sampled insurance companies were 16 in number. Secondary data in the form of panel data are used for this study. The data are collected from the 16 selected insurance companies annual financial reports and accounts. Based on the result of the Hausman specification test, the study adopted the Random effect regression and it revealed that Investment in ICT Hardware and software have significant positive effect on financial performance of listed insurance companies in Nigeria. The study concludes on a general note that investment in ICT improves the financial performance of listed insurance companies in Nigeria. The study therefore, recommends that listed insurance companies in Nigeria should be proactive in adoption of ICT as investments in ICT does not erode profitability.

A study was conducted a study on a Review of Literature on Takaful and Conventional Insurance. Evidence from Bangladesh<sup>170</sup>. The study review and discuss challenges and factors of Takaful and conventional insurance in Bangladesh. Remarkably, several challenges and factors are reviewed and discussed. The authors have been able to review more than thirty investigations over a eighteen years period, from 2006 to 2023. The study is theoretical and analytical in nature and secondary method has applied. Through a

literature review, this paper provides an account of main findings of the literature as well as examines the extent to which insurance gives impact towards financial sectors in terms of challenges and factors. The findings reveal that Takaful industry faces some challenges in Bangladesh such as lack of awareness among customers, regulatory barriers, expert Shariah committees and operational inefficiencies. While factors such as religiosity, Shariah board and regulatory framework have impact on promoting Takaful industry in Bangladesh. The study concludes with several recommendations for future research, the most important of which is the need for a systematic effort on conceptual analysis as well as empirical study on Takaful and conventional insurance.

An exploration of the current practices and problems in the Shariah governance framework of Islamic insurance was examined in Bangladesh<sup>171</sup>. The authors revealed that the governance system of Islamic insurance companies in Bangladesh is largely based on voluntary initiatives by itself and there is an absence of full-fledged Shariah governance framework. All Islamic insurance companies in Bangladesh have their own Shariah Supervisory Board who performs the Shariah audits and review activities. Based on the critical review, the authors provide some suggestions for the improvement of the Shariah governance framework of Islamic insurance. To motivate current market players, to attract prospective investors, to ensure the accountability and improve the quality of Shariah compliance, the government needs to develop a sound regulatory and legal regulatory framework for the Islamic insurance industry in which all stakeholders roles include clearly.

A study was carried out on governance mechanisms and the Takaful insurance performance: the moderating role of the leader's seniority<sup>172</sup>. The full sample includes 21 listed Takaful companies divided into two subsamples – 12 insurance wakalah contracts offered in the South East Asian (SEA) countries and 9 insurance hybrid contracts offered in the Gulf Cooperation Council (GCC) countries over the period of 2012– 2018. The methodology is

informed by Baron and Kenny's (1986) moderation process approach. The results of this study indicate that the larger the size of directors' board and the higher the number of outside directors, the greater the SEA wakalah Takaful insurance performance. Nondual functions and a larger size of Sharia board along with a highly-concentrated ownership structure have a positive effect on the Takaful insurance performance in both the SEA and GCC regions. Furthermore, the higher the Sharia board meetings, the higher performance of all types of Takaful insurance providers in the sample. As for the moderating effect of the director's seniority, it is found to negatively moderate the relationship between the governance mechanisms and the Takaful performance in both regions. The study highlights that the leader's entrenchment stands as an obstructing factor impeding the governance mechanisms from enhancing Takaful performance. Thus, it serves to contribute to clearly understanding the appropriate governance mechanisms usefully fit for a Takaful insurance effective performance, applying the wakalah and hybrid contract types. Such a contribution should be appreciated by the concerned regulators engaged in setting up limited serving periods for the directors whereby the Takaful insurance practice could be efficiently managed and supervised.

A study was conducted to provide a systematic review of literature on the demand for takaful (Islamic insurance) from articles published from January 2009 to June 2019<sup>175</sup>. The review aims to synthesise and segment previously published research to identify the gaps and provide future research direction. A systematic review of the literature was conducted. Past research was analysed, and content comparisons based on research focus, context and methodology were evaluated. It was found that not much has been written and published on takaful demand in quality journals. The first two articles were published in 2009, but it was only in 2017 that coverage of the topic rapidly expanded. Although no article was found to have been published in 2018 on takaful demand, there was one published article on the

topic in 2019. The study also found that not much attention has been given to takaful demand from the corporate sector.

A study on assessment of Insurance Service Sector was conducted in Nigeria<sup>176</sup>. By conducting a comprehensive review of academic journals from various databases, the study explores several subjects related to the Nigerian insurance service, using keywords such as: attitudes, risk perception, marketing strategies, regulatory factors, and customer behaviour. The findings underscore the significance of positive attitudes towards insurance and the role of trust, confidence, and awareness in driving the adoption of insurance. Sociocultural factors and religious beliefs also play a role in shaping insurance preferences, especially regarding Takaful services. Effective marketing strategies, high-quality services, and strong customer support are essential for raising awareness about insurance and fostering customer engagement. The study also highlights the challenges faced by the insurance industry, including operational efficiency, regulatory limitations, and market expansion. The potential solutions of micro-insurance and bank assurance models are explored to extend insurance coverage to underserved populations. Policymakers can use the insights provided to develop suitable regulatory frameworks that promote trust and accessibility within the insurance sector. The conclusions drawn from this literature review enhance our understanding of the dynamics of the insurance industry and offer guidance to practitioners, policymakers, and researchers to improve customer satisfaction, expand market reach, and achieve sustainable growth in the industry.

#### **2.4 Gaps of the Study**

A study on the factors determining consumers' acceptance of takaful (Islamic insurance) was conducted in Nigeria. The results show that Shariah view, locality, consumer acceptance, service quality, attitude, awareness, subjective norm, and perceived behavior

control are the factors influencing the awareness and acceptance level of takaful in Nigeria. The gap was that the study only made use of a survey research design and qualitative research was not employed<sup>93</sup>. A study on Awareness and Knowledge of Takaful was carried out in Malaysia: A Survey of Malaysian Consumers. The findings show that out of the 503 respondents, 124 have no knowledge of Takaful and 45% are not aware that Takaful policy holders share risks mutually. Also, 33.2, %, 38.8% and 37.2% do not know that Takaful is free from gambling, uncertainty, and interest. 70.2% respondents, however, think that Takaful products comply with Shari'ah. The gap of the study was that only primary data and questionnaire was used for data collection. There was no secondary data and qualitative research design<sup>4</sup>. A study on Service Quality and Customer Satisfaction was conducted in Malaysia Takaful Industry. The study was only based on conceptual review and there was no empirical data analysis in the study<sup>94</sup>. The pertinent components of satisfaction variables that could help the Takaful Insurance to identify and prioritise ways to gain customers was examined in Malaysia.. Findings show that the performances of the takaful operators are found to be insignificant to the service quality. The gap of the study was that there was no empirical data analysis<sup>95</sup>. A study on Islamic influence on customer satisfaction was conducted in Pakistan Takaful and conventional insurance industry. The results indicate that a higher Shari'ah perception positively affects the customer satisfaction in the Takaful industry with improved service and relationship quality; whereas, it negatively affects customer satisfaction in case of the conventional insurance. The gap of the study was that only quantitative research, no mixed method was used in the study.<sup>96</sup>

The impact of PAKSERV model on customers' satisfaction, loyalty and trust was examined in Malaysian Islamic banks. The data were analyzed through exploratory factor analysis, confirmatory factor analysis and structural equation model employing AMOS 23 and SPSS 23. The study found positive relationship of PAKSERV dimensions of service quality,

customers' satisfaction, customers' loyalty and the mediating role of trust in enhancing customers' loyalty. The result is limited to Malaysia and cannot be generalized due to peculiar economic situations of every region<sup>97</sup>.

A study on the Factors influencing the investors' intention to adopt Takaful (Islamic insurance) products was carried out in Pakistan. Both explanatory and descriptive research designs used for the research framework. Primary data was collected through the distribution of self-administered survey-based questionnaire. The research findings reveal that factors such as relative advantage, compatibility, social influence, awareness and religiosity have a significant impact on the behavioral intention of Takaful amongst a depicted sample of Pakistani people. The gap of the study was that only quantitative research, no mixed method was used in the study<sup>98</sup>.

A study was carried out on the demand for home and property insurance in Nigeria. The study adopted a positivist paradigm and a quantitative technique based on the primary data sampled from 500 legal tenants and landlords. Using logit regression and maximum likelihood estimation technique for the investigation, it was found that risk attitude and aversion and low education and literacy levels are positive and significant determinants of home and property insurance demand. The gap was that only quantitative research was used. There was not qualitative research or mized method.<sup>102</sup>

A study on the link between the growth of insurance industry and its economic growth was conducted in Nigeria. The ordinary least squares method estimated secondary data from 2001 to 2017. Findings revealed that the rise of Nigeria's insurance industry was a significant factor in the country's economic progress. The gap of the study was that there was not qualitative research or mixed method<sup>105</sup>. A study on emergency of Takaful, an Islamic insurance model, as an alternative to conventional insurance was conducted in

Uganda. The study recommends commencement of takaful and future takaful models for sustainable growth if insurance companies decide to enter into the Islamic Insurance system in Uganda. The gap was that no empirical data analysis was used in the study.<sup>107</sup>

A study on the effects of trust mediator and education level moderator on adoption of Islamic banking system was conducted in Tajikistan<sup>150</sup>. The study adopted the Structural Equation Modeling (SEM) approach (using AMOS version 22.00) to examine these relationships. The findings of the study revealed that relative advantage and product knowledge were statistically significant in influencing perceived trust in Islamic banks, while perceived trust in Islamic banks had a directly significant impact on the adoption of the Islamic banking system in Tajikistan. Also it found that perceived trust plays a mediating role between awareness and adoption of the Islamic banking system. The gap in this study was that only quantitative research design was adopted, future study may adopt a mixed research method for a more robust outcome.

A study on the factors affecting intention to adopt Islamic financing was carried out in Morocco<sup>77</sup>. The study aims to explore the determinants of intention to adopt Islamic financing in micro-business. The results from the partial least squares analysis indicate that religious obligation and Islamic financing reputation positively affect attitude towards Islamic financing. Findings also reveal the positive and significant influence of subjective norms, attitude towards Islamic financing, and perceived behavioral control on intention to adopt Islamic financing. The gap in this study was that only quantitative research design was adopted, future study may adopt a mixed research method for a more robust outcome.

A cross-sectional study on the determinants of family Takaful plans was examined in Islamabad, Lahore and Karachi using Structural Equation Modeling (SEM) technique<sup>100</sup>. The study found that religious adherence, reputation, and product awareness had a positive and significant relationship with the family Takaful demand. While, the relationship

between marketing and advertising had insignificant relationship with the family Takaful demand. The gap in this study was that only quantitative research design was adopted, future study may adopt a mixed research method for a more robust outcome.

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## **Chapter Three**

### **Methodology**

This chapter focuses on research methodology which consists of research design, population of the study, sampling methods, research instruments, validation of instruments, reliability of instruments and administration of research instruments for data collection.

#### **3.1 Research Design**

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the problem research. The design of a study defines the study type (descriptive, correlation, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research problem, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design known as the overall strategy utilized to carry out research that defines a succinct and logical plan to tackle established research

question(s) through the collection, interpretation, analysis, and discussion of data.<sup>1</sup> The nature of research of this study is quantitative research.

Quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical, or computational techniques. The objective of quantitative research is to develop and employ mathematical models, theories, and hypotheses pertaining to phenomena.

This study made use of an Ex-post facto research design. Survey research is defined as "the collection of information from a sample of individuals through their responses to questions" <sup>2</sup>. A survey is a research method used for collecting data from a predefined group of respondents to gain information and insights into various topics of interest. The data is usually obtained through the use of standardized procedures to ensure that each respondent can answer the questions at a level playing field to avoid biased opinions that could influence the outcome of the research or study. The process involves asking people for information through a questionnaire, which can be either online or offline.

### **3.2 Population of the Study**

The population of this study consist of customers of NOOR Takaful Insurance company, Lagos. Noor Takaful was duly licensed by NAICOM in April 2016 as the first full-fledged composite takaful-insurance operator in Nigeria with 100% indigenous Nigerian shareholding with over 50,000 customer base.

### **3.3 Sample and Sampling Techniques**

The Sampling Technique used in this study was a convenience sampling method. This is a non-probability sampling method where units are selected for inclusion in the sample because they are the easiest for the researcher to access. This can be due to geographical proximity, availability at a given time, or willingness to participate in the research.

Since it is practically impossible for the researcher to sample the entire customers of the insurance company, the Taro Yamane formula which is given as follows was used determine the sample size:

$$n = \frac{N}{(1+Ne^2)}$$

where:

n = number of samples

N = total population

e = error margin / margin of error

N= 50,000

e = 0.05

e<sup>2</sup> = 0.0025

1 + Ne<sup>2</sup> = 126

$$\frac{N}{(1+Ne^2)} = 50000/126 = 396.8$$

n = 396.8 ≈ 400

Therefore a sample size of 400 customers were selected for this study.

### **3.4. Pilot Study**

A pre-test of the questionnaire was carried out in order to assess the relevance and appropriate comprehension of the study topics. The questionnaire was reviewed by the researcher's supervisor as well as marketing specialists. It was proposed that the pilot research sample should be 10% of the sample size expected for the study population<sup>4</sup>. This was also consistent with a scholar <sup>5</sup> position on ten (10) per cent of the study population. The pilot study was deemed required in order to establish the willingness of the respondents, to anticipate their

reactions, and to determine the reliability of the questionnaire when utilized in the study's population.

### **3.5 Description of the Instrument**

Primary was used in this study and the data collection instrument used in gathering information for this research study is a questionnaire. The questionnaire is categorized into five (5) sections, the first section contains questions on the demography of the respondents such as gender, age, educational qualification, religion etc.

Section two contains information on the “awareness of Takaful services on investors and customers Takaful services adoption with rating scale of 5 likert scale of strongly disagree =5, Disagree = 4, Undecided =3, Agree =2 and Strongly Agree =1. The section three contains information on effect of investors satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) on their switching intentions from conventional to Takaful insurance with rating scale of 5 likert scale of strongly disagree =5, Disagree = 4, Undecided =3, Agree =2 and Strongly Agree =1 , section four contains information on “the impact of Investment decisions on performance of Islamic insurance industry with rating scale of 5 likert scale of strongly disagree =5, Disagree = 4, Undecided =3, Agree =2 and Strongly Agree =1 while section five contains information on the effect of public trust and confidence reposed upon the Takaful operators on the Takaful services consumption.

### **3.5 Validity of the Instrument**

The validity of the measuring instrument (questionnaire) essentially measures the characteristic of what one actually sets out to measure<sup>2</sup>. The research instrument was validated by the researcher’s supervisor for content consistency and in the context of research objectives before the questionnaire was administered to all chosen respondents for the study. Steps were taken prior to the actual distribution of questionnaires to respondents to ensure that the scale items

appropriately covered the region of the construct. Copies of this questionnaire were distributed to academic people as well as professionals for validation. This was done to collect their general views and necessary suggestions on the question's suitability and sequence.

### 3.7 Reliability of the Instrument

Reliability refers “to the extent to which the data collection techniques or analysis procedures provide accurate findings”. Therefore, prior proceeding to the next stage that is data analysis, it is important to ensure the reliability of the survey questionnaire. Thus, for this purpose, Cronbach’s alpha coefficient was used to determine if the respondents were consistent in their answers. The researcher will subject the questionnaire to test reliability. Cronbach alpha coefficient will be used to determine the reliability statistics. A cronbach alpha coefficient of >0.7 score for questionnaire item is known to be reliable<sup>3</sup>.

**Table 3.1: Reliability Test Results**

S/N	Variables	Cronbach’s Alpha	Composite Reliability
1	Awareness	7	0.777
2	Service Quality	5	0.781
3	Relationship Quality	5	0.769
4	Investment decision	5	0.778
5	Confidence	5	0.773
6	Public Trust	5	0.776
7	Growth	5	0.767
8	Satisfaction	5	0.784
9	Market Value	5	0.787
10	Religion	5	0.776

**Source: Field Pilot Survey, 2024**

The result of the pre-test showed that the scales were considered reliable (Cronbach's  $\alpha > 0.70 = 0.780$ ).

**3.7 Method of Data Collection**

The study made use of primary data using the questionnaire as instrument for data collection. Data were collected by administering a structured questionnaire to Four hundred (400) customers selected for this study. The copies of the questionnaire were administered by trained research assistants for the administration and retrieval of instruments. The research assistants employed were trained for 5-days on the modalities for questionnaire distribution, retrieval and the purpose of carrying out the research in line with ethical standards.

**3.8 Method of Data Analysis**

Data analysis was done after the data gathered are coded and managed using the Statistical Package for Social Sciences (SPSS). Data analysis was done using Inferential and Descriptive statistics. The descriptive statistics was used because it involves simple percentages, frequencies, which usually indicate the composition of respondents in the population with specific responses to the given questions in the questionnaires administered. The descriptive was used for demographic characteristics of the respondents while hypotheses were tested using Multiple Regression Analysis.

## Endnotes

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2. Saunders, M. Lewis, P. & Thornhill. *A Research Methods For Business Students*, Fifth Edition, **Pearson Education Limited**, 2009
3. J. Hair, C.L. Hollingsworth, A.B. Randolph & A.Y.L. Chong. An updated and expanded assessment of PLS-SEM in information systems research. *Industrial Management & Data Systems*, 117(3), 442-458. <https://doi.org/10.1108/IMDS-04-2016-0130>  
(2017)

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## Chapter Four

### Results and Discussion of Findings

This chapter is on data analysis, presentation of results and discussion of findings. This study is on investment decisions and performance of Islamic insurance industry in Nigeria; a case study of Noor Takaful Insurance limited Nigeria.

For the analysis, the demographic characteristics of respondents were done using descriptive statistics using Frequency tables, percentage, mean and standard deviation. The hypotheses were tested using inferential statistics such as Multiple Regression Analysis.

Information regarding respondents' demographic, response to each research question and test of hypotheses are presented in this chapter. The last section presents discussion based on the findings in this study.

#### 4.1 Demographic Characteristics of Respondents

**Table 4.1: Gender of Respondents**

Gender of Respondents	Frequency	Percent
Male	231	57.8
Female	169	42.2
Total	400	100.0

Source: Field work, 2024

Table 4.1 shows that 231 (57.8) of the respondents are male while 169 (42.2%) are female which implies that majority of the respondents are female.

**Table 4.2: Age of Respondents**

Age of Respondents	Frequency	Percent
Less than 25 years	46	11.5
26-35 years	154	38.5
36-45 years	123	30.8
46-55 years	77	19.3
Total	400	100.0

Source: Field work, 2024

Table 4.2 shows that 154 (38.5%) of the respondents are within the age group of 26-35 years, 123 (30.8%) of the respondents are within 36-45 years, 77 (19.3%) while 46 (11.5%) are less than 25 years. This implies that majority of the respondents are within 36-45 years.

**Table 4.3: Educational Qualification of Respondents**

Educational Qualification	Frequency	Percent
SSCE	27	6.8
OND/NCE	159	39.8
BSC/HND	167	41.8
Postgraduate	47	11.6
Total	400	100.0

Source: Field work, 2024

Table 4.3 shows that 167 (41.8%) of the respondents have BSC/HND certificate, 159 (39.8%) of the respondents have NCE/OND, 47 (11.6%) have Postgraduate educational qualification while 27 (6.8%) have SSCE. This implies that majority of the respondents have First degree.

**Table 4.4: Religion of Respondents**

<b>Religion</b>	<b>Frequency</b>	<b>Percent</b>
Christianity	68	17.0
Islam	332	83.0
Total	400	100.0

Source: Field work, 2024

Table 4.4 shows that 332 (83.0%) of the respondents are Muslims while 68 (17.0%) were Christians. This implies that majority of the respondents were Muslims.

**Table 4.5: Occupation of Respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percent</b>
Civil servants	88	22.0
Traders	78	19.5
Business	144	36.0
Artisan	76	19.0
Unemployed	14	3.5
Total	400	100.0

Source: Field work, 2024

Table 4.5 shows that 144 (36.0%) of the respondents are business men/women, 88 (22.0%) were civil servants, 78 (19.5%) are traders, 76 (19.0%) are artisans while 14 (3.5%) were unemployed. This implies that majority of the respondents were business men/women.

**Table 4.6: Monthly Income**

<b>Monthly Income (Naira)</b>	<b>Frequency</b>	<b>Percent</b>
Less than 50,000	46	11.9
51,000-100,000	238	61.7
101,000-150,000	64	16.6
151,000-200,000	31	8.0
Above 200,000	7	1.8

Total	386	100.0
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Source: Field work, 2024

Table 4.6 shows the monthly income of the respondents. It revealed that 238 (61.7%) of the respondents earn 51,000-100,000 naira monthly, 64 (16.6%) earn 101,000-150,000 naira monthly, 46 (11.9%) earn less than 50,000 naira monthly, 31 (8.0%) earn 151,000-200,000 naira monthly while 7 (1.8%) earn more than 200,000 naira monthly. This implies that majority of the respondents earn 51,000-100,000 naira monthly.

### Research Questions

**RQ1: To what extent has building public awareness of Takaful services has significantly affected investors and customers Takaful services adoption?**

**Table 4.7: Have you heard of Takaful services before?**

Have you heard of Takaful services before?	Frequency	Percent
Yes	284	71.0
No	116	29.0
Total	400	100.0

Table 4.7 shows that 284 (71.0%) of the respondents claimed that they have heard of Takaful before while 116 (29.0%) of the respondents claimed that they have not heard of it before.

**Table 4.8: Have you ever seen or heard any advertisements or campaigns related to Takaful services?**

Have you ever seen or heard any advertisements or campaigns related to Takaful services?	Frequency	Percent
Yes	281	70.3
No	119	29.7
Total	400	100.0

Table 4.8 shows that 281 (70.3%) of the respondents claimed that they have ever seen or heard any advertisements or campaigns related to Takaful services while 119 (29.7%) claimed to have not.

**Table 4.9: How did you first hear about Takaful services?**

How did you first hear about Takaful services?	Frequency	Percent
Social Media	24	8.5

Radio	96	33.8
Employees of Noor Company	105	37.0
Friends/Families	48	16.9
Financial Institutions	11	3.8
Total	284	100.0

Table 4.9 shows that 105 (70.3%) of the respondents claimed that they first heard about Takaful from the employees of Noor Company, 96 (33.8%) first heard about Takaful from the radio, 48 (16.9%) first heard about Takaful from Friends/Families, 24 (8.5%) first heard about Takaful from Social media while 11 (3.8%) first heard about Takaful from financial institutions. This implies that majority of the respondents first heard about Takaful from employees of Noor company and radio.

**Table 4.10: Did these advertisements or campaigns influence your perception of Takaful services?**

<b>Did these advertisements or campaigns influence your perception of Takaful services?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	267	94.0
No	17	6.0
Total	284	100.0

Table 4.10 shows that 267 (94.0%) of the respondents claimed that advertisements/campaigns influenced their perception of Takaful services while 17 (6.0%) claimed that advertisements/campaigns did not influenced their perception.

**Table 4.11: Are you currently a Takaful investor or customer?**

<b>Are you currently a Takaful investor or customer?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	243	60.8
No	157	39.2
Total	400	100.0

Table 4.11 shows that 243 (60.8%) of the respondents are Takaful investors/customers while 157 (39.2%) are not Takaful investors/customers. This implies that majority of the respondents are Takaful investors/customers.

**Table 4.12: If you are a Takaful investor or customer, what factors influenced your decision to adopt Takaful services?**

<b>If you are a Takaful investor or customer, what factors influenced your decision to adopt Takaful services?</b>	<b>Frequency</b>	<b>Percent</b>
Television	24	8.5
Radio	96	33.8
Internet/Social Media	105	37.0
Friends/Families	48	16.9

Financial Institutions	11	3.8
Total	284	100.0

Table 4.12 shows that 105 (70.3%) of the respondents claimed that they first heard about Takaful from the Internet/Social Media, 96 (33.8%) first heard about Takaful from the radio, 48 (16.9%) first heard about Takaful from Friends/Families, 24 (8.5%) first heard about Takaful from Television while 11 (3.8%) first heard about Takaful from financial institutions. This implies that majority of the respondents first heard about Takaful from Internet/Social Media.

**Table 4.13: If you are a Takaful investor or customer, what factors influenced your decision to adopt Takaful services?**

<b>If you are a Takaful investor or customer, what factors influenced your decision to adopt Takaful services?</b>	<b>Frequency</b>	<b>Percent</b>
Awareness and education campaigns	89	36.6
Trust in Takaful providers	21	8.6
Competitive pricing	12	4.9
Tailored products and services	47	19.4
Recommendations from others	74	30.5
Total	243	100.0

Table 4.13 shows that 89 (36.6%) of the respondents claimed that awareness and education campaigns is one of the factors that influenced their decision to adopt Takaful services, 74 (30.5%) of the respondents claimed that recommendations from others is one of the factors that influenced their decision to adopt Takaful services, 47 (19.4%) of the respondents claimed that tailored products and services is one of the factors that influenced their decision to adopt

Takaful services, 21 (8.6%) of the respondents claimed that trust in Takaful providers is one of the factors that influenced their decision to adopt Takaful services while 12 (4.9%) of the respondents claimed that competitive pricing is one of the factors that influenced their decision to adopt Takaful services.

**Research Question Two:**

**Do investors satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) affect their switching intentions from conventional to Takaful insurance?**

**Tables 4.14: Summary of multiple regression analysis for Impact of Service Quality (SQ) and Relationship Quality (RQ) on switching intentions from conventional to Takaful insurance**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Service Quality	0.583	24.244					0.000
Relationship Quality	0.213	4.814	386.924	.000 <sup>b</sup>	0.813	0.661	0.000

Dependent Variable: Switching Intentions  
 Predictors: Service quality, Relationship quality  
**Source: Researcher’s Result via SPSS Version 25.0 (2024)**

The result of research question two was tested using Multiple Regression Analysis. It shows that service quality and relationship quality jointly significantly influenced switching intentions of customers from conventional to Takaful insurance [(R<sup>2</sup> = .661; F (2,399) = 386.924; p < .05)]. This infers that service quality and relationship quality jointly accounted for about 66.1% of the variance observable in switching intentions of customers while the remaining 33.9% variation in switching intentions of customers is explained by other exogenous variable different from service quality and relationship quality is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of service quality and relationship quality were positively significant ( $\beta = .583$ ;  $t = 24.244$ ;  $p < .000$ ) and ( $\beta = .213$ ;  $t = 4.814$ ;  $p < .000$ ). Therefore, the significant impact of service quality and relationship quality on switching intentions of customers from conventional to Takaful insurance was accepted at .05 level of significance.

### Research Question Three:

**What is the impact of Investment decisions on performance of Islamic insurance industry in Nigeria?**

**Tables 4.15: Summary of regression analysis for impact of Investment decisions on performance of Islamic insurance industry in Nigeria**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Investment decision	0.339	5.108	26.095	.000 <sup>b</sup>	0.248	0.062	0.000

Dependent Variable: Performance  
Predictors: Investment decision

**Source: Researcher's Result via SPSS Version 25.0 (2024)**

The result of research question three was tested using Regression Analysis. It shows that investment decision significantly influenced performance of Islamic insurance industry in Nigeria [(R<sup>2</sup> = .062; F (1,399) = 26.095;  $p < .05$ )]. This infers that investment decision accounted for about 6.2% of the variance observable in performance of Islamic insurance industry in Nigeria while the remaining 93.8% variation in performance of Islamic insurance industry in Nigeria is explained by other exogenous variable different from investment decision is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of investment decision were positively significant ( $\beta = .339$ ;  $t = 5.108$ ;

$p < .000$ ). Therefore, the significant impact of investment decision on performance of Islamic insurance industry in Nigeria was accepted at .05 level of significance.

**Research Question Four:**

**To what extent is the effect of public trust and confidence reposed on performance of Islamic insurance industry in Nigeria?**

**Tables 4.16: Summary of multiple regression analysis for Impact of Public trust and confidence on performance of Islamic insurance industry in Nigeria**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Public trust	1.990	4.636					0.000
Confidence	1.487	3.405	26.931	.000 <sup>b</sup>	0.346	0.119	0.000

Dependent Variable: Performance  
 Predictors: Public trust, Confidence  
**Source: Researcher’s Result via SPSS Version 25.0 (2024)**

The result of research question four was tested using Multiple Regression Analysis. It shows that Public trust and confidence jointly significantly influenced performance of Islamic insurance industry in Nigeria [ $R^2 = .119$ ;  $F(2,399) = 26.931$ ;  $p < .05$ ]. This infers that Public trust and confidence jointly accounted for about 11.9% of the variance observable in performance of Islamic insurance industry in Nigeria while the remaining 88.1% variation in performance of Islamic insurance industry in Nigeria is explained by other exogenous variable different from Public trust and confidence is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of Public trust and confidence were positively significant ( $\beta = 1.990$ ;  $t$

= 4.636;  $p < .000$ ) and ( $\beta = 1.487$ ;  $t = 3.405$ ;  $p < .000$ ). Therefore, the significant impact of Public trust and confidence on performance of Islamic insurance industry in Nigeria was accepted at .05 level of significance.

## Hypotheses

### Hypothesis One

**H<sub>01</sub>:** Public awareness of Takaful services has no significant effect on the growth of Islamic insurance companies

**Tables 4.17: Summary of regression analysis on the significant effect of public awareness of Takaful services on growth of Islamic insurance companies**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Public awareness	0.105	3.443	11.855	.000 <sup>b</sup>	0.170	0.029	0.000

Dependent Variable: Growth of Islamic Insurance

Predictors: Public awareness

**Source: Researcher's Result via SPSS Version 25.0 (2024)**

The result of hypothesis one was tested using Regression Analysis. It shows that public awareness significantly influenced growth of Islamic Insurance companies [(R<sup>2</sup> = .029; F

(1,399) = 11.855;  $p < .05$ ]. This infers that public awareness accounted for about 2.9% of the variance observable in growth of Islamic Insurance companies while the remaining 97.1% variation in growth of Islamic Insurance companies is explained by other exogenous variable different from public awareness is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of public awareness were positively significant ( $\beta = .105$ ;  $t = 3.443$ ;  $p < .000$ ). Therefore, the significant impact of public awareness on growth of Islamic Insurance companies was accepted at .05 level of significance.

## Hypothesis Two

**H<sub>0</sub>2: Investors satisfaction and relationship quality has no significant impact on Performance of Islamic Insurance companies**

**Tables 4.18: Summary of multiple regression analysis for impact of investors satisfaction and relationship quality on Performance of Islamic Insurance companies**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Satisfaction	.100	3.372					0.000
Relationship quality	.183	4.648	18.242	.000 <sup>b</sup>	0.290	0.084	0.000

Dependent Variable: Performance

Predictors: Satisfaction, Relationship quality

Source: Researcher's Result via SPSS Version 25.0 (2024)

The result of hypothesis two was tested using Multiple Regression Analysis. It shows that Investors' satisfaction and relationship quality jointly significantly influenced performance of Islamic insurance companies [ $R^2 = .084$ ;  $F(2,399) = 18.242$ ;  $p < .05$ ]. This infers that Investors' satisfaction and relationship quality jointly accounted for about 8.4% of the variance observable in performance of Islamic insurance companies while the remaining 91.6% variation in performance of Islamic insurance companies is explained by other exogenous variable different from investors' satisfaction and relationship quality is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of investors' satisfaction and relationship quality were positively significant ( $\beta = .100$ ;  $t = 3.372$ ;  $p < .000$ ) and ( $\beta = .183$ ;  $t = 4.648$ ;  $p < .000$ ). Therefore, the significant impact of investors' satisfaction and relationship quality on performance of Islamic insurance companies was accepted at .05 level of significance.

### Hypothesis Three

**H<sub>03</sub>:** Investment decisions does not significantly impact market value of Islamic Insurance companies

**Tables 4.17: Summary of regression analysis on the significant effect of investment decisions on market value of Islamic insurance companies**

Coefficients	Unstandardized Beta	t	F	Sig	R	R <sup>2</sup>	Sig
Religion	0.179	4.329	18.743	.000 <sup>b</sup>	0.212	0.045	0.000

Dependent Variable: Market value

Predictors: Investment decisions

Source: Researcher's Result via SPSS Version 25.0 (2024)

The result of hypothesis three was tested using Regression Analysis. It shows that investment decisions significantly influenced market value of Islamic Insurance companies [(R<sup>2</sup> = .045; F (1,399) = 18.743; p < .05)]. This infers that investment decisions accounted for about 4.5% of

the variance observable in market value of Islamic Insurance companies while the remaining 95.5% variation in market value of Islamic Insurance companies is explained by other exogenous variable different from investment decision is considered in this study and the effect is statistically significant at 95% confidence interval.

In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of investment decision was positively significant ( $\beta = .179$ ;  $t = 4.329$ ;  $p < .000$ ). Therefore, the significant impact of investment decision on market value of Islamic Insurance companies was accepted at .05 level of significance.

#### Hypothesis Four:

**H<sub>04</sub>:** Religion has no significant moderating effect on the interaction between investment decision and performance of Islamic Insurance companies

To test the null hypothesis four, Partial Least Square-Structural Equation Modelling (PLS-SEM) was adopted using the SmartPLS statistical platform version 3.3.3. The independent variable is investment decision, the moderating variable is religion and performance of Islamic Insurance companies constitutes the dependent variable. Data from four hundred (400) respondents were collated for the analysis. The result of the PLS-SEM is presented in table 4.18.

**Tables 4.18: Summary of moderated analysis for moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance using PLS-SEM**

Path Description	Original sample (o) Unstandardized Beta	Sample Mean	Standard Deviation	T	Sig.	Q <sup>2</sup>
Religion → Performance of						

Islamic Insurance	0.508	0.524	0.079	6.341	0.000	
Investment decision → Performance of Islamic Insurance	0.481	0.514	0.080	5.403	0.000	0.503
Moderating Effect → Performance of Islamic Insurance	0.064	0.069	0.043	2.104	0.031	

Dependent Variable: Performance of Islamic Insurance,

Predictors: Investment decision;

Moderating Variable: Religion.

**Source: Researcher's Result via SmartPLS Version 3.33 (2024)**

Table 4.18 presents the results of PLS-SEM analysis for the moderating effect of religion on the interaction between investment decision and performance of Islamic insurance companies in Nigeria. To establish the moderating effect in a PLS-SEM warrants the creation of a new variable termed investment decision\*religion. This interaction term's influence is examined on the dependent variable (performance of Islamic insurance) and a significant moderating effect is established if the coefficient of interaction term has a p value less than 0.05. It is noteworthy that in a moderation PLS-SEM analysis, emphasis is on the moderating path result and with less attention to Adj R<sup>2</sup> or the R<sup>2</sup> coefficient found in SPSS output for moderation analysis. Based on the result, a significant moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was established with p-value = 0.031 which is less than 0.05 with  $\beta = 0.064$ . This implies that moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was statistically significant.

## **4.2 Discussion of Findings**

This study is on investment decisions and performance of Islamic insurance industry in Nigeria; a case study of Noor Takaful Insurance limited Nigeria. A total number of 400 respondents were selected using the convenience sampling technique. The demographic characteristics of the respondents showed that majority of the respondents were male within the age group of 26-45 years and several of them were First degree holders (Bachelors degree/HND). In addition, majority of the respondents were Muslims and business men/women.

### **4.2.1 Awareness of Takaful**

The findings showed that majority of the respondents claimed that they have heard of Takaful before, many of them also claimed they have ever seen or heard any advertisements or campaigns related to Takaful services and many of the respondents claimed they first heard

about Takaful from employees of Noor company and radio. This implies that the awareness level of Takaful among the respondents was high. This finding supports a study on determinants of clients' intention to adopt Takaful services that was carried out in Gombe State.<sup>1</sup> The study's finding was that the attitude towards purpose beta (at  $\beta = 0.473$ ) was greater than the beta of the remaining constructs in the model which indicates that the degree of positive understanding and perception has a greater effect on changing consumer attitudes towards behavioral intentions. This finding did not support the finding of a study on the Level of Acceptance and Awareness of Takaful that was conducted in Nigeria.<sup>2</sup> The result showed that Shariah view, locality, consumer acceptance, service quality, attitude, awareness, subjective norm, and perceived behavior control are the factors influencing the awareness and acceptance level of takaful in Nigeria. The implication of this study is that the majority of respondents do not possess sufficient information to differentiate between conventional and Islamic insurance.

#### **4.2.2 Effect of Investors Satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) on the Performance of Islamic Insurance Industry**

The result showed that service quality and relationship quality jointly significantly influenced switching intentions of customers from conventional to Takaful insurance [ $R^2 = .661$ ;  $F(2,399) = 386.924$ ;  $p < .05$ ] accounting for about 66.1% of the variance observable in switching intentions of customers. The independent contribution of service quality and relationship quality were positively significant ( $\beta = .583$ ;  $t = 24.244$ ;  $p < .000$ ) and ( $\beta = .213$ ;  $t = 4.814$ ;  $p < .000$ ). This finding supports a study on the impact of Service Quality on Customer Satisfaction and Firm Performance was conducted in Nepalese Life Insurance Companies.<sup>3</sup> The finding reported that reliability, responsiveness, assurance, empathy, and tangibles have a positive and significant impact on customer satisfaction and firm performance. It is also found

that responsiveness shows the highest positive correlation with customer satisfaction and performance in terms of ROA. The finding also support the study on service quality management practices, industry competition and performance of Insurance companies conducted in Kenya.<sup>4</sup> It reported a statistically significant relationship between service quality management practices and performance of insurance companies in Kenya. The finding was also in line with a study on the impact of Customer Relationship Management on Performance of Insurance providers was conducted in Pakistan.<sup>5</sup> It reported that customer relationship management has a positive impact on the organization's performance, with employee performance and customer handling mediating the relationship of CRM and organization performance.

#### **4.2.3 The Impact of Investment Decisions on Performance of Islamic Insurance Industry in Nigeria**

The result of research question three showed that investment decision significantly influenced performance of Islamic insurance industry in Nigeria [(R<sup>2</sup> = .062; F (1,399) = 26.095; p < .05)] accounting for about 6.2% of the variance observable in performance of Islamic insurance industry in Nigeria. The independent contribution of investment decision were positively significant ( $\beta = .339$ ;  $t = 5.108$ ;  $p < .000$ ). Therefore, the significant impact of investment decision on performance of Islamic insurance industry in Nigeria was accepted at .05 level of significance. The finding agrees with the study on the Impact of Investment Decision on Firm Financial Performance Moderated by Economic Policy Uncertainty: Evidence from the Non-Financial Sector in Pakistan.<sup>7</sup> It reported that investment in working capital shows a positive and statistically significant influence on ROA and investment in intangible assets and financial leverage has a positive impact on firm market performance. The finding supports a study on the drivers of insurance sector growth and the economy in Nigeria.<sup>8</sup> The empirical results indicate that insurance investment have a significant impact on the overall growth and

development of the Nigerian economy and the total insurance transaction does have a significant impact on the overall growth and development of the Nigerian economy.

The finding did not support the study on Institutional Efficiency and Financial Performance of Insurance Companies was carried out in Nigeria.<sup>6</sup> It reported that The findings displayed that claims processing efficiency ( $\beta = 0.185$ ,  $p > 0.05$ ) had positive but no significant effect with net profit margin, risk management effectiveness rate ( $\beta = 105.910$ ,  $p > 0.05$ ) is positive but not significantly influencing in net profit margin, regulatory compliance also have negative but does not significantly impact net profit margin of the selected insurance companies in Nigeria at 1% level ( $\beta = -12.504$ ,  $p > 0.05$ ).

#### **4.2.4 The Effect of Public Trust and Confidence on Performance of Islamic Insurance Industry in Nigeria**

The result of research question four showed that Public trust and confidence jointly significantly influenced performance of Islamic insurance industry in Nigeria [ $R^2 = .119$ ;  $F(2,399) = 26.931$ ;  $p < .05$ ] accounting for about 11.9% of the variance observable in performance of Islamic insurance industry in Nigeria. The independent contribution of Public trust and confidence were positively significant ( $\beta = 1.990$ ;  $t = 4.636$ ;  $p < .000$ ) and ( $\beta = 1.487$ ;  $t = 3.405$ ;  $p < .000$ ). This finding supports the study on determinants of Takaful adoptions mediating perceived trust in case of Somalia.<sup>9</sup> It reported that relative advantage, compatibility, culture has positively and significantly influence on adoption of Takaful with mediating perceived trust. The finding also support a study on the effects of Trust on Policyholders' Purchase Intentions in an Online Insurance Platform.<sup>9</sup> The results show that two dimensions of trust belief, ability and integrity, can significantly affect policyholders' purchase intentions and reputation, system quality, cooperation, financial risk and benefit serve as crucial antecedent factors that affect policyholders' trust beliefs. The finding of this study also agrees with the

study on the importance of trust factor in the intentions to purchase Islamic insurance (Takaful) in Indonesia.<sup>10</sup> The result showed that trust significantly affected purchase intention regarding Islamic insurance. Also, trust was significantly influenced by awareness, religiosity and subjective norm.

#### **4.2.5 Moderating effect of Religion on the interaction between investment decision and performance of Islamic Insurance companies**

The finding showed that a significant moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was established with p-value = 0.031 which is less than 0.05 with  $\beta = 0.064$  which implies that moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was statistically significant. This finding supports the study on the determinants of patronage of motor vehicle Takaful by members of National Association of Road Transport Owners (NARTOPTD) in Kano State Nigeria.<sup>11</sup> It reported that religiosity significantly affect patronage of motor vehicle Takaful by members. The finding also agrees with a study on the factors Influence Intention to Opt for Islamic Investment Schemes among Market Players was conducted in Malaysia.<sup>12</sup> It reported that that religiosity and subjective norms appeared to be the significant factors affecting intention to choose Islamic investment schemes in Malaysia Islamic capital markets.

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## **Chapter Five**

### **Summary, Conclusion and Recommendations**

This chapter is on summary, conclusion and recommendation of the study. This study investigates Investment Decisions and performance of Islamic insurance industry in Nigeria; a case study of Noor Takaful Insurance Limited Nigeria. A total number of 400 respondents were selected for this study.

#### **5.1 Summary of Findings**

- i. The level of awareness of Takaful insurance among the respondents was high.
- ii. Majority of the respondents claimed they first heard about Takaful insurance from employees of Noor company and radio.
- iii. Service quality and relationship quality jointly significantly influenced switching intentions of customers from conventional to Takaful insurance.
- iv. The independent contribution of service quality and relationship quality were positively significant to switching intentions of customers from conventional to Takaful insurance ( $\beta = .583$ ;  $t = 24.244$ ;  $p < .000$ ) and ( $\beta = .213$ ;  $t = 4.814$ ;  $p < .000$ ).
- v. Investment decision significantly influenced performance of Islamic insurance industry in Nigeria.
- vi. The independent contribution of investment decision was positively significant to the performance of Islamic insurance industry in Nigeria ( $\beta = .339$ ;  $t = 5.108$ ;  $p < .000$ ).
- vii. Public trust and confidence jointly significantly influenced performance of Islamic insurance industry in Nigeria.
- viii. The independent contribution of Public trust and confidence were positively significant to performance of Islamic insurance industry in Nigeria ( $\beta = 1.990$ ;  $t = 4.636$ ;  $p < .000$ ) and ( $\beta = 1.487$ ;  $t = 3.405$ ;  $p < .000$ ).
- ix. The moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was statistically significant with  $p$ -value = 0.031 which is less than 0.05 with  $\beta = 0.064$ .

## 5.2 Conclusion

The findings of this study revealed that Investment decision of customers significantly influenced performance of Islamic insurance industry in Nigeria. The study found that investment decisions in the Islamic insurance (Takaful) industry in Nigeria are influenced by

various factors, including regulatory frameworks, religion and the ethical guidelines of Islamic finance. Religion is one of the major factor influencing investment decisions in the Islamic insurance (Takaful) industry in Nigeria. This was established in the study as there was a significant moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance implying that moderating effect of religion on the interaction between investment decision and performance of Islamic Insurance was statistically significant.

Investment choices address the allocation and usage of resources and funds in order to maximize future returns. The decision to make an investment is dependent on the investor's aim, ability to finance the investment, and how to fund the investment. A good investment choice is founded on the information that firms give to current and future shareholders. As a result, excellent information is critical to the successful expansion of capital markets and the productive deployment of economic resources.

Furthermore, it was revealed that public trust and confidence jointly significantly influenced performance of Islamic insurance industry in Nigeria. Public trust plays a critical role in influencing investment decisions, particularly in the context of government initiatives, public projects, and financial institutions. Public trust is essential for maintaining investor confidence in financial markets and institutions. Investors are more likely to commit funds when they believe that the financial system is fair, transparent, and devoid of fraudulent activities. Government policies that promote transparency and accountability can bolster this confidence. Investors prefer to invest in environments where policies are consistent and not subject to abrupt changes. Trustworthy institutions are more likely to provide this stability, attracting long-term investments. A high level of public trust can foster economic growth. When people have confidence in the government's management of fiscal and monetary policies, they are more likely to invest in businesses, real estate, and other economic activities that contribute to

growth. Transparent communication of financial data, investment strategies, and risk management practices is vital for maintaining public trust.

In addition, service quality and relationship quality jointly significantly influenced switching intentions of customers from conventional to Takaful insurance. Service quality is crucial because it directly influences customer satisfaction, loyalty, and ultimately, the success of businesses and organizations. Effective communication is crucial for building and maintaining relationship quality. Open and honest communication fosters understanding, reduces misunderstandings, and facilitates problem-solving. The perception of fairness and equity in a relationship contributes to its quality. When individuals feel that contributions and benefits are balanced, their relationship quality tends to be higher. The ability to handle disagreements and conflicts constructively is essential for relationship quality. Effective conflict resolution prevents negative experiences from overshadowing positive aspects.

### **5.3 Recommendations**

- i. There is need to develop robust regulations specifically tailored to the Islamic insurance sector, ensuring they support Shariah-compliant investments and operations.
- ii. There is need to offer continuous training and development programs for Shariah scholars and investment managers to keep them updated on best practices and emerging trends in Islamic finance.
- iii. There is need to invest in training programs for investment managers and other key personnel to enhance their understanding of Islamic finance principles and their application in the insurance industry.
- iv. There is need to increase awareness and understanding of Islamic insurance products among consumers and stakeholders through targeted marketing and educational campaigns.

- v. There is need to regularly benchmark the performance of Islamic insurance companies against industry standards and best practices to identify areas for improvement.
- vi. There is need to integrate financial technology (Fintech) solutions to streamline investment processes, enhance operational efficiency, and improve decision-making.
- vii. There is need to maintain high standards of transparency and accountability in all investment activities to build trust among stakeholders and policyholders.
- viii. There is need to foster collaboration between Islamic insurance companies, financial institutions, and regulatory bodies to share knowledge, resources, and best practices.

#### **5.4 Ares of Further Studies**

This study majorly focused on investment decision on performance of Islamic insurance in Noor Insurance company. The main moderating variable in this study was religion. Future studies should consider other factors such as government policies and regulatory framework that could serve as moderating variables in the investment decision of customers on performance of Islamic insurance. Future researchers can also decide on other issues or elements that can influence investment decisions using different business performance metrics.

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## **APPENDIX**

### **QUESTIONNAIRE**

Dear Respondent,

I am presently carrying out a PhD dissertation on **INVESTMENT DECISIONS AND PERFORMANCE OF ISLAMIC INSURANCE INDUSTRY IN NIGERIA (A CASE STUDY OF NOOR TAKAFUL INSURANCE LIMITED NIGERIA)**

I hereby implore you to please assist me to complete the questionnaire. The information being solicited is purely for academic purpose. However, be assured that all information provided will be treated confidentially. Your honest response and completion of this questionnaire would assist in generating information that would help to determine the relationship between the variables used for the study.

**Thanks**

### **Section A (Measure of Demographic Data)**

**Instruction:** Please, tick the option which is applicable to you

1. Gender (a) Male  (b) Female
2. Age (a) 18-25 years  (b) 26-35years  (c) 36-45 years  (d) 46 -55 years  (e) Above 55 years
3. Educational Qualification (a)No formal Education  Primary School  (b) Secondary School  (c) OND/NCE  (d) Bachelors degree/HND  (f) Postgraduate
4. Religion (a) Christianity  (b) Islam  (c) Traditional religion
5. Occupation Status (a) Full Time Employed  (b) Self Employed  Business
6. Monthly Income (a) Less than N50,000  (b) N51,000-N100,000  (c) N101,000-N150, 000  (d) N151,000-N200,000  (e) Above N200,0000

**Section B (The extent to which building public awareness of Takaful services has significant effect on investors and customers Takaful services adoption)**

7. Have you heard of Takaful services before? (a) Yes ( ) (b) No ( )
8. Have you ever seen or heard any advertisements or campaigns related to Takaful services? (a) Yes ( ) (b) No ( )
9. How did you first hear about Takaful services? (a) Television ( ) (b) Radio ( ) (c) Internet ( ) (d) Friends/Families ( ) (e) Financial Institutions ( ) (f) Others ( please specify)
10. Did these advertisements or campaigns influence your perception of Takaful services? (a) Yes ( ) (b) No ( )
11. Are you currently a Takaful investor or customer? (a) Yes ( ) (b) No ( )
12. If you are not a Takaful investor or customer, what factors have influenced your decision not to adopt Takaful services? (a) Lack of Awareness ( ) (b) Lack of trust in Takaful providers ( ) (c) Limited product offerings (d) High costs( )
13. If you are a Takaful investor or customer, what factors influenced your decision to adopt Takaful services? (a) Awareness and education campaigns ( ) (b) Trust in Takaful providers ( ) (c) Competitive pricing ( ) (d) Tailored products and services ( ) (e) Recommendations from others ( )

**Section C (How investors satisfaction (Service Quality (SQ) and Relationship Quality (RQ)) affects the performance of Islamic insurance industry in Nigeria)**

14. Are you considering switching from conventional insurance to Takaful insurance in the near future? (a) Yes ( ) (b) No ( )
15. What are the primary reasons for considering a switch to Takaful insurance? (a) Ethical or religious reasons ( ) (b) Attractive Takaful product offerings ( ) (c) Dissatisfaction with conventional insurance service ( ) (d) Trust in Takaful providers ( )
16. How satisfied are you with the service quality of your current conventional insurance provider? (a) Very Dissatisfied ( ) (b) Dissatisfied ( ) (c) Nether Dissatisfied nor satisfied ( ) (d) Satisfied ( ) (e) Very Satisfied ( )
17. Are you satisfied with the quality of Relationship quality of your current conventional insurance provider? (a) Very Dissatisfied ( ) (b) Dissatisfied ( ) (c) Nether Dissatisfied nor satisfied ( ) (d) Satisfied ( ) (e) Very Satisfied ( )
18. What factors would influence your decision to switch to Takaful insurance in the future?(a) Service quality of Takaful providers ( ) (b) Relationship quality of Takaful providers ( ) (c) Competitive pricing of Takaful products ( ) (d) Trust in Takaful providers ( ) (e) Reviews/Recommendations from others ( )

**Section D (The Moderating role of Religion on the interaction between investment decision and performance of Islamic Insurance companies)**

19. To what extent do you consider yourself knowledgeable about Shari'ah principles and their application in financial products like Takaful? (a) Very Knowledgeable ( ) (b) Knowledgeable ( ) (c) Somewhat Knowledgeable ( ) (d) Not Knowledgeable ( )
20. How important is it for you that your financial decisions align with Shari'ah principles? (a) Extremely Important ( ) (b) Very Important ( ) (c) Moderately Important ( ) (d) Slightly Important ( ) (e) Not Important at All ( )

**Please indicate how strongly you agree or disagree with the following statements by circling the appropriate number. Strongly Agree= 5, Agree = 4 Neutral = 3, Disagree = 2 and Strongly Disagree= 1. Please, input numbers in the corresponding box as indicated above or tick the corresponding box.**

S/N	ITEMS	SD	D	N	A	SA
21	Your perception of Shari'ah compliance influences your decision to adopt Takaful products?					
22	A stronger adherence to Shari'ah principles in Takaful products make them more appealing to potential investors					
22	Shari'ah compliance makes the product to be more appealing to you					
23	Your religion forbid you to invest in Takaful because it is Shari'ah complaint					

**Section E (The Effect of public trust and confidence reposed on performance of Islamic insurance industry in Nigeria)**

24. How much do you trust Takaful operators in general? (a) Not at all ( ) (b) Slightly ( ) (c) Moderately ( ) (d) Highly ( ) (e) Completely ( )
25. What factors influence your trust in Takaful operators? (a) Reputation and track record ( ) (b) Transparent operations ( ) (c) Regulatory compliance ( ) (d) Professional customer service ( ) (e) Recommendations from friends/family ( ) (f) Religious principles ( )

Please indicate how strongly you agree or disagree with the following statements by circling the appropriate number. Strongly Agree= 5, Agree = 4 Neutral = 3, Disagree = 2 and Strongly Disagree= 1. Please, input numbers in the corresponding box as indicated above or tick the corresponding box.

S/N	ITEMS	SD	D	N	A	SA

26.	Your level of trust in Takaful operators influenced your decision to use Takaful services					
27	You can switch Takaful operators due to a lack of trust or confidence					
28	Takaful products needs to be improved upon to gain more public trust and confidence					

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