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The Islamic Takaful Insurance Industry and Its Role in Achieving Sustainable Development: A Case Study of the Gulf Cooperation Council Countries - Current Status and Prospects for 2030

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Abstract

The takaful insurance industry is regarded as an essential component of the financial structure of every economy. The dissemination of a takaful insurance culture contributes to strengthening the sector and enhancing its performance, while the development of this activity requires the integration and interaction of the efforts of both the state and financial institutions.
This study adopts a descriptive-analytical approach based on collecting data, information, and factual indicators related to the takaful insurance industry in the Gulf Cooperation Council countries and its prospects for 2030.
The study concludes that the takaful insurance industry has gained remarkable acceptance at the global level, as evidenced by the growing orientation of major international insurance companies toward this industry. It also finds that the Gulf Cooperation Council countries have achieved a qualitative leap in this field, accounting for nearly 60% of the global takaful market, and the paper ends with a set of findings and recommendations.

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1. *Introduction*

The In light of current conditions and successive crises, even developed countries have been compelled to reconsider their concept of development and to call for reducing the depletion of resources, the waste of energy, and environmental pollution in order to preserve the environment. A new term therefore emerged - sustainable development - which researchers and experts regard as a final avenue for changing the current crisis-ridden situation at the economic, social, and environmental levels.

The takaful insurance industry is relatively recent in comparison with conventional insurance. The insurance industry plays an important role in managing risks for various economic actors, in addition to its social role. Takaful insurance performs the same functions because, although it differs from conventional insurance, it seeks to provide the same service while also realizing solidarity, which constitutes both the foundation and the purpose of takaful insurance.

Financial institutions collect savings and manage them efficiently so that they can be reinvested in ways that benefit society as a whole. Insurance companies are one form of financial institution aimed at supporting economic and social stability and at contributing to the implementation of development plans through managing and investing the savings of insured individuals in different investment channels, as well as protecting them against risks and losses. Given this importance, an insurance mechanism consistent with the provisions of Islamic Sharia was developed, one form of which is takaful insurance.

In the Arab market, the takaful insurance market reached USD 4.5 billion, of which Gulf countries accounted for 60%, and it was expected to rise to USD 86 billion by 2025. Globally, the takaful industry is distributed as follows: 56% in the Middle East, 36% in South and East Asia, 7% in Africa, and 1% in the rest of the world.

1. Research Problem

From this context, the following research problem emerges: What is the current status and future outlook of the Islamic takaful insurance industry in the Gulf Cooperation Council countries, and what challenges do present conditions impose on its development and on the achievement of the desired sustainable development?

1.2 Research Hypotheses

Takaful insurance companies are bound, in conducting their activities and managing their operations, by unified and specific controls that differ from those applied in commercial insurance companies.

Takaful insurance is a system founded on cooperation and solidarity, and it has made possible solidarity-based economic models free from usury in comparison with the commercial insurance system.

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Developing the takaful insurance industry requires a reconsideration of the legislation governing the Gulf Cooperation Council countries in particular and the wider international context in general.

1.3 Importance of the Study

This study seeks to draw attention to the importance of the takaful insurance system as a Sharia-compliant alternative to commercial insurance. It has gained broad acceptance among Muslims and their scholars because it is based on cooperation among participants. The study is also an attempt to identify the challenges facing the Islamic takaful insurance industry in the Gulf Cooperation Council countries and to highlight its current status and prospects during the period 2012-2030.

1.4 Objectives of the Study

To identify the substantive differences between Islamic takaful insurance and commercial insurance.

To present the main concepts of sustainable development and its dimensions.

To highlight the current status of the Islamic takaful insurance industry in the Gulf Cooperation Council countries.

To identify the principal challenges facing the Islamic takaful insurance industry.

To present the global prospects of the Islamic takaful insurance industry through 2030.

To answer the foregoing question, the paper is organized around the following themes: sustainable development - concepts and dimensions; the Islamic takaful insurance industry; Islamic takaful insurance and the goals of sustainable development; the current status of takaful insurance in the Gulf Cooperation Council countries and its challenges; and the prospects of the global takaful market.

2. Sustainable Development: Concepts and Dimensions

2.1 Concept of Sustainable Development

Edward Barbier defines sustainable development as an activity that raises social welfare to the greatest possible extent while preserving available natural resources and causing the least possible damage or abuse to the environment. He thereby shows that sustainable development differs from development in general because it is more complex and more deeply intertwined with economic, social, and environmental dimensions (Amari, 2008, p. 4).

The Food and Agriculture Organization (FAO) defined sustainable development in 1989 as the management and protection of the natural resource base, together with the orientation of technological and institutional change in a way that ensures the achievement and continued satisfaction of human needs for present and future generations (Romano, 2006, p. 56).

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2.2 **Dimensions of Sustainable Development**

The idea of sustainable development was formally endorsed at the Earth Summit held in Rio de Janeiro in 1992. Political leaders recognized the importance of this concept, particularly in light of the fact that a large portion of the world population was still living in poverty, that there was a marked disparity in the patterns of resource use between rich and poor countries, and that the global ecosystem was under intense pressure. This made it necessary to reorient economic activity toward meeting the urgent developmental needs of the poor while preventing negative impacts on the global environment (United Nations, Agenda 21, p. 12).

2.2.1 **Environmental Dimension**

Rational use of non-renewable resources by preserving natural assets so that future generations inherit a similar environment, especially where no alternatives to such resources exist.

Recognition of the limited capacity of the environment to absorb waste.

Precise determination of the quantities that should be used from each non-renewable resource on the basis of its true economic value and appropriate pricing.

Reconciliation between economic development and environmental conservation, while taking into account the rights of future generations to natural resources, especially exhaustible resources.

2.2.2 **Economic Dimension**

For rich countries, sustainable development aims at continuous reductions in the consumption of energy and natural resources, which are many times higher in those countries than in poor ones. For example, energy consumption derived from oil, gas, and coal in the United States reaches a level thirty-three times higher than that of India.

2.2.3 **Social Dimension**

Sustainable development includes a human development process aimed at improving health care and education. It also incorporates participation, since the definitions of sustainable development emphasize that development should be participatory, with people taking part in the development decisions that affect their lives. Human beings thus stand at the center of the concept. Another essential element is justice, equity, and equality, whether between present and future generations or among people living today who do not enjoy equal access to natural resources and social services. Sustainable development therefore seeks to reduce the sharp disparities between the Global North and the Global South. In its social dimension, it also aims to provide credit to informal economic sectors and to improve educational opportunities and health care for women.

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2.2.4 **Technological Dimension**

Sustainable development seeks a rapid transformation in the technological base of industrial societies toward cleaner, more efficient technologies that are better able to reduce pollution. It likewise calls for technological transformation in industrializing developing countries so as to avoid repeating the mistakes of past development and the environmental pollution caused by industrial countries. Technological improvement is therefore an important means of reconciling development objectives with environmental constraints, so that development is not achieved at the expense of the environment.

3. Indicators of Environmental Sustainability

Environmental indicators are an integral part of sustainable development indicators and contribute directly to achieving its goals. Five principal components of environmental sustainability may be identified (Harfouch et al., 2008, pp. 113-115):

A country is environmentally sustainable to the extent that it succeeds in preserving its natural systems and in improving rather than degrading them.

Environmental pressures should be reduced to a level at which human activities do not produce major harmful effects on ecosystems.

The atmospheric component includes climate change, ozone depletion, and air quality, as well as their effects on human health and ecological balance. It is commonly measured through carbon dioxide emissions, ozone layer depletion, and the concentration of air pollutants.

The protection of freshwater quality and supply is central because water is the lifeblood of existence, a key factor in development, and one of the ecosystems most exposed to negative impacts. In this field, sustainability is usually assessed through water quality and water availability indicators.

Biodiversity, as well as the fight against deforestation and desertification, is another major indicator. Protecting wild animals and plants, establishing reserves, safeguarding forests, and combating desertification all remain essential because the expansion of development is linked to environmental quality and because biodiversity ensures the continuity and balance of ecosystems.

4. The Islamic Takaful Insurance Industry

4.1 Concept of Takaful Insurance

Linguistically, takaful derives from the Arabic root kafala, which conveys the meanings of guarantee, support, maintenance, and sponsorship. The term therefore carries the connotations of cooperation, mutual assistance, maintenance, and guarantee. By contrast,

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the term insurance is derived from security and reassurance, conveying peace of mind and the absence of fear; it is also related to trust and confidence (Hamida, 2012, p. 28). The term takaful itself is also linked to kafalah in the sense of guaranteeing debts; thus, mutakafil means mutually supportive and jointly liable, while kafil means guarantor (Abu Hamad, 2019, p. 4).

In technical usage, takaful insurance may be defined as an agreement among a group of participants who cooperate in bearing losses arising from specified risks by supporting one another through paying money into a common fund on the basis of voluntary donation. The proceeds of that fund are then used to assist members against certain types of losses or damages (Islamic Financial Services Board, 2009, p. 2).

It has also been defined as an agreement among persons exposed to similar risks to avert the damages arising from those risks by paying contributions into an insurance fund with an independent financial personality. Compensation is paid from that fund to participants who suffer insured losses, and the fund is managed either by a body chosen from among policyholders or by an independent company that receives a fee for administration and a fee or share of profits in return for investing the fund as an agent or mudarib (Bouhraoua Al-Saeed, 2011, p. 2).

Accordingly, takaful insurance is a cooperative contract based on mutual solidarity among participants for the purpose of averting the risks that surround them. It is managed by a company or cooperative body that is not a principal party to the financial exchange itself, but rather acts on behalf of the participants for an agreed fee. It may likewise be described as an agreement between a takaful insurance company, acting as representative of the participants body, and those seeking insurance - whether natural or legal persons - whereby the latter are accepted as members of the participant pool and commit themselves to paying a known amount with the intention of donation to the insurance account, in return for compensation if the covered risk materializes in accordance with the policy, technical principles, and the company statutes (Al-Ali, 2010, p. 228).

4.2 **Islamic Takaful Insurance**

The idea of Islamic takaful insurance emerged from cooperative insurance, but it is not restricted to the members of a particular profession or social group. Rather, it is broader and more comprehensive, meeting the needs of society as a whole - individuals, institutions, companies, and others - while remaining consistent with the rules and principles of Islamic Sharia.

Practitioners of takaful and its participants seek to apply a set of core rules and

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principles with great care, the most important of which are as follows:

Joint or mutual guarantee: losses are paid from the common fund established through the contributions or donations of takaful policyholders. Responsibility is therefore shared among the policyholders, who are at once the insured and the guarantors, while the insurance company manages the operations for the benefit of all participants.

Ownership of the takaful fund: the fund belongs to the takaful policyholders themselves. They are therefore entitled to its returns, and the amounts remaining in the fund at the end of the period - the insurance surplus - are theirs and are distributed among them.

Removal of uncertainty or gharar: the fund is constituted from contributions or donations voluntarily paid by policyholders for the purpose of helping one another in the event of financial losses arising from their various activities.

Fund management: the takaful insurer is responsible for managing the fund according to the model chosen, whether an agency contract for a known fee, a Sharia-compliant mudarabah arrangement, or a mixed model.

Investment: the investments arising from the fund must comply with Islamic Sharia and avoid usury and prohibited activities. The company capital must likewise be invested through lawful channels.

Sharia supervision: every takaful insurance company should maintain a Sharia supervisory board charged with monitoring the company operations to ensure conformity with Islamic Sharia. Its fatwas and decisions should not be subject to interference, and the company must abide by them.

4.3 **Foundations of the Islamic Takaful Insurance System**

The Islamic takaful insurance system rests on two broad groups of foundations: jurisprudential foundations and cooperative foundations (Abdel Muttalib, 2013).

4.3.1 **Jurisprudential Foundations**

Islamic takaful insurance is considered a contract of donation intended primarily to promote cooperation in dispersing risks and sharing responsibility for disasters through the contribution of sums devoted to compensating whoever suffers harm.

Takaful insurance is free from usury in both of its principal forms - riba al-fadl and riba al-nasi ah - because the participants contracts are not usurious and the collected contributions are not invested in usurious transactions.

The fact that contributors do not know in advance the exact benefit that may accrue to them does not invalidate the contract,

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because they are donors; hence there is no objectionable uncertainty, gambling, or wagering.

The funds of participants are invested Islamically, in accordance with the provisions of Sharia and in lawful fields, away from usury.

4.3.2 **Cooperative Foundations**

Cooperation: the system is based on cooperation, solidarity, and mutual support among a group of individuals in order to confront accidents and compensate losses.

Service to members: the objective is to serve members by protecting them against risks through their mutual solidarity and assistance to any member who suffers financial harm. The aim is not to trade in security or to maximize profit.

Open membership: every individual may become a participant rather than a shareholder, and whatever is paid is treated as a voluntary donation intended to compensate any member who incurs damage. If no damage occurs, the participant remains entitled to what was paid and to the share of any investment return on the surplus.

Investment of surplus contributions: the surplus is invested in fields permitted by Islamic Sharia, including mudarabah, musharakah, murabahah, istisna, ijarah, and salam.

Surplus from insurance operations: if the operations produce a surplus, that surplus is distributed to the members of the insurance pool.

Separation between company funds and participant funds: Islamic takaful companies must keep separate accounts for the funds of founders and participants, and founders may not share in the surplus generated by insurance operations.

Participation in management: each member of the insurance pool has the right to stand for participation in managing the company activities, although a board of directors may receive remuneration deducted from the surplus before distribution.

Creation of reserves to face deficits: if claims exceed contributions, the board may cover the deficit from reserves accumulated from previous surpluses before distribution.

Subjection of activities and operations to Sharia supervision: all company activities and transactions must be reviewed by a Sharia supervisory board composed of qualified scholars in Sharia, economics, and insurance, whose task is to monitor operations and issue the fatwas needed for the conduct of business.

4.4 Challenges Facing Islamic Takaful Insurance

A number of challenges continue to weigh on the Islamic takaful insurance industry

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and require a strategic vision capable of addressing them in both the present and the future (Duwabah, 2016, pp. 13-15). These challenges may be summarized in five principal areas.

4.4.1 **Sharia Legitimacy**

The ongoing debate over the permissibility of Islamic takaful insurance is one of the most serious challenges because it can keep the industry trapped in a closed circle. This is especially true where vested interests linked to conventional insurers intentionally fuel the argument that there is no real difference between takaful and conventional insurance apart from the name. The situation is further complicated by juristic disagreement among Muslim scholars concerning the permissibility of insurance in general, the distinction between conventional and takaful insurance, and the legal characterization of takaful itself.

In this context, Sharia issues have been raised concerning the legal characterization of takaful based on donation, collective provisioning, waqf, or mudarabah, as well as questions relating to the meaning of donation, the relationship between the insured and the manager, the treatment of the insurance surplus, the formation of reserves and provisions, and the recourse to conventional reinsurance under conditions of necessity or need.

4.4.2 **Sharia Supervision**

Sharia supervision reflects the credibility of Islamic insurance and its acceptance among Muslim publics. In its current form, however, it constitutes a major challenge for many takaful companies because it is often concentrated in the hands of a limited number of supervisors, sometimes marked by monopoly, sometimes inadequate or merely formal, and often characterized by conflicting fatwas and the absence of a unified body able to coordinate Sharia rulings in this area.

4.4.3 **Low Awareness of Takaful Insurance**

Islamic takaful insurance still suffers from low awareness among Muslim communities, to the point that confusion between it and conventional insurance has become a tangible reality for many people. The frequent statement that there is no difference between Islamic takaful insurance and conventional insurance is a natural outcome of the weakness of efforts to disseminate a culture of takaful insurance and to refute the doubts surrounding it. As a result, a considerable segment of the public prefers to avoid insurance altogether, whether Islamic or conventional, because of unclear Sharia perceptions, lack of trust, and precautionary restraint.

4.4.4 **Legislative Structure**

The absence of an appropriate legislative structure suited to the nature of takaful companies operations remains a major obstacle to the development of the industry.

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For example, the insurance portfolio representing takaful policyholders does not enjoy legal recognition in a number of national legal systems. Likewise, the benevolent loan provided by shareholders to cover deficits is treated under conventional accounting models as a loss, contrary to its real nature, which distorts the actual financial position of the company.

4.4.5 **Competition**

Competition between Islamic takaful companies and conventional insurance companies is among the most important challenges faced by the industry. Conventional companies possess strong advantages, including long experience in insurance activity, human, marketing, and technological capacities, and accumulated financial resources that enable them to provide insurance services at lower prices or with higher service quality.

By contrast, many takaful companies are relatively new. Much of their human capital has come from conventional insurance companies, and a significant portion of those employees do not sufficiently understand the difference between the conventional system and Islamic takaful, which may lead to the practical dominance of conventional methods within takaful companies. Takaful companies also tend to have smaller capital bases and a more limited share of the global insurance market, while Sharia-compliant retakaful companies remain insufficient in number compared with the widespread presence of conventional reinsurance companies.

4.5 **Major Differences between Commercial Insurance and Takaful Insurance**

The most prominent differences between takaful insurance and commercial insurance concern the legal form of the relationship, the objective of the contract, the treatment of the insurance surplus, the investment of funds, and the recourse to reinsurance. In conventional insurance, the contract is concluded between two parties - the insured and the insurer - and the premiums paid become the property of the company. In takaful, each participant has a dual legal status, being both protected by the pool and a contributor to the protection of others, while the company merely manages the insurance operation and investments in a Sharia-compliant manner (El-Shazly Gomaa, 2019).

Commercial insurance primarily aims at maximizing profit for shareholders while providing protection to policyholders. Takaful, by contrast, is principally directed toward providing security and protection through cooperation among participants to mitigate the harm suffered by any one of them. Although both systems rely on technical methods to determine contributions, takaful differs in that the surplus generated by operations belongs to the participants after deducting the management share due to the operating

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company, whereas in commercial insurance the surplus belongs entirely to shareholders. Takaful funds must also be invested through Sharia-compliant channels, and retakaful is preferred whenever possible.

Table 1. Major Differences between Commercial Insurance and Takaful Insurance

Aspect of Comparison	Takaful Insurance	Commercial Insurance
Form of the relationship	The participant has a dual capacity: the insured person and, at the same time, a guarantor for other participants. The company acts as manager on behalf of the participant pool.	The customer has only one capacity: that of the insured, while the company is the insurer.
Purpose and objective	To provide security and protection for participants through cooperation and mutual support.	To generate profitability for shareholders while providing security to policyholders.
Distribution of surplus	An insurance surplus is distributed to participants, with the company retaining the management share stipulated in its statutes.	No distributable insurance surplus is allocated to policyholders; it belongs to the company and its shareholders.
Investment of funds	Investment channels must comply with Islamic Sharia principles.	There is no requirement that investment channels comply with Islamic Sharia principles.
Reinsurance	Preference is given to retakaful companies, while conventional reinsurance may be used in cases of need and under Sharia conditions.	any reinsurance company without a Sharia compliance condition.

Source: Adapted from El-Shazly Gomaa (2019).

5. Islamic Takaful Insurance and the Goals of Sustainable Development

Takaful insurance plays an important role in achieving sustainable development, understood as the pursuit of economic and social development while preserving the environment (Laalami and Zafran, 2018, pp. 5-6). This role appears in several concrete ways:

It strengthens agricultural development by providing insurance coverage related to agricultural investment such as equipment, machinery, and transport, as well as insurance against potential risks affecting crops, livestock, and similar assets.

It contributes to social development through medical takaful coverage, bearing treatment expenses, especially in cases of chronic illness, and providing coverage for unemployment, temporary or permanent disability, death, and retirement, in addition to helping policyholders accumulate capital. In this sense, social takaful functions as an alternative to life insurance, since the company preserves and saves the contributions and returns them at the end of

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the contract if the insured risk does not occur.

It contributes to industrial development by protecting means of production such as machinery, equipment, and transport facilities, and by reducing the financial losses generated by insured risks through renewal, repair, and maintenance. Fire insurance, engineering insurance, workers insurance, and similar forms of coverage help industrial and productive operations continue without resorting to debt, thereby supporting industrial development. This role is also emphasized in the European Union Report (2015).

It contributes to environmental protection by enabling companies to finance clean and environmentally friendly projects, including small and medium-sized traditional industries, and by providing types of coverage such as pollution insurance.

It helps absorb part of unemployment through the jobs created within its companies and branches.

Practical experience has also shown that takaful plays an effective role in financing sustainable development through several economic functions, which may be summarized as follows:

Takaful companies finance economic projects through the investment of insurance funds built from the contributions paid by participants, thereby stimulating productive and commercial activity.

They design takaful programs that seek to mobilize savings from members of society and develop them through investment, thus helping to provide financing for investment operations while also serving the interests of participants. Among the best-known programs are savings, investment, and pension plans. These funds are usually directed toward relatively low-risk and environmentally friendly fields.

Takaful policies can function as instruments of credit in commercial transactions, since they may be pledged to third parties or used to secure a debt in favor of a creditor. In such cases, the policy becomes a credit instrument through which the insurer pays the amount of the debt if the debtor becomes insolvent.

They provide financial resources to the state through fees imposed on takaful companies and through taxes paid on their profits.

They insure domestic and international investment operations against a wide range of commercial and non-commercial risks.

6. Current Status of Takaful Insurance in the Gulf Cooperation Council Countries

The takaful insurance industry has spread widely since the establishment of the first takaful company in 1979. Its diffusion

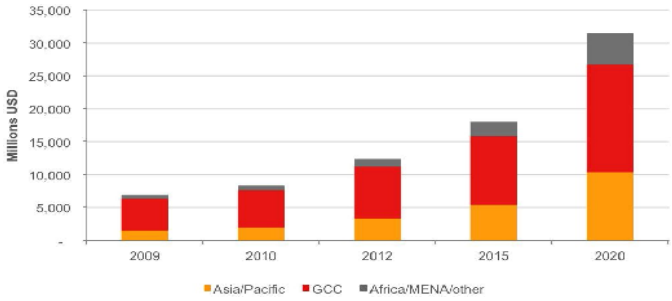
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accelerated from the mid-1990s onward and became more pronounced during the first decade of the twenty-first century. Despite its steady growth in the Gulf Cooperation Council countries and its contribution of roughly 40% of total global takaful activity, the industry continues to register positive performance, and its basic indicators point to strong growth potential and promising future opportunities.

At the same time, the industry faces numerous challenges, foremost among them its relatively small size when compared with conventional insurance, the saturation of Gulf markets by local and foreign conventional insurers, the severity of competition in medical and motor insurance lines, the insufficient development of the regulatory and legislative environment of the takaful sector, and the acute shortage of local expertise. These factors affect the ability of takaful companies to bear risk and increase their operating costs. In addition, awareness of insurance remains weak among consumers and among small and medium-sized enterprises, which often do not recognize the importance of insurance as an effective means of protecting wealth and developing savings.

According to the 2020 report of the Arab Monetary Fund in cooperation with the Islamic Financial Services Board, the number of takaful institutions worldwide reached approximately 306, including takaful windows and retakaful entities operating in at least forty-five countries. The Gulf Cooperation Council countries account for around 27% of the total number of takaful institutions. Takaful institutions are active throughout the Arab world, even in countries where specific legislation regulating them has not yet been enacted. These companies support the non-bank financial sector and are expected to contribute to financial stability in Arab countries, which makes it necessary to adopt best practices in governance and risk management and to provide a supervisory environment capable of identifying challenges early and addressing them effectively.

Figure 1. Growth of Takaful Insurance Worldwide, 2009-2020



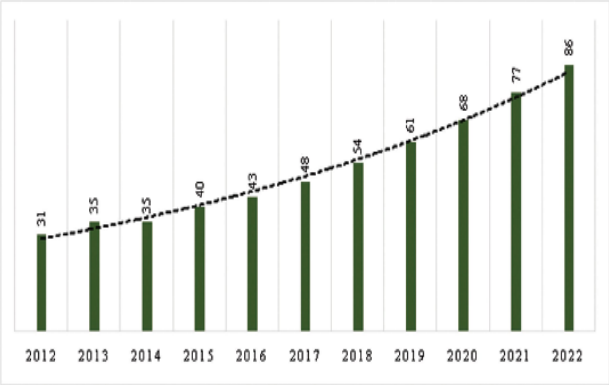
Source: Omar Clark Fisher, Basics of Islamic Insurance, Dubai, UAE, 2013, p. 42.

Figure 1 shows the growth of the global takaful insurance industry, which was projected on the basis of demand for takaful insurance and of growth rates recorded in 2009 and 2010. The figure points to substantial growth in Africa, the Middle East and North Africa, and the wider global market, with total growth

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exceeding USD 30 billion by 2020. It also indicates strong growth in the Gulf Cooperation Council countries, where the volume was expected to reach around USD 17 billion in 2015 and exceed USD 25 billion in 2020. In the Asia-Pacific region, the volume was expected to reach about USD 6 billion in 2015 and approximately USD 10 billion by 2020 (Fallag, 2015, p. 230).

Figure 2. Global Takaful Assets and Expected Growth, 2012-2022



Source: Azzedine Ghlamallah, L industrie de l assurance Takaful et son potentiel de developpement en Algerie, FINASSURANCE, No. 3, February 2020, p. 20.

Figure 2 indicates that expected global takaful assets were on a continuously rising trajectory, increasing from about USD 31 billion in 2012 to approximately USD 61 billion in 2019, with expectations of reaching USD 86 billion by 2022. The study also notes the performance of Gulf Takaful Insurance Company, which announced a 34.8% increase in net profit during the first quarter of 2021, rising from QAR 16.19 million (USD 4.44 million) on 31 March 2020 to QAR 21.83 million (USD 5.94 million) over the same period in 2021.

6.1 Challenges Facing the Takaful Insurance Industry in the Gulf Cooperation Council Countries

Intense competition from conventional companies: takaful companies face strong competition from conventional insurers with large capital bases. This reality requires the takaful industry to reconsider its strategies, operations, and systems. Small takaful companies in particular need to improve their sales and service capacities and reduce operating costs, while the industry more generally should pursue structural transformation in relation to risk, pricing, and cost in order to sustain growth and profitability in stable and high-growth markets.

Shortage of qualified human resources: this challenge affects all types of insurance expertise required for carrying out insurance operations at their various stages. The shortage is exacerbated by the limited number of specialists who combine Sharia knowledge with financial sciences and risk management. Continuous training, professional qualification, and capacity building are therefore indispensable, especially since many employees come from the commercial insurance sector.

Legislative challenge: in most countries, takaful companies still operate without

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specific laws governing their supervision and oversight, which leaves them subject to frameworks originally designed for conventional insurance companies rather than to clearly defined and publicly announced standards tailored to their nature.

Weak regulatory environment: shortcomings in the Gulf regulatory environment include underdeveloped solvency standards, low levels of transparency, and insufficient guidelines governing the investments of takaful companies. These weaknesses are reflected in shrinking technical profitability, ineffective operating models, limited scalability, and low investment returns. The absence of unified regulations also generates sharp competition among companies following similar strategies, which may eventually force weaker firms out of the market unless accompanied by stronger legal frameworks, improved governance, and better capital adequacy through mergers or other forms of consolidation.

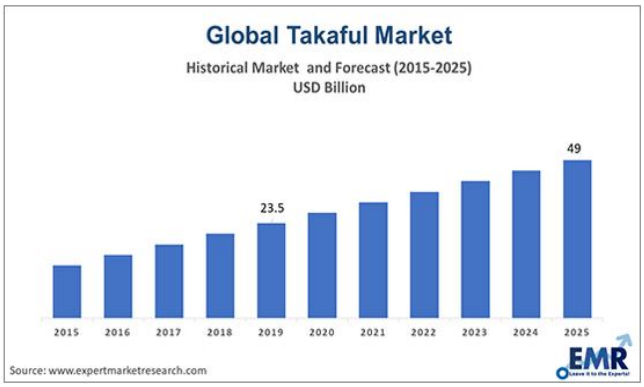
Weak awareness of insurance services: both conventional and Islamic insurance suffer from limited awareness of their importance and benefits. This is evident in the low level of per capita insurance expenditure in the Gulf Cooperation Council countries compared with other developing countries. Weak awareness also affects existing customers understanding of the advantages and risks of insurance products and of policyholders rights. Some Gulf countries have therefore adopted customer-protection rules. The Saudi central bank, for example, has issued principles requiring cooperative insurance companies to disclose key contractual provisions relating to claims and complaints handling, to deal with customers fairly and transparently, to adhere to professional ethics, to protect customers from fraud, and to safeguard the privacy of information.

7. Global Takaful Market Prospects for 2030

The global takaful market outlook may be examined by product category - family or life takaful and general takaful - as well as through regional analysis, historical performance and forecasts, market dynamics, value-chain analysis, government regulations, the competitive landscape, and industry developments. The figure below is retained as a baseline market reference, while the discussion is extended to 2030 because the main drivers of takaful expansion - digital transformation, regulatory refinement, and rising demand for Sharia-compliant protection - are medium-term structural factors.

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Figure 3. Baseline Global Takaful Market Forecast, 2015-2025



Source: Expert Market Research, Takaful Market Report.

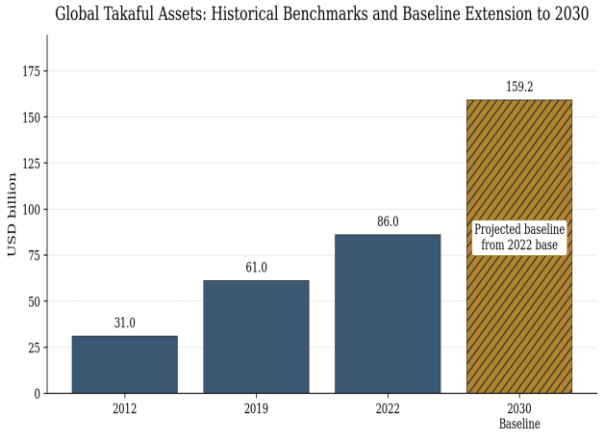
Figure 3 shows that the general takaful segment occupies the largest share of the market among product categories. As a Sharia-compliant insurance system, takaful is based on the principle that members of the community contribute funds, or a portion of their profits, to a pooling arrangement that guarantees them against loss or injury. The basic principle of takaful is therefore the collective duty to cooperate and protect one another. The figure also suggests that digital platforms are becoming an important driver of demand and are expected to support the growth of the industry throughout the forecast period.

At the regional level, the Gulf Cooperation Council remains the leading region in the global takaful market. The takaful market in the GCC continues to grow because of the large number of affluent Muslims and the sustained demand for Sharia-compliant financial protection. Accordingly, a 2030 horizon provides a more professional framework for assessing market consolidation, product innovation, and the sector's expanding contribution to sustainable development in the GCC and the wider global market.

7.1 Analytical Extension to 2030

To complement the baseline market discussion already presented above, the following analytical extension carries the asset-based outlook to 2030. The extension is derived from the numerical path already reported in the study, namely global takaful assets of approximately USD 31 billion in 2012, USD 61 billion in 2019, and USD 86 billion in 2022.

Figure 4. Global Takaful Assets: Historical Benchmarks and Baseline Extension to 2030



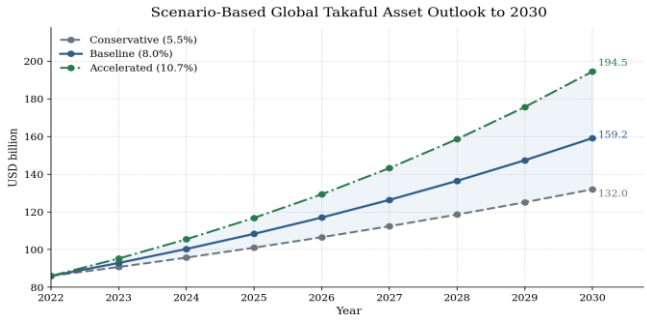
Source: Prepared by the authors based on the global takaful asset figures reported in the present study.

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7.2 Statistical Discussion of the 2030 Outlook

To avoid overstating precision, the 2030 outlook is presented as a scenario range rather than as a single deterministic market value. Three annual growth paths are used from the 2022 base (USD 86 billion): a conservative path (5.5%), a baseline path (8.0%), and an accelerated path aligned approximately with the historical 2012-2022 CAGR (10.7%).

Figure 5. Scenario-Based Global Takaful Asset Outlook to 2030



Source: Prepared by the authors as an analytical extension from the 2022 asset base reported in the article.

Historical benchmark growth (2012-2022): from USD 31.0 billion to USD 86.0 billion, implying an approximate CAGR of 10.7%.

Conservative 2030 scenario (5.5% annually): about USD 132.0 billion.

Baseline 2030 scenario (8.0% annually): about USD 159.2 billion, or roughly USD 73.2 billion above the 2022 base.

Accelerated 2030 scenario (10.7% annually): about USD 194.5 billion.

The baseline scenario suggests that the sector could expand by nearly 85% between 2022 and 2030, which points to continued depth in Sharia-compliant risk protection rather than merely short-lived cyclical growth. Even the conservative path remains clearly expansionary, indicating that the industry retains structural growth potential.

For the GCC, the article's earlier finding that the region remains the leading market supports the interpretation that a substantial portion of this additional expansion would likely be concentrated in GCC markets if regulatory harmonization, stronger retakaful capacity, digital distribution, and product innovation continue to advance. Accordingly, the 2030 horizon appears plausible, but it remains conditional on institutional reform, governance quality, and broader market awareness.

Methodological note: The figures above are scenario-based analytical extensions prepared for this English version of the paper. They are intended to support discussion of the 2030 horizon and should not be read as audited market totals.

8. Conclusion

The insurance sector is one of the most important economic sectors because it contributes to sustainable development by providing insurance coverage for individuals and projects against potential risks. This reality led Muslim scholars to study its permissibility and to develop the

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takaful model as a lawful alternative to commercial insurance. Although takaful insurance resembles commercial insurance in the technical methods used to estimate losses and determine contributions, it differs fundamentally in the way funds are invested and in the requirement that its activities be subject to Sharia supervision in order to guarantee their conformity with Islamic law.

8.1 Findings

Takaful insurance may be defined as an agreement among a group of persons to compensate losses that may affect one of them when a specified risk occurs, in return for each participant making a fixed or variable contribution by way of donation. Those earmarked contributions are used to cover the damages that may arise during the agreed period. If losses exceed contributions, contributions may be increased; if the losses are less than the contributions, members may recover the surplus or carry it forward according to the agreed system.

Islamic takaful insurance may be viewed both as a system founded on solidarity and cooperation among a group of persons in bearing the damage that may affect one or more of them, and as a contract that represents the legal and Sharia-compliant mechanism through which the goals of that system are implemented.

Confronting the challenges facing the Islamic takaful insurance industry now and in the future requires a strategic vision capable of ensuring Sharia credibility alongside economic and social efficiency. Such a vision must remove ambiguity surrounding the legitimacy of takaful, reduce juristic disagreements within the industry, develop an appropriate legislative infrastructure, activate the role of Sharia supervision, strengthen the competitive capacity of takaful companies, support the establishment of retakaful institutions, and move the industry beyond narrow imitation of conventional insurance toward the broader Sharia and technical foundations of takaful.

Takaful insurance has developed significantly in recent years and has become an industry in its own right that competes with commercial insurance. Despite the achievements already recorded, the takaful market remains young and capable of accommodating many more institutions and companies.

The takaful insurance industry has achieved marked acceptance globally, as shown by the fact that major international insurance companies are increasingly orienting themselves toward this field and by the qualitative leap achieved by the Gulf Cooperation Council countries, which account for a large share of the global takaful market.

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8.2 Recommendations

It is necessary to develop the laws and regulatory systems governing takaful insurance companies in ways that help them discharge their mission efficiently, keep pace with changes in transactions and market needs, and protect all stakeholders.

The development of takaful insurance requires sustained efforts to overcome the difficulties facing the system, particularly through enacting legislation that specifically regulates the takaful industry, strengthening both internal and external Sharia supervision, and working toward a unified Sharia reference framework.

It is essential to raise the level of public awareness of takaful insurance through seminars, conferences, media programs, and other outreach activities capable of highlighting the role and importance of the takaful sector in easing hardship within Muslim societies.

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