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EXPLORING GLOBAL *TAKĀFUL* PARTICIPATION: IMPLICATIONS FOR NIGERIA'S FINANCIAL INCLUSION AND ECONOMIC SUSTAINABILITY

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ABSTRACT: *This qualitative study is intended to investigate the global landscape of Takāful participation with a specific focus on its potential implications for enhancing financial inclusion and contributing to the economic sustainability of Nigeria. The study employs content analysis techniques to systematically examine scholarly literature, industry reports, and policy documents. It aims to reveal recurring themes, emerging trends, and strategic insights related to Takāful practices worldwide. Findings indicate detailed patterns and trends in Takāful participation globally, emphasizing its potential impact on financial inclusion, particularly for marginalized populations. The study provides practical implications for policymakers, industry stakeholders, and researchers, offering evidence-based insights into integrating Takāful within Nigeria's financial landscape. The identified patterns and trends serve as practical guidance for policymakers aiming to leverage Takāful to address financial inclusion challenges, which contributes to the discourse on fostering economic sustainability in Nigeria through Takāful integration.*

KEYWORDS: *Takāful,* Financial inclusion, Economic sustainability, Nigeria.

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INTRODUCTION

Financial inclusion involves integrating individuals who are currently excluded from financial services such as savings, credit, payments, pensions, insurance (*Takāful*), and remittances, among others, into the financial system (Kumar *et al.,* 2022; Demirguc-Kunt *et al.,* 2018). This integration enables them to access and utilize these services for economic and other activities that can enhance their well-being (Lal, 2018). The discussion surrounding financial exclusion as a multifaceted challenge affecting diverse sectors of a country's population in both developed and developing economies has expanded. In contemporary times, there has been a growing acknowledgment of the importance of financial inclusion among scholars, development entities, and policymakers. At the same time, fostering financial inclusivity has emerged as a crucial global strategy aimed at enhancing individuals' financial well-being, reducing poverty, and promoting sustainable economic growth. For instance, the Sustainable Development Goals outlined by the United Nations Development Program highlight the pivotal role of financial access as a catalyst for development. Several other studies have explored the relationship between financial inclusion and various economic factors. Neaime and Gaysset (2018) investigated the impact of financial inclusion on the stability of MENA countries. They found that while financial inclusion does not directly alleviate poverty, it contributes positively to financial stability in the region. Li (2018) analysed the Chinese Household Finance Survey data and reported that financial access helps poor households escape poverty in rural China. Alvarez-Gamboa *et al*. (2021) focused on Ecuador and discovered that financial inclusion alleviates multidimensional poverty.

Van *et al*. (2021) explored the link between financial inclusion and economic growth globally, revealing a positive relationship, especially in countries with low income and lower financial inclusion. Similarly, Khan *et al*. (2022) found a positive impact of financial inclusion on economic growth, poverty reduction, sustainability, and financial efficiency for G20 countries. Ahmad *et al*. (2021) specifically delved into the digital financial inclusion-economic growth nexus in China and concluded that it had a positive impact. Shen *et al*. (2021) and Khera *et al*. (2021) also supported these findings using spatial dependence models and cross-sectional instrument variable procedures, respectively. Furthermore, a thorough exploration of the current literature underscores a substantial correlation among financial inclusion, poverty alleviation, information and communication technology adoption, corruption, and sustainable economic expansion (Chinoda & Kapingura, 2024; Olaoye & Zerihun, 2023; Jungo *et al.,* 2023; Alhammadi, 2023; Aracil *et al.,* 2022; Ajide, 2020; Khaki & Sangmi, 2017; Mehrotra & Yetman, 2015; Chibba, 2009; Levine, 2005). However, it is notable that there is a gap in the existing literature concerning *Takāful*, which warrants a dedicated exploration of its role in financial inclusion and economic sustainability. Financial inclusion is pivotal for economic development and the stability of the financial system. A financially inclusive country directs its economic efforts towards assisting the poor segments of society in enhancing their financial well-being. Moreover, robust financial inclusion is closely linked to increased banking transactions, which lead to greater stability in the banking sector. Conversely, restricted access to financial services exacerbates the poverty cycle, hindering individuals' capacity to save during times of abundance or secure loans in periods of financial hardship.

Over 1.4 billion adults across the globe lack access to financial services (Global Findex Database, 2021), indicating a lack of bank accounts with financial institutions or mobile money providers, as depicted in Figure 1. Moreover, the near-universal ownership of accounts in high-

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income economies sharply contrasts with the situation in developing economies, where almost all unbanked adults are concentrated. This disparity underscores the ongoing challenges and disparities in financial inclusion efforts, highlighting the need for continued and targeted interventions to bridge the gap between different economic regions. Awareness campaigns, regulatory reforms, and the development of inclusive financial products have played a crucial role in making banking services more accessible, but persistent economic and infrastructural challenges in developing economies continue to pose obstacles to universal financial inclusion (Rumbogo *et al.,* 2021 & Lubaba *et al.,* 2022; Alhammadi, 2023).

Notably, 54% of the total unbanked population, accounting for 740 million individuals, is concentrated in only seven economies, including China, India, Pakistan, Indonesia, Nigeria, Egypt, and Bangladesh (Demirgüç-Kunt *et al.,* 2022). China and India, despite having relatively high account ownership rates, significantly contribute to the global unbanked population because of their large populations, with 130 million and 230 million unbanked individuals, representing 9% and 17%, respectively, as depicted in Figure 2. Pakistan, with 115 million unbanked adults (8%), and Indonesia, with 100 million (7%). Subsequently, Nigeria (5%), Egypt (4%), and Bangladesh (4%), each representing a percentage of the total world population that is unbanked. Comprehending the implications of this phenomenon is crucial, particularly in the context of studying *Takāful*'s role in financial inclusion. These seven economies together account for over half of the global population lacking access to banking services, a situation that remained consistent between 2017 and 2021. This stability in the ranking emphasizes the persistent challenges faced by these economies and underscores the importance of sustainable and effective strategies for financial inclusion, where *Takāful* can play a pivotal role.

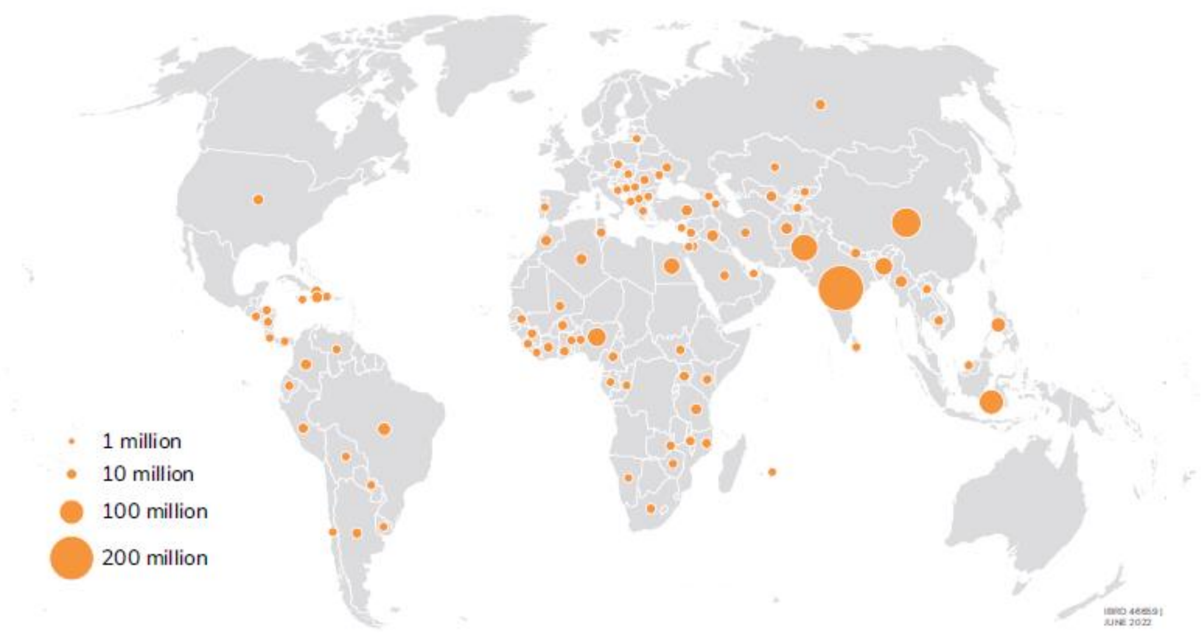

Figure 1. Global Unbanked Adult Population: 1.4 billion.

Source: The Global Findex Database 2021 by (Demirgüç-Kunt *et al.,* 2022).

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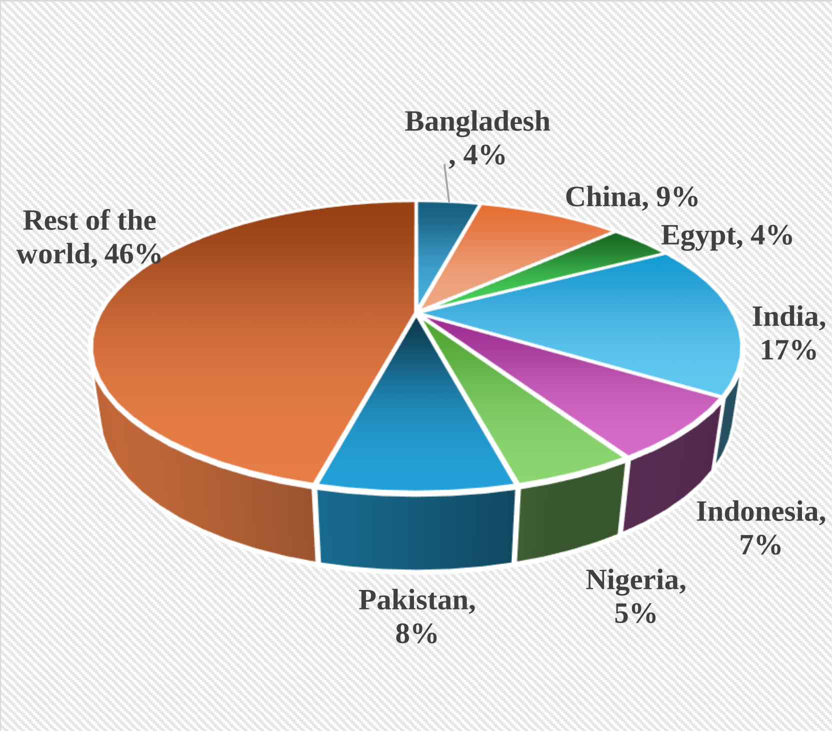

Figure 2. Over 50% of the World's Unbanked Adults Reside in Seven Economies.

Source: The Global Findex Database 2021 by (Demirgüç-Kunt *et al.*, 2022).

Nigeria, being a developing country with a large population, encounters distinctive challenges and opportunities in the realm of financial inclusion. The country's diversity, including different ethnic groups, languages, cultures, and socioeconomic backgrounds, influences how various population segments access financial services. Although Nigeria has the potential for economic growth due to abundant natural resources, its economy has experienced fluctuations and challenges. Factors like political instability and structural issues such as infrastructural deficiencies, institutional weaknesses, unequal distribution of resources, bureaucratic obstacles, limited access to credit, and dependency on oil, among others, have hindered consistent and inclusive economic growth. Despite considerable strides made in recent years, a significant segment of the Nigerian population continues to need help accessing essential financial services.

This study contributes to the academic literature in two keyways. Firstly, it fills a crucial gap by systematically analysing the global landscape of *Takāful* participation, offering valuable insights into patterns and trends within this Islamic insurance model. Secondly, the study investigates the potential implications of *Takāful* participation specifically for Nigeria's financial inclusion and economic sustainability. By concentrating on Nigeria, the study addresses the unique context of a nation with a substantial Muslim and Christian population and various economic challenges such as poverty, spatial inequality, and infrastructure gaps. Examining *Takāful* in this setting allows for an exploration of how Islamic finance can effectively tackle these challenges, contributing to sustainable economic development. The study's findings hold significance for policymakers in Nigeria as they navigate economic

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growth and financial inclusion strategies, offering insights that can shape policies emphasizing integration and strengthening of *Takāful* into the broader financial ecosystem.

This paper is structured as follows: Section 2 presents a comprehensive literature review, providing an overview of *Takāful*, highlighting its distinctions from traditional insurance, and examining its impact on financial accessibility amid challenges in Nigeria. Section 3 outlines the methodology of the study, emphasizing qualitative analysis. In Section 4, we conduct a detailed analysis of the global distribution of *Takāful* contributions across various geographical regions. Finally, Section 5 concludes the paper by summarizing the essential findings and discussing their implications for Nigeria.

LITERATURE REVIEW

Takāful

Takāful is a concept rooted in Shariah, denoting an insurance framework where a collective of individuals mutually commits to mitigating potential life-related losses or damages (Kazaure, 2019). This commitment is facilitated through the voluntary contribution of *Tabarru* (donation) into a shared *Takāful* fund (Nasir, 2021; Hemrit, 2020; Kazaure, 2019; Razak *et al.*, 2013). Within the *Takāful* paradigm, participants acknowledge their collective responsibility, agreeing that the fund should be mobilized to assist any member experiencing unforeseen loss or damage, adhering to predetermined amounts (CBN, 2019). The conceptual underpinning of *Takāful* is encapsulated by the Arabic term '*Ta'awun'*, symbolizing mutual assistance among participants in addressing unforeseen events related to health, death, aging, fire, and disability. It is the Islamic alternative to conventional insurance (Ansari, 2021; Shaikh *et al.*, 2020). *Takāful* is divided into two categories: family and general. General *Takāful* encompasses a variety of losses, including things like fire, burglary, accidents, floods, and other risks. Conversely, family *Takāful* is designed to address investment needs by mitigating risks associated with human life, such as mortality, sickness, and disability (Mukhtar & Barre, 2023). This categorization reflects the nuanced approach of *Takāful*, addressing diverse aspects of risk and reinforcing the collaborative ethos inherent in its Shariah-based principles.

Contrasting *Takāful* with Traditional Insurance

The key differences between conventional or traditional insurance systems and Islamic insurance (*Takāful*) are notable. While both systems aim to safeguard users from unexpected financial losses, they differ significantly in organizational frameworks and guiding principles (Alias et al., 2023). *Takāful* stands out from traditional insurance because it strictly operates in accordance with Sharia law (Nahar, 2015). In Islam, elements found in traditional insurance, such as interest, gambling, and uncertainty, are deemed impermissible. *Takāful* addresses these concerns through a model based on cooperation and risk-sharing that is in harmony with Islamic principles, ensuring ethical profit-sharing (Hussain & Pasha, 2011).

Moreover, the divergence extends to their approaches to managing risk and sharing profit (Akhter, 2010). Traditional insurance relies on risk transfer, wherein the insured passes on the risk to the insurer in return for payment of a premium (Andabai, 2019). In contrast, *Takāful* operates on a model of shared risk, where participants pool their resources together to collectively mitigate potential losses. Surpluses generated are allocated among both participants and the *Takāful* operator in order to promote equity and ethical distribution of

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profits (Aziz *et al.,* 2014). This cooperative model not only distinguishes *Takāful* from traditional insurance but also emphasizes the ethical and communal aspects inherent in Islamic finance practices.

The introduction of *Takāful* into Nigeria's insurance sector began in 2008 with the registration of three *Takāful* operators, followed by the issuance of the *Takāful* Regulation Policy in 2013 (Kazaure, 2019; Nwachukwu, 2015). Despite these initiatives, there has been no significant increase in the acceptance of *Takāful* in the country over seven years. Surprisingly, evidence suggests a decline in *Takāful* penetration, particularly in Frontier African Markets such as Kenya, Nigeria, and Tunisia, decreasing from 3.4% in 2009 to 2.7% in 2011 (Deloitte, 2014).

The overall insurance market penetration in Nigeria, including *Takāful*, is only 0.6% (Deloitte, 2014), despite more than half of the population being Muslim (Kazaure, 2019; Yusuf, 2012). While there is a positive attitude toward *Takāful* acceptance among Muslims, actual participation is low, possibly due to limited awareness of the *Takāful* concept. This awareness challenge raises questions about the factors influencing the understanding and adoption of *Takāful* in Nigeria's insurance sector.

The Nigerian government's first step to regulate the insurance industry came with the enactment of the Insurance Companies Act of 1961, establishing the Office of the Registrar of Insurance for oversight (Kazaure, 2019; Yusuf & Yusuf, 2010). However, insurance in Nigeria dates back to 1921, when the first insurance company was established, with the African Insurance Company Limited emerging in 1958 as the first indigenous insurance company (Uche, 1999).

Further regulatory developments took place in 1997 with the National Insurance Commission Act, leading to the formation of the National Insurance Commission (NAICOM), which is responsible for overseeing the insurance business in Nigeria. Recognizing the need for specific guidelines for *Takāful*, NAICOM introduced the *Takāful* Operational Guidelines in 2013. *Takāful* was introduced in Nigeria in 2005 through the *Takāful* window – African Alliance Insurance (Ismail, 2015). This regulatory framework aimed to govern the practice of *Takāful* in the Nigerian insurance sector.

***Takāful*'s Impact on Financial Accessibility amid Development Challenges in Nigeria**

Despite being home to the largest economy and population in Africa, Nigeria faces significant developmental hurdles that limit opportunities for most of its citizens. A Nigerian born in 2020 was projected to become a future worker at only 36% as productive as they could have been with full access to education and health, ranking the country 7th lowest globally on the global human capital index (World Bank, 2023). The challenges include weak job creation, limited entrepreneurial prospects, and the emigration of many workers seeking better opportunities. The absorption of the 3.5 million Nigerians entering the labour force per annum is hindered, contributing to a continuous cycle of economic stagnation. The projected poverty rate of 37% in 2023 is alarming, with an estimated 84 million Nigerians expected to live below the poverty line, positioning Nigeria as the country with the world's second-largest poor population after India (World Bank, 2023). Spatial inequality remains a pressing issue, where the best-performing regions in Nigeria compare favourably to upper-middle-income countries. At the same time, the worst-performing states fall below the average for low-income nations. In most areas of Nigeria, state capacity is low, service delivery is limited, and insecurity and violence prevail. The existence of wide infrastructure gaps further exacerbates challenges, restricting

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access to electricity and hindering domestic economic integration necessary for leveraging the country's substantial market size. Moreover, emerging issues such as the escalating severity and frequency of extreme weather events, particularly in the northern regions, compound the longstanding developmental challenges (World Bank, 2023).

To address these multifaceted challenges, innovative financial tools such as *Takāful* could play a pivotal role. *Takāful*, as a Sharia-compliant form of insurance, can contribute to economic resilience by protecting against unforeseen risks. By fostering financial inclusion through *Takāful* initiatives, vulnerable populations can be empowered and strengthened in their ability to cope with economic uncertainties. In addition, *Takāful* can support entrepreneurial endeavours and job creation, thereby contributing to the country's broader economic development goals.

METHODOLOGY

This study employs a content analysis approach to explore the landscape of global *Takāful* participation and its potential implications for Nigeria's financial inclusion and economic sustainability. Content analysis is chosen as the primary research method due to its effectiveness in systematically examining a diverse array of secondary sources, including reports and publications. Data for this research are extracted from secondary sources, comprising scholarly literature, industry reports such as World Bank reports, Islamic Financial Services Board's Reports (IFSB), Central Bank of Nigeria (CBN) Reports, and Global Findex Database, policy documents, and other relevant publications on *Takāful* practices globally. The selection of secondary sources enables a comprehensive and in-depth analysis of the existing body of knowledge, providing insights into patterns, trends, and critical aspects of *Takāful* participation.

Content analysis, as highlighted by Neuendorf (2002), is a technique for analysing documents to extract meanings. It is a systematic and objective approach to analysing the content of various forms of communication, such as texts, images, or audiovisual materials. The goal is to derive meaningful insights, identify patterns, and draw inferences from the analysed content. Hence, content analysis is an approach designed to draw reliable and accurate conclusions from texts or other meaningful content by considering their context of use (Krippendorff, 2013; Marshall & Rossman, 2016).

In order to ensure methodological rigor, the content analysis is guided by Krippendorff's principles. Krippendorff's approach offers a systematic and reliable framework for analysing content, focusing on the qualitative interpretation of textual data. This approach enhances the validity and reliability of the findings by providing a structured method to identify patterns and extract meaningful insights. Consequently, it provides a robust framework for systematically exploring the nuances of global *Takāful* participation and its potential implications for Nigeria's financial inclusion and economic sustainability.

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Global Distribution of *Takāful* Contributions across Geographical Regions

The global distribution of *Takāful* contributions across geographical regions reflects the dynamic landscape of Islamic insurance practices worldwide. *Takāful*, driven by principles rooted in ethical finance, has garnered attention and participation from diverse corners of the globe. This section examines the patterns and trends in the contribution of *Takāful*, exploring how these financial practices are geographically dispersed. By examining the global distribution of *Takāful* contributions, the study aims to unravel insights into the varying adoption rates, regional preferences, and potential implications for the broader financial landscape.

Figure 3 depicts that, as of the end of 2022, the majority of global *Takāful* contributions originated from four primary regions. These include the Gulf Countries, i.e., the Gulf Cooperation Council (GCC) region, which contributes significantly, accounting for 55.7% of global *Takāful* contributions, equivalent to 16.7 billion US dollars. Following closely, the Middle East and South Asia (MESA) collectively contribute 20.0%, totalling 6.0 billion US dollars. South-East Asia (SEA) is another substantial contributor at 19.6%, representing USD 5.9 billion. Africa's participation stands at 2.6%, amounting to 0.8 billion US dollars, while other regions contribute 2.0%, totalling 0.6 billion US dollars. These figures underscore the diverse regional distribution of global *Takāful* contributions.

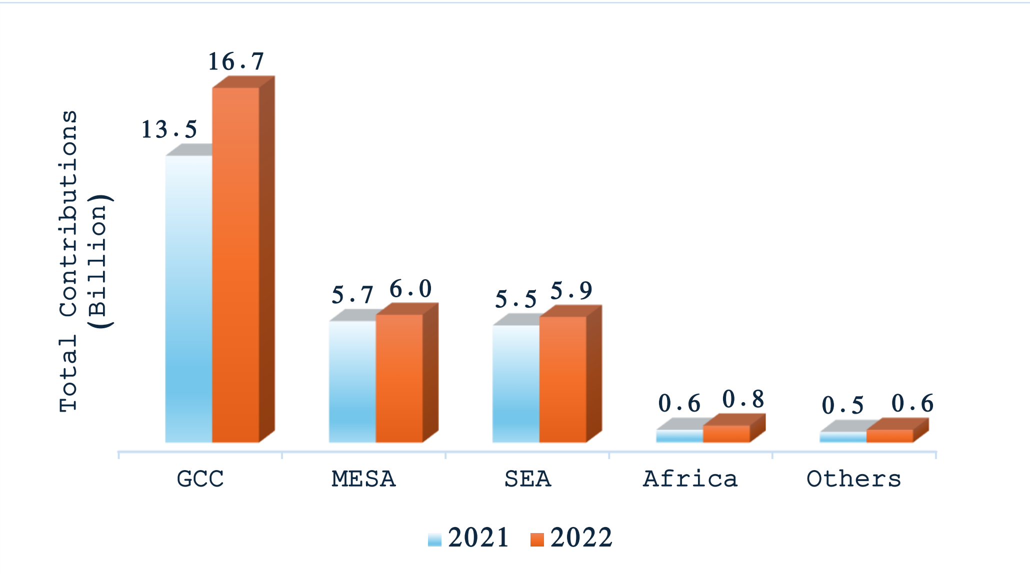

Figure 3: Contributions to *Takāful* Across Major Regions

Source: Adapted from (IFSB, 2023)

Takāful Landscape in the GCC Region

The *Takāful* industry in the GCC region has maintained its dominance, securing its position as the leading global market with a 55.7% share of worldwide contributions in 2022. The sector

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experienced substantial growth, surging by 24.4% annually to reach 16.7 billion US dollars. This recovery was a notable post-pandemic development in most countries in the region, driven by increased oil prices and government investments in economic diversification. Additionally, the heightened demand for healthcare protection, coupled with escalated product pricing, particularly in retail lines, contributed to the overall growth, rebounding from discounts observed during the pandemic. Saudi Arabia stood out as a significant contributor (Azwa *et al.*, 2021), recording an impressive yearly growth of 26.9% in 2022, achieving a substantial 14.2 billion US dollars. This impressive figure constitutes approximately 87% of the total contributions in the region. Qatar marked a significant milestone with an extraordinary year-on-year growth of 72.5%, securing contributions totalling 527 million US dollars in 2022 (Islamic Financial Services Board.(IFSB), 2023).

In contrast, Oman reported a more modest 7.7% year-on-year growth. Meanwhile, in Bahrain, *Takāful* contributions amounted to 23.1 million US dollars, experiencing a slight decline of 4.9% compared to 23 million US dollars reported in 2021. This decline can be linked to a 6.7% decrease in the healthcare and medical segments, the largest contributor representing 37.5% of the overall gross contributions. The GCC region's dominant participation in the *Takāful* sector is attributed to several factors. Firstly, the region boasts a significant Muslim population with a strong preference for Sharia-compliant financial products like *Takāful*, driven by cultural and religious affinity. Additionally, many GCC countries have established supportive regulatory frameworks for Islamic finance, including *Takāful*, fostering growth in the sector. Rapid economic expansion in the region has led to increased disposable income and heightened demand for insurance and *Takāful* products. Moreover, significant investments in infrastructure development have raised awareness of risk management and the importance of insurance coverage, further driving *Takāful* participation. Finally, *Takāful* operators in the GCC region have demonstrated innovation and adaptability in product offerings and distribution channels, catering to the evolving needs of consumers. Together, these factors establish the region as a critical player in the global Islamic insurance market.

Takāful Landscape in the MESA Region

The MESA regions collectively accumulated total contributions of 6.0 billion US dollars in 2022, marking an annual growth rate of 5.1%. This figure constituted 20% of the worldwide *Takāful* contributions over the period. Notably, Iran emerged as the primary market within this region, constituting about 89% of the overall contributions in 2022. However, the Iranian economy has faced considerable challenges in recent years, including significant devaluation of currency and rising prices resulting from economic penalties imposed on the nation. These challenges persisted until the end of 2022, impacting the worth of contributions and reported growth, mainly when denominated in US dollars for international benchmarking.

Takāful Landscape in the SEA Region

The SEA region's *Takāful* sector accumulated a total of 5.9 billion US dollars, reflecting a noteworthy 7.5% growth compared to the previous year's estimate. This region comprises Malaysia, Indonesia, and Brunei Darussalam. Malaysia has emerged as the leading market within this region, with the sector demonstrating consistent growth in recent years (Azwa *et al.*, 2021). Achieving a 9.1% increase in 2022, Malaysia reached 4.13 billion US dollars, constituting a substantial 70.2% of the overall contributions from the SEA region.

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Contributions from the family *Takāful* business, while experiencing a slight slowdown to 15.5% in 2022 compared to the robust annual growth of 25.3% in 2021, still represented a significant 76% of the overall *Takāful* contributions during the period. Annual contributions from new ventures rose by a commendable 18.3%, albeit at a slower pace than the 28.9% documented in 2021 following the easing of COVID-19 restrictions. The increase in contributions from new business lines was notably boosted by the expansion of Mortgage Reducing Term *Takāful* (MRTT) and in medical and healthcare categories.

***Takāful* Landscape in the African Region**

In Africa, the *Takāful* sector currently operates as a fringe market, coexisting with conventional insurance, except in Sudan, where a fully functioning *Takāful* industry has thrived for over four decades. Despite its infancy in the region, the industry is slowly evolving in countries such as Tunisia, Zambia, Ethiopia, Mauritania, Gambia, South Africa, Senegal, Nigeria, Kenya, Libya, Algeria, Morocco, and Egypt. Many countries in this region experienced significant currency devaluation, impacting the *Takāful* market contributions of each respective nation when expressed in US dollars. Sudan stands out with an estimated total *Takāful* contribution of SDG 60 billion, marking a remarkable 78% leap compared to 48.85 million US dollars in 2020. General *Takāful* dominates the market, representing 98% of total contributions, while the family *Takāful* sector comprises between 1.4% and 2.4% of the market's contributions. Notably, three out of seven newly licensed operators focus exclusively on life and medical insurance, indicating an expected boost in the family *Takāful* sector. Despite facing challenges caused by the ongoing internal conflict or war in the country, the *Takāful* market in Sudan holds promise for development and growth. Specifically, there are abundant opportunities in sectors such as medical insurance, micro-insurance, livestock insurance, and agricultural insurance.

***Takāful* Landscape in Other Region**

Turkey saw a significant rise in total contributions in 2022, reaching 647.35 million US dollars. The Participation Insurance sector played a crucial role in this increase, growing by 57.1% compared to the preceding years. These contributions represented about 5.5% of the market's total premium revenue in 2022, showing a 1.3% increase. Notably, the general *Takāful* segment, covering accident lines, property, and motor, contributed 44% and 29%, respectively, whereas the health and medical lines contributed merely 18%. Throughout this period, the family *Takāful* sector showed substantial growth, making up 22.8% of total contributions and amounting to 0.95 billion US dollars. This growth was fuelled by bancassurance, and credit-linked policies facilitated via banking institutions and digital platforms. Turkey's family *Takāful* sector, benefiting from its relatively youthful population, holds the potential to elevate the insurance penetration rate from its current standing of 1.3%. However, Turkey's insurance sector faces challenges, including losses from natural catastrophes, including the recent earthquake in 2023, which has exerted pressure on the growth of contributions, particularly in personal lines. Despite these challenges, the dynamic landscape of Turkey's insurance industry presents opportunities for further development, particularly in expanding the family *Takāful* business to meet the unique needs of the population.

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Summary of the Global *Takāful* Contributions by Region

i. Concentration in Gulf Countries: The GCC region, comprising Gulf Countries, stands out as the primary contributor. This concentration underscores a significant presence and activity of *Takāful* in these countries, indicating a well-established market or a preference for Islamic insurance in the region.

ii. MESA Contribution: The MESA collectively contribute substantially, indicating significant participation from these regions. This highlights the prevalence and active utilization of *Takāful* in the Middle East and South Asia.

iii. South-East Asia's Role: SEA emerges as another significant contributor. This suggests that countries in South-East Asia also actively engage in *Takāful*, contributing significantly to its global volume.

iv. Limited Participation from Africa: Africa's participation remains relatively low, indicating lower involvement in *Takāful* compared to other regions. This could be attributed to various factors, including differences in financial practices, awareness levels, or regulatory frameworks.

v. Minor Contributions from Other Regions: Other regions collectively contribute, albeit to a lesser extent, indicating that *Takāful* is less prominent in those areas compared to the major contributing regions mentioned above.

Nigeria stands to gain significantly by embracing the *Takāful* model, drawing inspiration from countries that have already witnessed substantial participation, such as the GCC and MESA regions. *Takāful*, with its potential to enhance economic resilience, not only provides risk mitigation but also supports entrepreneurial activities and contributes to financial inclusion. The success stories of *Takāful* in regions like the GCC and MESA underscore the positive impact it can have on economic development by empowering a broader segment of the population. By strategically allocating funds from the *Takāful* pool to entrepreneurs for ethical and Sharia-compliant investment purposes, Nigeria can foster a more inclusive financial ecosystem. The unique feature of *Takāful* funds being invested in businesses and projects aligning with Islamic principles opens avenues for ethical investments. Entrepreneurs seeking capital for projects in line with Islamic finance guidelines could find *Takāful* funds as a promising source of support. Therefore, Nigeria can benefit a lot by emulating the successful integration of *Takāful* in other regions and can ensure that its broader financial ecosystem is enriched, ethical, and inclusive.

CONCLUSION

In conclusion, this study has undertaken a comprehensive exploration of global *Takāful* participation and its implications for Nigeria's financial inclusion and economic sustainability. The analysis revealed that while *Takāful* has witnessed significant growth and acceptance in various regions, its adoption in Nigeria remains modest, with limited market penetration despite being introduced over a decade ago. The disparity between positive attitudes toward

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Takāful and actual participation underscores the need for enhanced awareness and targeted strategies to promote its uptake among the Nigerian population. The study has highlighted the potential benefits of *Takāful* in fostering financial inclusion, particularly among the unbanked and underserved segments of the population. Leveraging the principles of mutuality and risk-sharing inherent in *Takāful*, there exists an opportunity to bridge the gap in insurance coverage and contribute to the economic empowerment of individuals and communities.

Moreover, the global distribution of *Takāful* contributions showcased varying levels of participation across different regions, emphasizing the need for context-specific approaches to promote *Takāful* in Nigeria. Insights from successful *Takāful* markets can inform policy interventions and industry practices to enhance the effectiveness of *Takāful* initiatives in the Nigerian context. As Nigeria grapples with economic challenges and strives for sustainable development, embracing *Takāful* presents an avenue to enhance the resilience of the financial sector and promote inclusive economic growth. The regulatory framework for *Takāful,* established by the National Insurance Commission, provides a foundation for further development, necessitating collaborative efforts from stakeholders, policymakers, and the industry to unlock the full potential of *Takāful* in Nigeria. In moving forward, targeted educational campaigns, regulatory refinements, and strategic partnerships can contribute to overcoming barriers to *Takāful* adoption. By aligning *Takāful* initiatives with Nigeria's broader financial inclusion agenda, the country can harness the economic and social benefits of this ethical and inclusive financial model.

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