

## COMPARATIVE STUDY BETWEEN ISLAMIC INSURANCE AND CONVENTIONAL INSURANCE IN SRI LANKA

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**Abstract:** *Insurance as an important risk management tool that widely used in business and financial enterprises since long period of time. Takaful has been introduced as an alternative mechanism of risk management complying Islamic law and eliminating the controversial aspects in conventional insurance practices. The study was conducted to analyze the participants on Takaful concept how they differentiate Takaful from conventional insurance. The mix method of qualitative and quantitative was applied in this survey for the statistical analysis. The study identified that most of the participants knew the Takaful is a Shari'ah compliant insurance but significant number of participants don't aware the risk sharing technique of Takaful. These key findings shows that Takaful has been well accepted by the industry as well as people regardless of their religious faith. But Most of Takaful users don't aware the fundamental difference of Takaful. Thus, there is a need to educate all Takaful clients especially educating Muslim participants is necessary as it is their religious requirement to know their deals and deeds.*

**Keywords:** *Takaful, awareness, participants, risk sharing, risk transfer*

### Introduction

Islamic finance was first introduced by Amana investment in year 1997, had become to be one of the growing financial sectors in Sri Lanka. Following amendment of the banking act No 30 of 1988 in March 2005, and conventional banks also have some flexibility to promote Islamic banking windows, Islamic Insurance Company and to launch Islamic financial companies in Sri Lanka (Sabraz Nawaz Samsudeen, Ahamed Hilmy & Gunapalan, 2019).

Conventional insurance had a long history of existence in the country with many laws being enacted to support its successful operations. Many conventional insurance business practices had also evolved over times which were naturally reflected in insurance related legislative enactments passed by parliament. The only system of risk management that was available in the country was conventional insurance. This practice was well accepted and deeply entrenched in the lives of all people including Muslims.

Islamic Insurance was introduced in Sri Lanka with an establishment of Amana Takāful in 1999. Amana Takaful was incorporated as a Public Company for the purpose of Composite Insurance in Sri Lanka in 1999, with technical collaboration from Takaful Malaysia. Listed in the Colombo Stock Exchange since 2006, Amāna Takaful has expanded its geographic footprint through 25 branches in the country. Overseas branch operation in the Republic of Maldives since 2005 was incorporated as a free standing PLC listed on the MSE in 2011.(AmanaTakaful, 2016).

Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011 requires composite insurance operators to split their life and non-life insurance business into two separate legal entities, which came into effect the 1<sup>st</sup> January 2015 and All Insurance

providers in the country including Amana Takaful segregate its operations into two separate business entities.(KPMG International, 2018). There are 28 insurance companies currently offering risk management services in the country. (Insurance Companies Licensed to carry on Insurance Business, 2021). Among only three companies provide Takaful services. Amana Takaful offer both Life and general takaful while HNB and LOLC al Falah offer only general takaful.

The overall growth of insurance sector in Sri Lanka saw its total asset base increase by 10.9% YoY in 2017 with life insurers accounting for majority of overall industry assets. (KPMG International, 2018). However, there is a possibility that COVID-19 pandemic situation will affect the short as well as the long-term financial outlook of insurers. The impact can reflect on equity and debt instrument pricing and also reduce insurable exposures due to negative impact on businesses. However, It will not affect the global growth of the industry.(KPMG, 2020).

The overall insurance sector reported a significant growth of 32.7% in profit before tax amounting of LKR 18.16 Bn compared to LKR 13.69 Bn reported in the six months ended in June 2019. The life insurance sector profit has declined by 20.6% from LKR 8.3 Bn in June 2019 to LKR 6.6 Bn in June 2020. This is because of global pandemic which delayed premium collections from policyholders due to negative impact on individuals. (KPMG, 2020).

## **Literature Review**

A study said that both Islamic and conventional insurance companies motivate people towards high return activities but that may lead to making huge losses (Shafique, Ahmad, & Ahmad 2015). As to make it come true, an analysis proved that both type of insurances negatively affect Middle East country's GPD (Akhter, Pappas, & Saad Ullah Khan, 2017). Similarly, Investment proficiencies were different between Islamic and conventional insurance in Malaysia (Ahmad et al., 2013). A study in Pakistan revealed the performance level of both insurances were same (Abbas et al., 2018) and the same result was found in Indonesia (Ulansari, 2019). Although, the performance of conventional insurance superior than Islamic insurance (Janjua & Akmal, 2021)(Haroon, 2019); similarly, comparative research conducted in Bahrain confirmed that the profitability and efficiency of conventional insurance were better than Islamic insurance (Hidayat & Abdulla 2015). But, that was vice versa in another study conducted in Croatia (Sulji & Maradin 2017) and Saudi Arabia (Almulhim, 2019). And, previous research supported a study that Islamic insurance deserved to compared to conventional insurance (Khan et al., 2011). But still, there were inefficiencies in Pakistan's Islamic insurances (Taib, Ashraf, & Ashraf 2018). Meanwhile, a statistical analysis found that Islamic insurance industries were stable and less risky compared to conventional insurance (Abidi, Nsaibi, & Regaieg, 2020). But the following study was contradicted the previous study since the stability of the conventional banks better than Islamic insurance (Kabir & Worthington, 2017). Similarly, a risk analysis conducted in the UK confirmed that the liquidity risk was high in Islamic insurance than in conventional insurance (Mohammad et al., 2020). But per capita income strongly increase the demand of Islamic insurance (Masood, Javaria, & Shah, 2019).

It was found that the consumers felt information asymmetry was higher in conventional insurance compared to Islamic insurance (Shettima, 2020). But, A survey in Pakistan was pointed out that, Islamic insurance far behind than conventional insurance due to less

awareness of takaful, even though good demand (H. A. Hassan & Abbas, 2020). So that, the Islamic insurance awareness level among the public can vary based on the educational level, religious orientation, and distribution channel (Waseem-Ul-Hameed et al., 2017). Meanwhile, customer satisfaction on both types were equal in Saudi Arabia (Lone, Aldawood, & Bhat, 2017). Furthermore, Authors suggested to develop a framework for Islamic insurance with the help of research scholars, experts, and academics to create awareness to the Sri Lankan publics (Mohamed et al., 2017). Meanwhile, another analysis was confirmed that the Sri Lankans engaged with Insurance either conventional or Islamic or both; although, awareness level of Islamic insurance was less (Jahan et al., 2020). Similarly, A study conducted among the staff and students of the South Eastern University of Sri Lanka confirmed that majority of them have had less awareness about takaful (Nafees et al., 2017). A systematic review has suggested to develop awareness policies to the public and expose the Islamic insurance companies in international level (Al-Amri & Hossain, 2015).

There were similarities and differences in both insurance types but Islamic insurance helps to reduce crisis issues in the country (Mohamed Mazahir, Rahman Ab, & Ramzy, 2017). Similarly, Statistical analysis confirmed the financial distress in both types of insurance industries was different (Nustini & Amiruddin, 2019); likewise, the financial market was negatively affected conventional insurance but positively in Islamic insurance (Alshammari, Alhabshi, & Saiti, 2019). Meanwhile, it was confirmed that urbanization and financial sectors were positively influenced both types of insurances, but the importance of Islamic insurance can be improved by urbanization and education among the ASEAN and South Asian countries (Akhter & Khan, 2017). The importance of both Islamic and conventional insurance remains was unchanged during the global financial crisis; furthermore, the income level of both insurance was positively affected in the high penetration region whereas low in the low penetration region; as well income positively was supported Islamic insurance in the Middle East but not in ASEAN (Akhter, Pappas, & Khan, 2016).

A study suggested developing realistic rules and regulations in both types of insurance companies may lead to reduce mismanagement, increase the loan amount and make the company strong (Wan Daud et al., 2018). Meanwhile, the authors concluded that Islamic insurance is a trustworthy and alternative solution to the conventional insurance (Nazarov & Dhiraj, 2019); in addition to this, the authors suggested improving innovative and competitive products in Islamic insurance (H. A. Hassan, Abbas, & Zainab, 2018). In addition that, Islamic insurance can perform better by reducing less awareness, lack of education, different takaful models, lack of standardization, poor corporate governance, rural market, technical inefficiency, less human capital, and less income of participant (Maryam Saeed, 2019).

## **Methodology**

This comparative study was used both qualitative and quantitative methodologies for the statistical analysis purpose and remaining part of the research work. And, the main purpose of this analysis was to compare both Islamic insurance and conventional insurance among the Sri Lankan insurance holders.

There has a review of the literature was conducted to collect the findings of the past research work that were closely related to comparative studies between Islamic insurance and conventional insurance. Furthermore, the required number of data was collected through a structured questionnaire which was developed three different categories of questions such as demographic questions, multiple-choice questions, and Likert-scale questions using random

sampling technique which was developed using Google form and shared with the participant via both E-mail and Whatsapp messenger during the month of March 2021, and around 226 data were usable after data cleaning. Each participant has an equal opportunity to be chosen from the population called random sampling technique (Watanabe et al., 2014). Furthermore, all the finalized data were converted to the SPSS platform to conduct the statistical analysis purposes, where this analysis was concentrate on descriptive statistics, cross tabulation test and chi-squared analysis at 5% significance level.

Furthermore, the following hypothesizes were formulated to predict the significance of the selected variables,

H1: There is a significant relationship between Islamic insurance and demographic variables

H2: There is a significant relationship between Conventional insurance and demographic variables

According to all the review studies and analysis of this study, conclusions, suggestions, and limitations were drawn, in addition to that future research plan and research gap in our study for the researchers also were identified.

## Results and Discussion

The demographic characteristics of the respondents are given below in Table 1. Mainly most of the males participated in this study (79.5%). As well as they use both of the insurance too much. This study mostly involved 31 – 40 years of age category people (35.2%). 43.3% of them had a degree level educational background. Also, 98.9% Muslims had Islamic insurance policy. But then again 74.8% of them had the conventional insurance policy also. Since 37.9% of government sector employees had Islamic insurance and 41.5% of them had conventional insurance, it can be said that the jobs of the respondents play an important role in holding the insurance (Salman, Rashid, & Hassan, 2017). Furthermore, 78.6% of the participants had an insurance policy either Islamic or conventional insurance policy. This ensures that most people use insurance (Bashir & Mail, 2011).

Table 1. Demographic Characteristics of Respondents

Characteristics	Islamic Insurance		Conventional Insurance		Overall	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<b>Gender</b>						
Female	15	17.2	28	22.8	43	20.5
Male	72	82.8	95	77.2	167	79.5
Total	87	100.0	123	100.0	210	100.0
<b>Age</b>						
18 – 30	18	20.7	13	10.6	31	14.8

31 – 40	32	36.8	42	34.1	74	35.2
41 – 50	18	20.7	34	27.6	52	24.8
51 – 60	14	16.1	23	18.7	37	17.6
Over 61	5	5.7	11	8.9	16	7.6
Total	87	100.0	123	100.0	210	100.0
<b><i>Educational Background</i></b>						
School Leaver	17	19.5	32	26.0	49	23.3
Higher Diploma	9	10.3	22	17.9	31	14.8
Degree	42	48.3	49	39.8	91	43.3
Postgraduate	19	21.8	20	16.3	39	18.6
Total	87	100.0	123	100.0	210	100.0
<b><i>Religion</i></b>						
Non-Muslim	1	1.1	31	25.2	32	15.2
Muslim	86	98.9	92	74.8	178	84.8
Total	87	100.0	123	100.0	210	100.0
<b><i>Occupation</i></b>						
Student	18	20.7	10	8.1	28	13.3
Private Sector	11	12.6	33	26.8	44	21.0
Government Sector	33	37.9	51	41.5	84	40.0
Self-Employment/ Business	19	21.8	17	13.8	36	17.1
Retired	4	4.6	7	5.7	11	5.2
None	2	2.3	5	4.1	7	3.3
Total	87	100.0	123	100.0	210	100.0

<i>Marital Status</i>						
Single	17	19.5	13	10.6	30	14.3
Married	66	75.9	99	80.5	165	78.6
Divorced/ Separated	1	1.1	4	3.3	5	2.4
Widowed	3	3.4	7	5.7	10	4.8
Total	87	100.0	123	100.0	210	100.0

Table 2 shows that the awareness of customers about both Islamic (Takaful) and conventional insurance is a key element of this study work. The bulk of people indicated that they use insurance since they are freely involved in this (57.9%). Proof of this is that 56.3% of people use Islamic insurance and 59% of people use conventional insurance. It gives a positive impression of Takaful as people have a real desire to learn more about it without being forced to (Coolen-Maturi, 2013). However, 42.1% of them were compelled to get an insurance policy (Josetti, 2016). And 30.1% of respondents had more than three years of experience with Takaful financing. This implies that they are pleased with the insurance plan (Negi and Kaur, 2010).

The advantages of obtaining insurance were questioned from the applicants. They stated several benefits such as decreasing financial issues (15.4%) (Bassett 2016), obtaining sufficient financial support for after retirement (12.4%) (Johnson 2007), minimizing strain over children's educational fees (9.2%) (BT 2021), and other advantages. Most of the participants (45.3%) had general insurance (Mehta 2018), 33.36% of them had general Takaful (Muhamat, Jaafar, & Alwi, 2017) and 13.5% had life insurance. Only 4.4% of them are used for family Takaful purpose. It verifies that people have a low level of knowledge about family Takaful (Ha, Rahman, & Seman, 2018).

Table 2: Awareness and Knowledge of Insurance

Description	Islamic Insurance		Conventional Insurance		Overall	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<i>What makes you engage with insurance policy?</i>						
Compulsory	38	43.7	50	41.0	88	42.1
Voluntary	49	56.3	72	59.0	121	57.9
Total	87	100.0	122	100.0	209	100.0

***How many years of experience you have?***

Less than 3 Years	20	23.0	9	7.4	29	13.9
Between 3 to 5 Years	34	39.1	6	4.9	40	19.1
More than 5 Years	33	37.9	107	87.7	140	67.0
Total	87	100.0	122	100.0	209	100.0

***Advantages of having the insurance products\*\*\****

Less financial burden	22	18.5	25	13.4	47	15.4
Less worry for kids' education fee	10	8.4	18	9.6	28	9.2
Getting sufficient financial support after retirement	10	8.4	28	15.0	38	12.4
Other	77	64.7	116	62.0	193	63.1
Total	119	100.0	187	100.0	306	100.0

***Which type of Takaful or insurance policy do you have? \*\*\****

Family Takaful	10	7.5	4	2.2	14	4.4
General Takaful	75	56.4	32	17.3	107	33.6
Life insurance	10	7.5	33	17.8	43	13.5
General insurance	33	24.8	111	60.0	144	45.3
Other	5	3.8	5	2.7	10	3.1
Total	133	100.0	185	100.0	318	100.0

Note: \*\*\*Multiple choice questions

The participants were asked some questions to check their awareness about the differences between conventional and Islamic insurance. The results are shown in below Table 3. 90.3%

of the participants knew the Takaful products comply with Islamic law (Thanasegaran & Shaiban, 2014). Most of them had the awareness about the Takaful is free from interest (81%) (Abdulazeem Abozaid, 2016) and Islamic insurance does not involve in any prohibited business activities (82.3%) (Cheikh, 2013). Also, they knew that Takaful provides the coverage and benefits (50%) (Billah, GhulamAllah, & Alexakis, 2019) and Islamic insurance policyholders mutually share the risk (Al-Amri & Hossain, 2015; IIBI 2021; Swartz & Coetzer, 2010) rather than conventional insurance (42%). Meanwhile, a significant amount of people were not aware on these factors.

Respondents mentioned that conventional insurance should be prohibited according to their religious (Mohamed Mazahir, Rahman Ab, & Ramzy, 2017). But people use the conventional insurance even they knew this insurance involves the elements such as interest, uncertainty, and gambling (Shofawati, 2020). However, more than half of the people were not aware on the concept of Mutual cooperation for Takaful (Naim, Isa, & Rahim, 2020). According to the payment, the contribution belongs to the respondents and Insurance companies based on the Islamic insurance system implemented whereas in insurance, all of the payment remains to the insurance institutions primarily (Kagan, 2020). Moreover, a small number of them had knowledge of the comparison of risk sharing and risk transfer. On the other hand, Takaful is a “Risk Sharing” instead of a “Risk Transfer” mechanism (Kasim, Htay, & Salman, 2015).

When it concerns to religious and ethical issues, Takaful is permissible in any religion (R. Hassan et al., 2018; Salman, 2020) and does not contradict religious teachings; on the other hand, conventional insurance is not. Furthermore, most of the customers accepted that Conventional insurance takes precedence over Islamic insurance in providing benefits and coverage (53.1%). Islamic insurance must strive to not only meet all the needs of the customers but also to provide satisfactory service to both Muslims and non-Muslims. As a result, Takaful is predicted to become a powerful challenger to conventional insurance (Akmal & Aslam, 2019). But they agreed with Islamic Insurance is accessible in several countries around the world (Salman, Rashid, & Htay, 2015).

Table 3: Knowledge of the differences between Conventional and Islamic Insurance

Variable	Frequency	Percentage
<i>I know that Takaful products comply with Islamic Law*</i>		
Yes	204	90.3
No	16	7.1
<i>I know that Islamic Insurance (Takaful) is free from interest/ uncertainty/ gambling*</i>		
Yes	183	81.0
No	39	17.3
<i>I know that Islamic Insurance does not involve in any prohibited business activities*</i>		
Yes	186	82.3
No	37	16.4



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<i>I know that Islamic Insurance can provide the coverage and benefits*</i>		
Yes	113	50.0
No	109	48.2

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<i>I know that Islamic Insurance policy holders mutually share the risk*</i>		
Yes	95	42.0
No	125	55.3

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<i>Based on the religious understanding, conventional insurance should be prohibited*</i>		
Yes	178	78.8
No	45	19.9

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<i>I know that the practice of conventional insurance involves the elements such as interest, uncertainty, and gambling*</i>		
Yes	176	77.9
No	45	19.9

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<i>I aware that Islamic insurance (Takaful) is based on the concept of Mutual cooperation*</i>		
Yes	101	44.7
No	117	51.8

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<i>Payment (Contribution belongs to the participants and Islamic Insurance operators depending on the Islamic Insurance model adopted. vs. Premium belongs to the insurance companies.)*</i>		
Yes	119	52.7
No	95	42.0

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<i>Risk (Risk sharing vs. Risk transfer)*</i>		
Yes	89	39.4
No	128	56.6

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<i>Religious and ethical aspect (Acceptable under any religion vs. Prohibited under the religious and ethical teaching)*</i>		
Yes	138	61.1
No	80	35.4

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*Do you know that Islamic Insurance can provide the coverage and benefit similar to the conventional insurance?\**

Yes	100	44.2
No	120	53.1

*I know that Islamic Insurance has been offered in many countries all over the world\**

Yes	210	92.9
No	14	6.2

Note: \*N≠226 due to unmarked fields by respondents

Finally, the participants were asked that why do they use either Islamic or conventional insurance. They mentioned several purposes and that are categorized below Table 4. According to the results, Islamic insurance was often utilized because of their religious beliefs. Mainly either Islamic or conventional insurance was dealt for the accident purpose. Accident insurance can assist people in covering medical and other out-of-pocket expenses that may arise as a result of an accident. This leads to things like emergency medical care, hospitalization, and medical checks, along with additional expenses as traveling and accommodation (Davalon, 2021). As well as, people were interested in using any insurance for disease/health purpose. These type of insurance that mainly compensates for the insured's clinical, surgeries, prescription medication, and occasionally dental charges. It can pay the healthcare professional immediately or refund the policyholder for charges incurred as a result of illness or injury (Kagan, 2021). Especially, Islamic insurance was preferred for their bank reputation, profitability, educational support, investment, tax benefit and theft purposes rather than conventional insurance. Meanwhile, conventional insurance was focused for some reasons such as effective transaction, service charges and wide services range. Also, it was favored than Islamic insurance for physical disability and death insurance. So Islamic insurance should focus on particular some customer reasons in future such as effective transaction, service charges, wide services range, physical disability and death insurances to compete with conventional insurance without violating Islamic laws.

Table 4. Customer reasons behind dealing with Insurance

Reason	Islamic Insurance					Conventional Insurance				
	% SA	% A	% NT	% D	% SD	% SA	% A	% NT	% D	% SD
Accident	70.9	18.6	7.0	2.3	1.2	80.8	15.0	2.5	1.7	0.0
Theft/ Bulgary	5.9	16.5	23.5	17.6	36.5	5.0	15.1	32.8	21.0	26.1
Physical Disability	4.7	3.5	31.8	21.2	38.8	3.4	10.9	27.7	29.4	28.6

Illness/ Health	41.9	30.2	17.4	1.2	9.3	55.0	30.0	7.5	3.3	4.2
Education	15.1	15.1	15.1	14.0	40.7	4.2	1.7	25.0	26.7	42.5
Death	4.7	9.3	16.3	16.3	53.5	5.1	10.3	21.4	17.1	46.2
Investment	5.7	23.0	14.9	12.6	43.7	0.9	10.3	24.8	23.1	41.0
Tax benefit	3.5	20.9	23.3	8.1	44.2	-	19.0	31.0	12.9	37.1
Wide services range	30.2	46.5	9.3	5.8	8.1	41.2	42.9	10.1	3.4	2.5
Profitability	10.5	34.9	32.6	7.0	15.1	7.9	26.3	42.1	7.9	15.8
Service Charges	20.7	43.7	21.8	3.4	10.3	50.8	33.9	10.2	2.5	2.5
Effectiveness in transaction	31.0	49.4	8.0	1.1	10.3	63.0	29.4	5.9	.8	.8
Religious	74.7	14.9	1.1	1.1	8.0	-	-	-	-	-
Bank reputation	40.2	39.1	10.3	4.6	5.7	44.2	27.5	19.2	5.0	4.2

Finally the relationship was checked between Islamic and conventional insurance with demographic variables. The results are shown in Table 5. There was a significant association between both Islamic and conventional insurance with religious and customer’s occupation. A relationship was found between the Islamic insurance and customers’ gender plus educational background. Also there was a relationship between the conventional insurance and participants’ age plus marital status.

Table 5. Relationship with Islamic and Conventional Insurance

Variable	Islamic Insurance		Conventional Insurance	
	$\chi^2$	P-value	$\chi^2$	P-value
Gender	7.381	0.007*	2.956	0.086
Age	1.786	0.775	33.669	0.000*
Educational Background	10.585	0.014*	0.845	0.839
Religion	26.597	0.000*	10.433	0.001*
Occupation	15.162	0.010*	43.830	0.000*
Marital Status	4.252	0.235	26.629	0.000*

## Conclusion

This study has been conducted among the insurance users in Sri Lanka. Mostly the participants use both conventional and Islamic insurances. But most of the Muslim people had the Islamic insurance policy. This study reveals that the jobs of the respondents play an important role in holding the insurance. Also it ensures that most people use either Islamic or conventional insurance. The bulk of people use insurance freely without any intimidates. It gives a positive impression of Takaful as people have a real desire to learn more about it without being forced to. However, a significant amount of them were compelled to get an insurance policy. And some of respondents had more than three years of experience with Takaful financing. This implies that they are pleased with the insurance plan. Applicants mentioned several benefits of obtaining insurance such as decreasing financial issues obtaining sufficient financial support for after retirement, minimizing strain over children's educational fees and other advantages. Most of the participants had general insurance and general Takaful. Only lower amount of them used for family Takaful purpose. Since this verifies that people have a low level of knowledge about family Takaful, it should concentrate on this in future. Most of the participants knew the Takaful products comply with Islamic law and it is free from interest as well as Islamic insurance does not involve in any prohibited business activities. Also, they knew that Takaful provides the coverage and benefits and Islamic insurance policyholders mutually share the risk rather than conventional insurance. Meanwhile, a significant amount of people were not aware of these factors also. Therefore, Islamic insurance organizations should conduct some awareness programs among the Muslim and non-Muslim community. Respondents mentioned that conventional insurance should be prohibited according to their religious. But people use the conventional insurance even they knew this insurance involves the elements such as interest, uncertainty, and gambling. However, more than half of the people were not aware on the concept of Mutual cooperation for Takaful. According to the payment, the contribution belongs to the respondents and Insurance companies based on the Islamic insurance system implemented whereas in insurance, all of the payment remains to the insurance institutions primarily. Moreover, a small number of them had knowledge of the comparison of risk sharing and risk transfer. On the other hand, Takaful is a "Risk Sharing" instead of a "Risk Transfer" mechanism. When it concerns to religious and ethical issues, Takaful is permissible in any religion and does not contradict religious teachings; on the other hand, conventional insurance is not. Furthermore, most of the customers accepted that Conventional insurance takes precedence over Islamic insurance in providing benefits and coverage. Islamic insurance must strive to not only meet all the needs of the customers but also to provide satisfactory service to both Muslims and non-Muslims. As a result, Takaful is predicted to become a powerful challenger to conventional insurance. But they agreed with Islamic Insurance is accessible in several countries around the world. Islamic insurance was often utilized because of their religious beliefs. Mainly either Islamic or conventional insurance was dealt for the accident purpose. As well as, people were interested in using any insurance for disease/health purpose. Especially, Islamic insurance was preferred for their bank reputation, profitability, educational support, investment, tax benefit and theft purposes rather than conventional insurance. So the customers are satisfied on this mechanism. Meanwhile, conventional insurance was concentrated for some reasons such as effective transaction, service charges and wide services range. Also, it was favored than Islamic insurance for physical disability and death insurance. So Islamic insurance should focus on particular some

factors in future such as effective transaction, service charges, wide services range, and physical disability and death insurances to compete with conventional insurance without violating Islamic laws. Only respondents who use an insurance policy are considered for this study. And a comparative study has been conducted among Islamic and conventional insurances. As well as, gender wise comparison also will be conducted in upcoming days which can make possible to rise the consumers of Islamic insurance institutions.

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