

save regularly over a fixed period of time, to earn profit on contributions paid in installments from Sharia Compliance investments and to gain Takaful protection in case of death of the participant prior to the maturity of the plan [8,22,40].

b. General Takaful (Non-Life Insurance)

Under General Takaful insurer acts a trustee of funds received from the insured. The funds so received are invested in some profitable ventures alongwith any profits earned thereupon. The surplus is normally distributed after the expiry of each insured contract maturity [19]. If, however, the sum of the premium and investment income is insufficient to meet the claims the exaggerated may be levy for additional premiums [12]. In short General Takaful is a n arrangement to compensate participants aganis financial loss [31]. The contribution under such arrangement is termed as Tabarru [19,39].

c. Re-Takaful (Re-Insurance)

Re-takaful is in fact an arrangement to reduce risk of the original takaful insurer, the difference being only the fact that in re-takaful insured is a takaful operator instead of an individual [16,20]. In Retakaful the retakaful operator receives a part of premium originally received by takaful operator and invests such receipts into profitable avenues [20]. Retakaful has to parties, the insured (ceding company/Takaful operator) and the insurer (Re-Takaful operator)[23]. It is a contract between professionals rather individuals[15,18]. The re-takaful activity helps in reducing risk of original takaful operator and thereby helps in takaful promotion. Re-insurance assures that Takaful funds are managed to meet the insurance commitments of the insured and Re-insured to continue the Takaful business [5].

B. Takaful Insurance in Pakistan

Pakistan is characterized with low adult literacy, low GDI, though present increased with CPEC, and moderate per capita which all result in low purchase power [34]. The share of takaful in Pakistan's in global takaful premium is estimated to be around 1% which is very small as compared with other countries like Malaysia, Indonesia and USA. However, keeping in view a population of more than 200 Million in Pakistan it is expected to increase in future

Takaful companies incorporate as financial institutions in Pakistan under the laws of Securities and Exchange Commission of Pakistan applicable to limited liability companies doing business of insurance. The first Takaful Company to operate in Pakistan was Pak Kuwait Takaful Company Limited, who began its Takaful operations in the year 2005. Whereas, currently there are five Takaful operators

comprising of three General Takaful and two Family Takaful Companies, namely.

a) General Takaful Companies

- i. Pak Kuwait Takaful Company Limited
- ii. Pak Qatar General Takaful Limited
- iii. Takaful Pakistan Limited

b) FAMILY TAKAFUL COMPANIES

- i. Pak Qatar Family Takaful Limited
- ii. Dawood Family Takaful Limited

C. Impact of Microeconomic factors on Takaful consumption per capita

a. Income

It has been established through literature that insurance and level of income has positive relationship [11,17]. Also per capita income and its variants have also been used in many research studies for gauging level of income, therefore we also use per capita income measured as ratio of GDP to the population to represent income per capita[18].We formulate the following hypothesis for this variable:

Hypothesis I: *There exists positive relationship between Demand for Family Takaful and level of income in Pakistan.*

b. Interest Rate

According to literature there exists a +ve relationship between interest rates and takaful [13]. This relationship exists in such a way that increased real interest rates lead to increased returns on investment of insurer which ultimately benefits the insured through higher gains [14].We formulate the following hypothesis for this variable:

Hypothesis II: *There exists a positive relationship between Demand for Family Takaful and the level of interest rates in Pakistan.*

c. Inflation

Inflation occurs when prices rise sharply. This scenario reduces purchases and ultimately the demand of goods and services in the country [24]. As inflation reduces purchasing power therefore it also leaves negative effect of the demand of life insurance [5,29]. An account of theories on the aspect of insurance also establishes relationship between inflation and demand of life insurance is negative [27]. Similarly various researches also reveal –ve relationship between life insurance and inflation [29]. The hypothesis for this variable there is :

Hypothesis III: *There exists a negative relationship between demand for family takaful and inflation.*

d. Savings

In studies exploring the relationship between the demand for life insurance and savings it has been recommended that if the return on insurance policy is favorably greater than the return of other saving instruments, life insurance would look more attractive to potential savers, given its other features like the protection it provides [33]. Similar to other studies, this variable is measured by the rate of return of savings accounts offered by commercial banks in a country [34]. We formulate the following hypothesis for this variable:

Hypothesis IV: *The level of savings is negatively related with the demand of Family Takaful.*

e. Stock

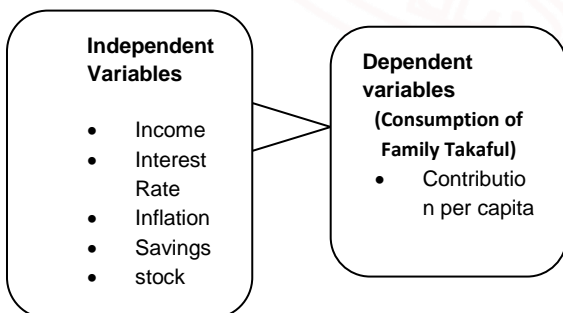
Researchers suggest that life insurance has competitive relationship with stock sales in financial markets in such a way that higher stock prices will allure investors to channelize its funds towards it ultimately adversely affecting life insurance sales [11]. Many researches have taken place relating stock market behavior with life insurance which suggest that life insurance sales declined during the periods of higher stock prices [10,40]. Accordingly we formulate our hypothesis hereunder:

Hypothesis V: *There exists a negative relationship between the demand for family takaful and stock prices.*

The overall conceptual framework as described above can be presented in the form of a functional relationship describing dependent and independent variables as under:

$$\text{Demand} = f(\text{income, interest, inflation, savings, stock}) + \epsilon$$

A simple theoretical framework can be describes diagrammatically as under:



II. METHODOLOGY

A. Statistical Tools

This research study is descriptive in nature which is typically structured with clearly stated hypothesis followed by finding associations among different variables. Secondary data has been collected from different journals, research case studies, articles and financial reports of State Bank of Pakistan and different Takaful companies operating in Pakistan. A general multiple regression model is designed to test the relationships between the dependent variable (demand for family Takaful) and independent variables (level of income, interest rate, inflation rate, savings rate and stock composite).

The regression model is expressed as a linear equation as follows:

$$\text{Demand} = \alpha + \beta_1 (\text{INC}) + \beta_2 (\text{INF}) + \beta_3 (\text{STK}) + \beta_4 (\text{SAV}) + \beta_5 (\text{IR}) + e$$

B. Data

Family takaful does not have deep roots in Pakistan as it started only about 10 years ago. The data about takaful premium was taken from annual reports of respective companies as described above for the period starting from 2006 to 2016. The relevant economic data had been extracted from reports of Pakistan Economic Survey State Bank of Pakistan, World Development Indicators, Financial review of Pakistan and Pakistan Stock Exchange for the span of 11 years period under study i.e. from 2006 to 2016. At the end of 2016 total assets of Pak-Qatar Family Takaful and Dawood Family Takaful were at Rs.9 billion. It was only 6.5% of the total assets of private conventional life insurance companies, which equaled Rs139.1 billion in 2016.

III. RESULTS & DISCUSSION

A. Regression Analysis

TABLE 1

VAR	STD COEF	T	SIG
	β		
CONST		-12.348	0.000
STK	0.291	-4.744	0.000
INF	-0.061	-1.619	0.109
INC	0.652	15.064	0.000
IR	-0.153	-1.793	0.076
SVR	0.148	2.481	0.150

The estimated coefficients indicate that the income and stock variable are highly significant as its value is 0.00 and standardized beta value shows that there is positive relationship between stock, income with Family Takaful demand, therefore, it can said that income and stock are a strong predictor of Family Takaful consumption. Other variables inflation, interest rate and savings significant value is 0.109, 0.076 and 0.15 respectively which shows that these entire three variables have no impact on Family Takaful.

IV. EXPLANATION OF RESULTS:

TABLE 2

R	R ²	AD R ²	CHANGE STATISTICS		
			R ² CHN	F CHN	SIG. F
.970	.940	.937	.940	282.599	.000

Table 2 shows the values of R, R², adjusted R², and the standard error of the model. This is used to explain how perfectly a regression model fits behavior of data. Table shows that R² is 93% which means 93% variation in dependent variable in the model is explained by independent variables. This relationship is also very significant as depicted by highly significant P value.

TABLE 3 :

HYPOTHESIS	ACCEPT/REJECT
Hypothesis I: There exists positive relationship between Demand for Family Takaful and level of income in Pakistan.	Accepted
Hypothesis II: There exists a positive relationship between Demand for Family Takaful and the level of interest rates in Pakistan.	Rejected
Hypothesis III: There exists a negative relationship between demand for family takaful and inflation.	Rejected
Hypothesis IV: The level of savings is negatively related with the demand of Family Takaful.	Rejected

Hypothesis V: There exists a negative relationship between the demand for family takaful and stock prices.	Accepted
---	----------

V. CONCLUSION

This study uses per capita contribution as dependent variable to gauge demand for consumption of family takaful in Pakistan. The results suggest that per capital income has positive and significant relation with demand of family takaful along with stock prices which has strong significant negative relationship. All other variables in the model revealed insignificant relationship. We can infer from the results that as income of the people rises the demand for family takaful arises due to increase in purchasing power of the masses. On the other hand, stock price movements leaves negative impact on demand for family takaful because masses recognize family takaful as an investment opportunity in a sense but prefer it only as a last resort in case long term downward trend in falling stock prices. This study suggests that Family Takaful operators and policy makers can augment the Family Takaful in Pakistan by direct interventions of macroeconomic variables.

REFERENCES:

- [1]. Abdou, H. A., Ali, K., & Lister, R. J. (2014). A comparative study of takaful and conventional insurance: empirical evidence from the Malaysian market. *Insurance Markets and Companies: Analyses and Actuarial Computations*, 4(1), 22-34.
- [2]. Abduh, M., & Isma, S. N. Z. (2016). Dynamic financial model of life insurance and family takaful companies in Malaysia. *Middle East Journal of Management*, 3(1), 72-93.
- [3]. Abdul Hamid, M., Osman, J., Noordin, A., & Ariffin, B. (2009). Determinants of corporate demand for Islamic Insurance in Malaysia. *International Journal of Economics and Management*, 3(2), 278-296.
- [4]. Abdullah, N. I. (2012). Analysis of demand for family takaful and life insurance: a comparative study in Malaysia. *Journal of Islamic Economics, Banking and Finance*, 8(4), 67-86.
- [5]. Abdullah, A., Zakaria, M., Nazri, A., Ruzima, C. M., Syahmizamir, A., & Zawi, N. A.

- (2015). *Factors influencing the choice of takaful over conventional insurance: the case of academician in Universiti Malaysia Kelantan City Campus* (Doctoral dissertation, Faculty of Entrepreneurship and Business).
- [6]. ALBALAWI, K. M. (2017). *A Comparative Analysis of Takaful and Conventional Insurance, with a Special Reference to the Saudi Insurance Law* (Doctoral dissertation, University of Kent).
- [7]. AlNemer, H. A. (2013). Revisiting takaful insurance: A survey on functions and dominant models. *Afro Eurasian Studies*, 2(1&2), 231-253.
- [8]. Al-Salih, A., & Napier, C. J. (2012). Consumer preferences for takaful and conventional Insurance: A UK-Saudi Arabia comparison. *International Journal of Excellence in Islamic Banking and Finance*, 2(2), 1-25.
- [9]. Ansari, Z. A. (2011). Analysis of the impact of reforms on insurance industry of Saudi Arabia. *Interdisciplinary Journal of Research in Business*, 1(8), 28-37.
- [10]. Arshad, Z., Gondal, M. Y., & Hussain, T. (2016). Factor affecting the Financial Performance of Takaful Companies in Pakistan. *Asian Journal of Research in Banking and Finance*, 6(1), 14-21.
- [11]. Bin Isa, Z., & binti Yakob, R. (2013). Stock return and market risk: A comparison between conventional insurance and takaful. *African Journal of Business Management*, 7(8), 591.
- [12]. Besar, H., & Azrin, M. H. (2017). *Exploring the governance of Takaful (Islamic insurance) in Brunei* (Doctoral dissertation, University of Glasgow).
- [13]. Chuweni, N. N., & Eves, C. (2017). A review of efficiency measures for REITS and their specific application for Malaysian Islamic REITS. *Journal of Islamic Accounting and Business Research*, 8(1).
- [14]. Daud, W. N. B. W., Zainol, F. A., Salleh, F., Yazid, A. S., & Jamal, A. Z. (2016). Developing microtakaful flood model in Malaysia-its relevance and policy impacts. *International Journal of Business Continuity and Risk Management*, 6(3), 197-208.
- [15]. Dikko, M. (2014). An Analysis of Issues in Takaful (Islamic Insurance). *European Journal of Business and Management*, 6(15), 1-5.
- [16]. El Hachloufi, M., & El Msiyah, C. (2017). Surplus Modeling for Model Wakala of Insurance Takaful. *International Journal of Statistics & Economics™*, 18(1), 16-26.
- [17]. Fersi, M., & Boujelbéne, M. (2016). The Determinants of the Performance and the Sustainability of Conventional and Islamic Microfinance Institutions. *Economics*, 4(5), 197-215.
- [18]. Htay, S. N. N., & Salman, S. A. (2013). Viability of Islamic insurance (takaful) in India: SWOT analysis approach. *Review of European studies*, 5(4), 145.
- [19]. Hussain, M. M., & Pasha, A. T. (2011). Conceptual and operational differences between general takaful and conventional insurance. *Australian Journal of Business and Management Research*, 1(8), 23.
- [20]. Husin, M. M., & Rahman, A. A. (2016). Do Muslims intend to participate in Islamic insurance?. *Journal of Islamic Accounting and Business Research*, 7(1), 42-58.
- [21]. Hussain, M. A., Hassan, R., & Azhar, A. (2016). The Procedures of Appointment and Cessation of the Shariah Committee Member of the Islamic Banks and Takaful Companies in Malaysia: Legal Analysis. *International Journal of Economics and Financial Issues*, 6(7S).
- [22]. Husniyah, A. R., Norhasmah, S., & Amim, O. M. (2017). Assessing Predictors for Health Insurance Purchase Among Malaysian Public Sector Employees. In *Regional Studies on Economic Growth, Financial Economics and Management* (pp. 91-107). Springer, Cham.
- [23]. Ismail, M. (2013). Determinants of financial performance: The case of general takaful and insurance companies in Malaysia. *International Review of Business Research Papers*, 9(6), 111-130.
- [24]. Ismail, N., Alhabshi, D. S. O., & Bacha, O. (2011). Organizational form and efficiency: the Coexistence of family takaful and life insurance in Malaysia. *Journal of Global Business and Economics*, 3(1), 122-137.
- [25]. Jamal, S. N. J. J. (2016). IMPORTANCE OF ISLAMIC FINANCIAL SERVICES ACT 2013 IN TAKAFUL INDUSTRY AFTER THE REPELLED TAKAFUL ACT 1984. *Diponegoro Law Review*, 1(1).
- [26]. Kasim, N., Htay, S. N. N., & Salman, S. A. (2016). The Religious Perspective of Takaful

- as Ethical Insurance. *Mediterranean Journal of Social Sciences*, 7(4), 96.
- [27]. Khafizova, E. K., Hadiullina, G. N., Nugumanova, L. F., & Tufetulov, A. M. (2016). FEATURES OF ISLAMIC INSURANCE TAKAFUL INSURANCE AND OPPORTUNITIES OF ITS USING IN THE RUSSIAN FEDERATION. *Journal of Economics and Economic Education Research*, 17, 364.
- [28]. Khan, A., & Noreen, U. (2014). Efficiency measure of insurance v/s Takaful Firms using DEA approach: a case of Pakistan. *Journal of International Islamic University: Islamabad, Islamic Economic Studies*, 22(1), 139-158.
- [29]. Md Saad, N. (2012). An analysis on the efficiency of takaful and insurance companies in malaysia: a non-parametric approach. *Review of Integrative Business & Economics Research*, 1(1), 33-56.
- [30]. Md Husin, M., & Ab Rahman, A. (2013). What drives consumers to participate into family takaful schemes? A literature review. *Journal of Islamic Marketing*, 4(3), 264-280.
- [31]. Newaz, F. T., Fam, K. S., & Sharma, R. R. (2016). Muslim religiosity and purchase intention of different categories of Islamic financial products. *Journal of Financial Services Marketing*, 21(2), 141-152.
- [32]. Qureshi, A. A. (2011). Analyzing the Sharia'ah Compliant Issues Currently Faced by Islamic Insurance. *Interdisciplinary Journal of Contemporary Research in Business*, 3(5), 279-295.
- [33]. Redzuan, H., Rahman, Z. A., & Aidid, S. S. S. H. (2009). Economic determinants of family takaful consumption: Evidence from Malaysia. *International Review of Business Research Papers*, 5(5), 193-211.
- [34]. Riaz, S. (2009). Car Islamic insurance-influence of age, education & income in Pakistan and UAE: A comparative study. *International Review of Business Research Papers*, 5(4), 457-467.
- [35]. Salman, S. A. (2014). Contemporary Issues in Takaful (Islamic Insurance). *Asian Social Science*, 10(22), 210.
- [36]. Salman, S. A., & Htay, S. N. N. (2013). Nomination and hibah issues in Malaysian takaful (Islamic insurance) industry. *International Journal of Multidisciplinary Research*, 1(12), 5-8.
- [37]. Saputra, J., Kusairi, S., Sanusi, N. A., & Abdullah, Y. (2016). An Analysis of Determination for Life Insurance Premiums: The Concept and Practice of Conventional and Islamic Life Insurance (Family Takaful). *Malaysian Journal of Applied Sciences*, 1(2), 41-51.
- [38]. Shah, S. A. A., & Masood, O. (2017). Input Efficiency of Financial Services Sector: A Non-parametric analysis of Banking and Insurance Sectors of Pakistan. *European Journal of Islamic Finance*, (6).
- [39]. Shamsuddin, N. E., Eng, T. H., & Lajim, S. F. (2016). The Preferences of the Muslim Consumers Between Takaful and Conventional Policy: A Study on Motor Insurance Consumers. In *Regional Conference on Science, Technology and Social Sciences (RCSTSS 2014)* (pp. 225-236). Springer Singapore.
- [40]. Sherif, M., & Azlina Shaairi, N. (2013). Determinants of demand on family Takaful in Malaysia. *Journal of Islamic Accounting and Business Research*, 4(1), 26-50.
- [41]. Yusofa, A. Y., Laub, W. Y., & Osmanc, A. F. (2016). A Critical Analysis of the Malaysian Risk-Based Capital Framework: A Comparison between General Insurance and Takaful. *Institutions and Economics*, 8(4).

Editor in Chief

Prof. Paolo Pietro Biancone, University of Turin, Italy

Editorial Board

Prof. Dian Masyita, University of Padjadjaran, Indonesia

Prof. Abdulazeem Abozaid, Qatar Faculty of Islamic Studies – Qatar

Prof. Ahmad Aref Almazari, King Saud University, Saudi Arabia

Prof. Nidal A. Alsayyed, Inayah Islamic Finance Research Institute, USA

Prof. Roberta Aluffi, University of Turin - Italy

Prof. Ghassen Bouslama, NEOMA Business School - Campus de Reims, France

Prof. Nazam Dzol Karnaini, Salford University, UK

Prof. Kabir Hassan, University of New Orleans, USA

Prof. Khaled Hussainey, University of Plymouth, UK

Prof. Rifki Ismal, University of Indonesia

Prof. Tariqullah Khan, Hamad bin Khalifa University, Qatar

Prof. Ali Khorshid, ICMA Centre Reading University - UK

Prof. Amir Kia, Utah Valley University, USA

Prof. Laurent Marliere, Université Paris-Dauphine France

Prof. Federica Miglietta, University of Bari - Italy

Prof. Hakim Ben Othman, University of Tunis - Tunisia

Prof. Mohamed Ramady, King Fahd University of Petroleum and Minerals, Saudi Arabia

Prof. Mamunur Rashid, Nottingham University, Malaysia

Prof. Younes Soualhi, International Islamic University Malaysia

Prof. Laurent Weill, University of Strasbourg, France