



# **PENETRATION OF TAKAFUL INSURANCE IN UGANDA: AN EXPLORATORY DETERMINANT**

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## **AUTHORS:**

- 1. Wofuma Gorden (Lecturer Kyambogo University, Busitema University & Team University), Email: wofgorden@gmail.com Tel: +256 777880254/ 0759488076**
- 2. Munobe Williams (Facilitator – ITC)**

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# ABSTRACT

Providing direction for the penetration of Takaful insurance is expected to widen the insurance market and shield insurers against the exploitations of conventional insurance. Takaful insurance was introduced in Uganda and is still in its infant stages despite its market presenting a promising potential with the recent increase in the demand for Islamic products. Moreover, the available literature generically presents multiple factors for the penetration of Takaful insurance. The current study sought to explore and classify the diverse contextual determinants for the penetration of takaful insurance in Uganda which is a minority Muslim country. In line with the tenets of the Theory of Reasoned Action (TRA), and Theory of Planned Behaviour (TPB), the current study classifies the determinants to promote easy comprehension by the insurance practitioners on the key contextual determinants for the penetration of takaful insurance. The study relied on a pragmatism philosophical orientation with a sequential exploratory mixed research design involving collection of data at two levels to answer the research question by collecting data from the managers of 33 insurance companies and some customers of takaful products in Uganda. The qualitative data was analysed using content analysis by considering the emerging themes on the three contextual determinants of informational, individual personality and demographic/social factors, while the quantitative data was analysed using descriptive statistics. The mixed findings revealed that informational, individual personality and demographic factors determines the penetration of takaful insurance in Uganda. Hence, we conclude that focusing on the three contextual determinants of demographic/social, informational and individual personality is paramount in influencing the intention of the public and other stakeholders in adopting takaful/Islamic insurance products in a minority Muslim country like Uganda. The findings of the study contributes to practice by providing empirical evidence to support the development of the takaful sector in Uganda. The study relied of descriptive analysis which did not establish the causal relationship between each of the identified determinants, hence future studies should establish the causal relationship between informational, demographic and individual personality determinants on the penetration of takaful insurance in Uganda or other minority Muslim countries to enrich the finding.

## KEY WORDS:

Takaful Insurance, Penetration, Uganda, Takful Fund, Islamic Financial Services

# 1.0 INTRODUCTION

Embracing the penetration of Takaful Insurance into the untapped markets, especially Uganda is expected to widen the insurance market and promote market development (Hassan & Abbas, 2020). Takaful insurance relates to Islamic insurance practice that is absolutely based on the Islamic shariah principles in which individuals or groups mutually agree to contribute a pool of resources to guarantee themselves against perils relating to living through Tabarru into mutual Takaful fund (Kazaure, 2019; Insurance Regulatory Authority (IRA, 2019). The term Takaful is derived from the Arabic verb "Kafalah", that literally means each contributor completing his/her commitment by donating to a Takaful fund (Hemrit, 2020).

The modern Takaful insurance is rooted from the era of Prophet Muhammad (PBUH) 1400 years ago that aimed at revitalizing the institution of aqilah. This therefore necessitated the introduction of takaful insurance as an alternative to the traditional conventional insurance that overly relies on charging interest (Riba), uncertainty and it is characterised with the elements of gambling which are prohibited by the Islamic sharia (Salman & Kawata, 2022). Yet, takaful insurance is premised on risk-sharing among contributors by looking at the takaful risk fund. The takaful fund is a donation (tabarru) or a mutually contributed fund which is used to pay the claims with any remaining balance being referred to as the "surplus". The surplus is then shared among the contributors as well as with operators, subject to the allowance of the takaful model and Islamic jurisprudence. Hence, the central theme of takaful is the concept of risk-sharing which encourages the belief of brotherhood and solidary among the takaful members (Barre & Mukhtar, 2022).

Although Takaful insurance originated from the Muslim countries such as Sudan, Malaysia, Saudi Arabia and the Middle East Countries, the business of Takaful insurance is increasingly being embraced in both Muslim and non-Muslim countries because of its growing potential in the insurance markets and international financial markets (Hassan & Abbas, 2020; Guendouz & Ouassaf, 2018). For instance, recent statistics reveals that takaful has recorded a tremendous growing potential as shown by increasing asset base of 10 percent to USD 51 billion in 2019 as compared to 2018 (Islamic Finance Development Report (IFD, 2020). Iqbal and Miah (2018) indicated that takaful insurance contributes 15 percent on the Islamic financial segment in Malaysia and 08 Percent in the Middle East.

Salman (2021) noted that India presents an immense potential for takaful insurance due to the growing population of Muslim communities. Sultan (2016) pointed out that takaful is one of the growing commodities in the Islamic financial industry in the Gulf Cooperation Council (GCC) states and South East Asia (Malaysia), where it is rigorously practiced. The Islamic Financial Services Industry Stability Report (IFSB, 2018) added that takaful insurance market is rapidly expanding and it is expected to reach a total assets of USD 40 billion with a compound average growth of 13 percent by 2023.

Despite the impressive opportunities for Takaful insurance, the African insurance sector remains poorly penetrated in the world, with high growth potential (Olayungbo & Akinlo, 2016). For example, in the East African region, the readiness to embrace takaful and conventional insurance is still low, with Uganda's 0.8% insurance penetration rate, compared to 6%, 9% and 15% of Kenya, Rwanda and Tanzania, implying that Uganda has the lowest insurance penetration rate in the region (IRA, 2019). Particularly, the status on the penetration of takaful insurance in Uganda is still in its infant stages but with prospects of lucrative business due to the increasing number of Muslim population who are willing to cherish takaful products (Ahmed, 2019).

Relatedly, the Insurance Regulatory Authority of Uganda (IRA, 2019) noted a decline in insurance penetration from 0.844 percent in 2018 to 0.772 percent in 2019, which is an indication of low economic growth despite Takaful insurance presenting a flourishing potential in the insurance and international financial markets (Hassan, 2019; Olayungbo & Akinlo, 2016). The study is rooted in the theoretical underpinnings of the Theory of Reasoned Action (TRA) (Fishbein & Ajzen (1975), and the Theory of Planned Behaviour (TPB) (Ajzen, 1991), which postulates that the behaviours of individuals or companies to embrace new products like Takaful insurance is primarily influenced by the background factors especially, social/demographic factors (religion, education, age, gender, income, culture, race, ethnicity), informational factors (knowledge, media, interventions), and individual personality factors (general attitudes, perceived risk, mood, emotional values, and stereotypes). The theories further categorize the above multiple background factors into behavioural beliefs, normative beliefs and control beliefs (Fishbein & Ajzen, 2010).

A replete of literature applying the theory of Reasoned Action generically presents the demographic factors as the key determinants influencing the penetration of Takaful insurance (Maryam, Ahmad, Aslam & Farooq, 2021; Kazaure, 2019; Ahmed, 2019; Alshammari et al., 2018; Guendouz & Ouassaf, 2018), but this is quite a narrow perspective when exploring the determinants for the penetration of Takaful insurance in a minority-Muslim country like Uganda. Methodologically, most studies have used either quantitative (Ahmed, 2019) or qualitative approach (Saleh et al., 2022) but not mixed study.

Literature on takaful insurance in Uganda is still scarce except, Ahmed (2019) whose study offers vital insights on developing the Takaful sector in Uganda, but it only focused on individual personality factors. To further this study, the Theory of Planned Behaviour suggests that other contextual background factors especially; informational and individual personality determinants can equally influence the penetration of Takaful insurance as a new Islamic product (Ajzen, 2010). Despite this, informational and individual personality factors have received little attention with the exception of Kazaure (2019) in Islamic states of Nigeria.

In this regard, we posed a question; what contextual factors determine the penetration of takaful insurance in Uganda? This motivates the study to explore and classify the determinants for the penetration of Takaful Insurance. The contributions of the study are both practical and theoretical. First, the study provides useful policy implications for the development of the takaful sector by designing effective strategies based on a handful of information regarding demographic, informational and individual personality factors. Secondly, the study extends the application of the Theory of Reasoned Action and Theory of Planned Behaviour to the insurance management literature in broadly understanding the determinants for the penetration of Takaful insurance. Thirdly, the study classifies the diverse contextual determinants for the penetration of takaful insurance into demographic/social, informational and individual personality since their effect varies according to the study context, but it is not yet known for the Takaful sector in Uganda. Fourthly, the study enhances the literature of takaful penetration by using a mixed approach since most studies have used either quantitative (Ahmed, 2019) or qualitative approaches (Saleh et al., 2022) but not a mixed study. By applying a sequential mixed approach, the study methodologically extends the theory of takaful penetration by providing a comprehensive understanding of the determinants for the penetration of takaful insurance in a minority-Muslim country like Uganda.

The remainder of this paper is structured in three sections. Section one reviews the relevant literature on the determinants for the penetration of takaful and models for takaful/Islamic insurance. The second section comprises the research methods used to answer the research question. The third section entails the findings, and the fourth section mirrors the discussion, conclusion, implications, limitations and areas for further research.

## 2.0 LITERATURE REVIEW

### Takaful Insurance

The Takaful insurance started in 1979 in Sudan, and later extended to Malaysia in 1984 and the Middle East countries like Saudi Arabia and United Arab Emirates in 2006. Takaful started as an insurance product for the Muslim communities from Arab countries, but recently Takaful insurance is not only met for the Arab countries/Muslim communities, it is also being embracing by the sub Saharan African countries including Uganda that joined the rest of the world in 2016 by embracing Takaful/Islamic financial institution through amendment of the financial institutions Act of 2004 to include Takaful insurance as an alternate insurance product. Takaful insurance is founded on the Islamic principles of mutual cooperative where all contributors of the premium are shareholders such that in case of risks against a given member, compensation is given out from the pool such that the risk is spread and shared among members (Insurance Regulatory Authority of Uganda 2021). Or, Takaful insurance relates to a type of Islamic insurance where members contribute money into the pool system to guarantee each other against loss or damage (Olayungbo & Akinlo, 2016). Takaful insurance is based on Sharia/Islamic religious law which explains the responsibilities of individuals to cooperate with each other and protect others.

Since the inception of Takaful, sharia scholars have introduced various Takaful operational models, which include; First, Mudhārabah Model (Tijari), which emphasizes a profit-sharing contract where participants provide capital in the form of contribution and Takāful operators acts as a mudarib who provides management expertise to efficiently utilize the Takāful fund (Billah, 2004). Secondly, Wakalāh Model is a fee driven Islamic contract in which one party provides capital whereas other party manages the funds. Here, other party charges a fixed fee instead of profit sharing as in Mudhārabah contract for providing its managerial services to prudently invest and manage the funds (Akhter, 2010). Thirdly, Mixed Model is a combination of al-Mudhārabah and al-Wakalāh model where al-Wakalāh contract is used for underwriting activities while al-Mudhārabah contract is adopted for investment activities (Tolefat, 2006). Fourthly, Wakalāh Model with Waqf Fund, this came into being after several objections were raised regarding the issue of surplus sharing in Mudhārabah model and modified modarbah model and their legal status.

A need was felt to develop a model that could work towards building the creditability of Takāful operator as a welfare institution rather than a profit-oriented entity. This led to the formation of Wakalāh Model with Waqf fund that was approved by Sharīah scholars of Darul Uloom Karachi, the most famous and credible Islamic institution in Pakistan (Akhter, 2010). The model is a modified form of Wakalāh model where a Waqf fund is created by initial donation of shareholders. Participants' contribution goes directly to Waqf fund. Takāful operator deducts its fees from Waqf fund. The remaining amount is invested in Sharīah based instruments. The profit from investment is shared between Takāful operator and participants according to agreed ratios. After deducting claims, Re-takāful expenses and underwriting costs, 100% net surplus belongs to participants who have no prior claims and distributed to them according to their proportion of contribution.

## **The Determinants to the Penetration of Takaful Insurance**

The determinants for the penetration of Takaful industry especially when it is being operated within a dual banking and insurance regime are: development of human resources, lack of awareness, regulatory frame work, solvency and capital requirement, cooperate governance, short of Sharia compliant Assets, distribution channels, lack of standardization and Re-Takaful (Alam, et al., 2019). In Pakistan, Iqbal, Ayaz and Saeed (2021) on the micro-Takaful operators established that poor financial condition of the public, lack of sufficient funds, cooperation, customer awareness and interest, inadequate Takaful experts and diversified Takaful products, as well as absence of a culture of Takaful practices, and research and product development in the field of micro-takaful bars the penetration of Takaful insurance among insurance practitioners. Moreover, Saeed (2019) on the Challenges of Islamic Insurance (Takaful) globally noted the following challenges: Takaful concept awareness, lack of education, different Takaful models, lack of standardization, scarcity of human resources, real earnings management, corporate governance, technical efficiency, rural market, small penetration rate, inadequate technology capabilities, differences in culture, less number of Sharia re-insurance, non-sharia compliance risk, operating efficiency, human capital, income level of participants, and large size of Takaful companies.

Golzare, Nabi and Rahman (2019) on the challenges of Takaful in Bangladesh found that lack of a separate legal & Regulatory Framework, paucity of customised products, absence of Islamic capital, existing provision of discounts, stronger position of conventional insurance, debates on Islamic insurance and Absence of Sharia framework are the key barriers to the penetration of Takaful insurance.

Accordingly in Malaysia, Mohellebi Kenza (2019) note that despite the progress of Takaful insurance, the barriers facing the acceptance of Takaful insurance emanates from legislative aspect of the system and retakaful. Nugraha, Asep (2019) stated that inadequate education/awareness about Takaful insurance, the free market, and less resources invested in Islamic insurance, hinders the penetration of Takaful insurance.

In Nigeria, Kehhinde and Sharofiddin (2021), state that one of the barriers currently facing the takaful industry is lack of awareness about Takaful products, besides shariah view, attitude, subjective norm, and perceived behaviour control are the factors influencing the acceptance of Takaful insurance. Still in Nigeria, Adesunkanmi (2019), suggested that the low level of insurance culture and the limited expansion drive of the Takaful insurance companies with very few branches at country and global level are the major challenges hindering the penetration of Takaful insurance. Ochieng (2013) on the Challenges in the adoption of Takaful Insurance in Kenya argued that chronic shortage of human capital and lack of public awareness besides lack of suitable (shariah-compliant) investment are the major challenges hindering the adoption of Takaful insurance within the Kenyan market. It is also argued that Takaful operators have a shortage of tradable shariah compliant assets in the market such as Skuks and Quard-Hasam (Wambura, 2012). A study by Deloitte (2015) states that the Takaful industry continues to face the challenges of shortage of human capital, inadequate technological capabilities, ineffective governance practices and lack of innovation in business model for new market niches.

Hussien and Abebe (2019) identified the following barriers affecting Takaful penetration in Ethiopia: level of adoption, owing to scanty level of awareness and inexperience about the sector from the customers, practitioners and supervisor's perspective. In the same line, a recent study about the Development of Islamic Finance in Bosnia and Herzegovina carried out by Smolo, Šeho and Hassan (2020) states that lack of legal and regulatory framework(s), a low level of public awareness about Islamic finance that leads to a low demand for its products, and a lack of government support for its development. In the context of the construction industry, Fauzi (2010) posits that the challenges facing the Takaful industry include; the lack of knowledge among the key players of the construction industry on the concepts and principles of Takaful as a consequent of the lack of promotion on Takaful by the Takaful operators. Olajide (2010) highlighted that the Key Issues impeding the penetration of Takaful industry are: Lack of consumer awareness, Scarcity of human resources with both insurance and Shariah expertise, The shortage of Shariah scholars with appropriate experience, Lack of standardisation in the industry that is due to Shariah interpretations, Diverging regulatory approaches and the lack of centralised regulations, Solvency and capital requirements, Corporate governance and Shortage of suitable assets.

# 3.0 RESEARCH METHODOLOGY

## Philosophical Orientation and Research Design

The study adopted a pragmatism philosophical orientation and employed an exploratory Sequential Mixed research design where the quantitative phase of data collection and analysis follows the qualitative phase of data collection and analysis (Fetters, Curry & Creswell, 2013). The exploratory sequential mixed approach was preferred in exploring the determinants for the penetration of Takaful insurance in Uganda because it offers opportunities to study contextual determinants such as; perception, beliefs, culture qualitatively and develop quantitative measures, and then compare the qualitative with quantitative results before generating a meaningful conclusions (Guetterman, Fetters & Creswell, 2015). The sequential exploratory mixed design was appropriate for the study because there is little information regarding the determinants (informational, individual personality and demographic/social factors) determining the adoption of takaful insurance in Uganda. Besides, the mixed approach attracts varying perceptions from the informants and this could provide a chance of carrying out a more inclusive analysis by using both qualitative and quantitative data, which improves the quality of the research findings (Creswell, 2014; Mayer, 2015).

## Target Population, Sample size and Technique

The study targeted 334 managers working in the 33 insurance companies located in Kampala Uganda (IRA, 2019), and 15 potential customers of takaful insurance products. The sample size of 175 employees were selected using simple random sampling technique, and a sample size of 10 potential customers were chosen.

## Data Collection Instruments

The study utilized an interview guide and a closed-ended questionnaire. The interview guide was administered to the managers of the insurance companies as key informants to collect qualitative data since managers are equipped with detailed qualitative data regarding informational individual personality and demographic/social determinants for the penetration of Takaful Insurance in Uganda.

The interview guide was appropriate because it allowed the researcher to collect detailed information from the targeted population through administering face-to face interviews in a bid to probe the informants to give their opinions, perceptions, views and explanations on the determinants for the penetration of takaful insurance as recommended by (Sekeran, 2009). Whereas, quantitative data was collected using a closed-ended questionnaires, which was administered to the lower cadre employees working the insurance companies to collect quantitative data on the determinants for the penetration of Takaful insurance in Uganda. The closed-ended questionnaire was preferred as an instrument for data collection because it offers convenience and an easy means of data collecting data from many respondents and helping respondents answer the questions at their leisure (Zikmund et al., 2013).

Data Analysis: In the first phase, we gathered qualitative (QUAL) data which was entered in NVIVO software, coded, categorized and analysed for content analysis to identify the themes that emerged from the content analysed as recommended by (Guest et al., 2012; Schreier, 2012; Kuckartz, 2014; Mayring, 2015). This was followed by the second phase, which involved collecting quantitative (QUAN) data which was analysed using descriptive statistics to determine the frequencies and percentages for respondent's profile, while means and standard deviations were used to establish how respondents responded to questions posed as indicated in the proceeding sub-sections.

# 4.0 FINDINGS

## Introduction

The current competitive business world characterised by risks requires insurance players to embrace takaful insurance to minimise the unworthy behaviour of conventional insurance of gambling and charging policy owners high interests. This has inspired many countries to adopt sharia principles including Uganda, where takaful insurance has been introduced although its operations are still in the infancy stages (Ahmed, 2019) and hence requires enhancing its penetration.

In this perspective, the current study sought to explore the determinants for the penetration of Takaful insurance in Uganda using a sequential mixed method. In the first phase, we administered Sixty-Six interview guides by selecting two informants (managers) in each of the thirty three insurance companies, and among the informants included the general managers, operation managers, marketing managers, product development managers, life and non-life insurance managers and prospective clients of Takaful insurance products, and we reached a point of saturation at the thirty-fifth (n=35) informant. The thirty-five (n=35) informants were sufficient to infer the study findings according to Guest, Bunce and Johnson (2006), who recommends that administering interview guides to a minimum number of six to twelve (6-12) informants and attaining the point of saturation at the maximum upper limit of thirty (n=30) informants is adequate enough to infer the findings to the entire population.

## Demographic Characteristics

In terms of the demographic profile of the informants, majority of the informants were female compared to their male counter parts, implying that the views/opinions of all genders were represented. The demographics show that majority of the respondents were operation managers followed by unit managers, product development managers, general managers, marketing managers and life and non-life insurance managers. This means that the information used in this study was valid since it was obtained from the right informants who had adequate knowledge about non-conventional insurance products such as Takaful insurance. The results also showed that most of the respondents had worked in the insurance companies from zero to five years, followed by six to ten years, eleven to fifteen years and then sixteen to twenty years, implying that all informants who participated in this study enough experience in the insurance industry and are aware of the new trends in the insurance industry including the stage at which Takaful insurance regulation at in the approval process and perhaps want has delayed the

approval process such that the Takaful insurance products can be rolled in the Ugandan market.

## Awareness and Perception of Takaful Insurance

The thematic findings from content analysis reveal that the key informants have heard about Takaful insurance. The results on the question which stated that "Have you heard of Takaful/Islamic insurance? If yes, where did you hear about it"?

*The findings indicated that most informants have heard of Takaful insurance, but only from the insurance colleges such as ITC and other institutions of higher learning especially universities and other insurance professional certified institutions were Takaful insurance is being taught as a course unit, and not as an insurance product that is being sold on the Ugandan insurance market.*

These results could be true because Takaful insurance product are not yet rolled out on the Ugandan insurance market because Takaful insurance is still in its final approval stages by the Uganda Insurance Regulatory Authority. The informants were also asked "How is Takaful insurance perceived in Uganda? The informants indicated varied perceptions about how Takaful insurance is perceived in Uganda. A section of most informants demonstrated that Takaful insurance is perceived as an insurance product for Muslim communities and they added that Islamic products is linked to terrorist activities. For example, one informant was quoted saying

*Like the American perceive sharia women dressed in dark dresses ready to bomb humanity, and that is the same way Ugandans perceive Islamic financial tools like Takaful and Islamic banking*

While, other informants stated that;

*Takaful insurance is perceived as a cooperative where members contribute certain sums of money to a common pool to shield insured against risks.*

### Information about Takaful Insurance Sought

On the question which ought to understand the kind of information do potential clients of takaful insurance seek for? The results demonstrate that

*Informants normally want to know whether takaful insurance products are meant for a particular religion, or it is for all religious denominations? The informants equally want to know "which group of people does takaful insurance product target" and where "Takaful insurance products is be sold.*

How is the lack of information a hindrance to penetration of Takaful insurance in Uganda?  
One informant quoted that;

“*Informational inadequacies is failing Takaful insurance because information is only found at the institutions offering insurance courses and not on the insurance market.*”

### **Information about Takaful Insurance Sought**

As regards the fundamental question which sought to explore the factors determining the penetration of Takaful Insurance in Uganda? Using the theory of reasoned action and theory of planning behaviour, the findings from the content analysis revealed diverse contextual determinant for the penetration of takaful insurance that were categorized on three major themes of informational, individual personality and demographic/social determinants emerging as contextual factors determining the penetration of takaful insurance in Uganda, and among the broad contextual determinants were the informational determinants of lack of awareness about Takaful products, inadequate information, lack of sensitization, inadequate training, low publicity by the insurance regulatory authority, lack of knowledge, policy regulation, Sharia laws, low profit margins, affordability, price/premium, return on investment, lack of government support, limited product varieties. The individual personality determinants which were identified from content analysis include; poor public perception, dishonesty among the public since takaful is not based on charging interest to make profits, trust, negative personal attitude towards Islamic insurance, subjective norms and the poor brand image. The demographic/social determinants for the penetration of takaful in Uganda comprised of cultural norms, religious beliefs, age, income levels, educational levels of the clients, high poverty levels, dominance of the traditional insurance products, low number of Muslim communities, the shortage of skilled man power in Islamic insurance and limited resources.

In the second phase, we administered one hundred eighty (175) questionnaires to the managers and lower level cadre employees. The usable questionnaires were one hundred forty-one (141) which made a response rate of 80%, and the 80% response rate was adequate according to Mugenda and Mugenda (2003), who recommended that a response rate above 50% is sufficient to infer the findings. The findings from the quantitative analysis indicated that majority, 78 (55.3%) of the respondents were females compared to 63(44.7%) of their male counterparts, implying that there were equal representation of all genders issues in the study. In regard to the position/designation held by employees, the findings showed that most 27(19.1%) of the respondents who participated in the study were from the category of operation managers, trailed with life

insurance managers 21(14.9%), others categorises 21(14.9%), marketing managers 20(14.2%), general managers 19(13.5%), product development managers 19(13.5%), and non-life insurance managers 14(9.9%) respectively. The results also indicated that the highest number 67(47.5%) of respondents were in the age bracket of 30 – 39 years which is still the youthful age, followed with the age bracket of 20 – 29 years 40(28.4%), 40 – 49 years 24(17 %) and lastly 50 years above 10(7.1). It is thus evident that the largest percentage of the respondents were between the age of 30–39 years, implying that all respondents were mature enough and could have worked in the insurance industry for a long time. Moreover, the findings indicated that the highest number 86 (61.0%) of the respondents had bachelor's degree, while 31(22.0%) have attained post graduate, 16 (11.3%) diploma holders, 4(2.8%) certificates and 4(2.8%) others levels of education. These results mean that most of the respondent had the required ability to thoughtfully comprehend and provide reliable responses to each questionnaire item as raised. Furthermore, the findings indicated that 74(52.5%) of respondents were married, 57(40.4%) single, 6(4.3%) separated 2(1.4%) divorced and 2(1.4%) others.

The descriptive findings reveal that all respondents who participated in this study agreed and highly ranked the statements that assessed whether informational factors determine the penetration of takaful insurance in Uganda (Overall Mean = 3.72). For instance, the respondents agreed that the lack of public awareness about takaful insurance products limits its penetration (Mean = 3.98, SD = 1.04), The way losses are shared in Islamic insurance limits the penetration of takaful insurance (Mean = 3.94, SD = 3.56), The lack of transparent information hinders the adoption of takaful insurance (Mean = 3.78, SD = 1.11), The lack of re-takaful insurance policies in Uganda prevents the penetration of Takaful insurance (Mean = 3.75, SD = 1.04), the small distribution channels limits the penetration of takaful insurance (Mean = 3.73, SD = 1.11), the price and insurance premiums charged affects the penetration of takaful insurance (Mean = 3.73, SD = 4.52), Guidance and staff training affect the penetration of takaful insurance (Mean = 3.58, SD = 1.17), the shortage of sharia scholars with appropriate skills and experiences affects the penetration of takaful insurance (Mean = 3.54, SD = 1.09), the lack of modern technology that can easily interface with conventional software and takaful affects its penetration (Mean = 3.36, SD = 1.09).

As regards the individual personality factors, the respondents ranked the statements which assessed the individual personality factors second in importance by agreeing that Takaful insurance is purely perceived as an Islamic product (Mean = 4.12, SD = 1.07), the public attitude about takaful insurance limits the penetration of takaful insurance (Mean = 3.72, SD = 1.11), the subjective norms of an individual affects the adoption of takaful insurance in Uganda (Mean = 3.65, SD = 1.04), the brand image of Takaful/Islamic insurance affects the penetration of takaful on the Ugandan market (Mean = 3.31, SD = 1.27).

The findings further demonstrated that most respondents agreed with the statements that the cultural values and beliefs affects the penetration of takaful (Mean = 3.75, SD = 1.10), religious beliefs hinders the penetration of takaful insurance (Mean = 3.70, SD = 1.22), the shortage of skilled manpower affects the penetration of takaful insurance (Mean = 3.70, SD = 1.14), lack of acceptable investment instruments that are sharia compliant deters the adoption of takaful insurance (Mean = 3.59, SD = 1.10), the income level affects the purchase of takaful insurance (Mean = 3.41, SD = 1.19), the education level of clients affects the penetration of takaful insurance (Mean = 3.31, SD = 1.19), the demographic factors of age and gender limits the adoption of takaful insurance (Mean = 3.23, SD = 1.19), and that the ability of takaful insurance products to cater for the Muslim community needs limits its penetration (Mean = 3.20, SD = 1.24).

**Table 3: Descriptive Statistics**

<b>Variables</b>	<b>Mean</b>	<b>SD</b>
<b>1. Demographic/Social factors</b>		
The cultural values and beliefs affect the penetration of takaful	3.75	1.10
Religious beliefs hinder the penetration of takaful insurance	3.70	1.22
The shortage of skilled manpower deters the penetration of takaful insurance	3.70	1.14
Lack of acceptable investment instruments that are sharia compliant hinders the adoption of takaful insurance	3.59	1.10
The income levels affect the purchase of takaful insurance	3.41	1.19
The education level of clients determines the penetration of takaful insurance	3.31	1.19
The demographic factors of age and gender limits the adoption of takaful insurance	3.23	1.19
The ability of takaful insurance products to cater for the Muslim community needs limits its penetration	3.20	1.24
<b>Overall mean</b>	<b>3.49</b>	
<b>2. Individual personality</b>		
Takaful insurance is purely perceived as an Islamic product	4.12	1.07
The public attitude about takaful insurance limits its penetration	3.72	1.11
The subjective norms of individuals affect the adoption of takaful products in Uganda	3.65	1.04
The brand image of Takaful insurance affects the penetration of its products on the market	3.31	1.27
<b>Overall mean</b>	<b>3.7</b>	
<b>3. Informational</b>		
The lack of public awareness about takaful insurance products limits its penetration	3.98	1.04
The way losses are shared in Islamic insurance affects the penetration of takaful insurance	3.94	3.56
The lack of transparent information hinders the adoption of takaful insurance	3.78	1.11

The lack of re-takaful policies prevent the penetration of Takaful insurance	3.75	1.04
The small distribution channels limit the penetration of takaful insurance	3.73	1.11
The price and insurance premiums affect the penetration of takaful insurance	3.73	4.52
Guidance and staff training affect the penetration of takaful insurance	3.58	1.17
The shortage of sharia scholars with appropriate skills and experiences affects the penetration of takaful insurance	3.54	1.09
The lack of modern technology that can easily interface with conventional software and takaful affect its penetration	3.36	1.09
<b>Overall mean</b>	<b>3.72</b>	

## 5.0 DISCUSSION

Revitalising the adoption of Takaful Insurance into the untapped market in Uganda is expected to widen the insurance market and promote product development (Hassan & Abbas, 2020). However, the penetration of takaful insurance in Uganda is still in its infant stages despite takaful products presenting a growing potential as compared to the long-time existed conventional insurance. In this regard, the study sought to explore the diverse contextual determinants for the penetration of takaful insurance using empirical data drawn from the managers of insurance companies and some customers of takaful products using the theory of reasoned action and theory of planned behaviour (Fishbein & Ajzen, 1975; Ajzen, 1991). The findings demonstrated a broad range of potential contextual determinants for the penetration of Takaful insurance, which were categorized into informational, demographic/social and individual personality factors as the three most fundamental determinants which determines the successful penetration of Takaful insurance in Uganda as the country expedites the approval process and rollout of Takaful insurance products on the Ugandan market to reduce on the challenges of conventional insurance since Takaful has shown a growing potential on the Ugandan market.

The mixed results tallied by indicating that informational determinants like lack of awareness for takaful products, the sharing of losses, and lack of transparent information were the common determinants for the penetration of takaful insurance in Uganda. This is because inadequacies in creating awareness among insurance managers, lower cadre employees, customers and the general public about the takaful products i.e. life insurance or non-life insurance, besides lack of sufficient information on meaning of takaful insurance, model of takaful business operation, targeted customers, places where takaful products is sold and the principles governing the operation of takaful business could make it more difficult for the penetration of takaful insurance in Uganda. For instance, informants were quoted saying;

“ *informational inadequacies is failing Takaful insurance because information is only found at the institutions offering insurance courses and not on the insurance market* ”

Therefore, the insurance regulators ought to train, sensitive and circulating transparent information on takaful insurance products to easy its adoption. These findings are supported by Saleh et al. (2022), Iqbal, Ayaz and Saeed (2021) and Kazaure (2019) who found that awareness is a significant determinant in stimulating the intention to adopt takaful services in the United Arab Emirates. The findings further showed that the sharing of losses may limit the penetration of Islamic insurance. This is due to the fact that Takaful insurance being a contributed fund with the policy holders being the owners. In case of a loss, the members share the losses as per someone's contribution. Or, they sometimes share the losses equally to help the person in need. Informants were quoted saying that;

*the Islamic principle of sharing losses per the funds contributed by each member could affect the penetration of takaful because in societies like Uganda, were people are not financially stable, even contributing a chunk of money to the takaful fund is difficult because of high poverty levels compared to the Islamic countries. Besides, the culture among the public to conceal information regarding profits for personal gains and instead communicate losses could deter the penetration and eventual operation of Islamic insurance.*

On the individual personality determinants, the findings showed that takaful is purely perceived as a product meant for the Muslims communities, and this is true since takaful insurance is based on the sharia laws whose origin is traced from the Islamic faith/religion. However, public perception and attitude should change as the study findings in Uganda, a country which constitutes all the religious dominations indicated that there is a section of non-Muslim customers who have the intention to embrace takaful products. In addition, the results revealed that the public attitude limits the adoption of takaful insurance. For example, one formant was quoted saying

*"Like the American have an attitude of perceiving Islamic women dressed in sharia dark dresses as terrorists ready to bomb humanity. It is the same way Ugandans perceive Islamic financial tools like Takaful and Islamic banking".*

While other informants stated that;

*Takaful insurance is perceived as a cooperative where members contribute certain sums of money to a common pool to shield insured against risks.*

In this regard, changing the public attitude toward Islamic products is paramount in promoting the penetration of Islamic insurance since many people including the potential customers of takaful have an attitude of linking Islamic products to terrorism activities, which is not true because Islam is about peace and therefore, Islamic products including takaful products are meant to promote the wellbeing of humanity who are being exploited by the conventional insurance. The findings concur with the argument by Kehinde and Sharofiddin (2021), Saeed (2019), Saleh et al. (2022), who argued that changing the public attitudes, perceptions and subjective norms would increase the intention of customers to adopt and continue using takaful/Islamic insurance services especially takaful family life insurance.

Regarding the demographic/social contextual determinants, the results agree that cultural values, religious beliefs, shortage of manpower and lack of acceptable investment instruments that are sharia compliant limits the penetration of takaful insurance. The demographic/social aspects have been used in various disciplines to understand the structure of society and its role in shaping an individual's behaviour and attitude in society and more so shaping people's intention to embrace new products like takaful. This is attributed to the fact that cultural beliefs of an organization or individuals varies according to their environmental setups and these values affect the perceptions to adopt a new product. For instance, the Muslims sharia culture prohibits charging of interest "Riba" on the profits but, rather emphasizes the mutual sharing of business losses and profits accruing from sharia compliant business operations and gives more value on Islamic products by emphasizing the act of brotherhood as guided by the sharia which puts that

“Muslims should support their Muslim brothers  
and together with their services”

This implies that Muslim communities would easily adopt takaful/Islamic products as compared to the cultural values of Christianity to making profits by charging interest as in the case of conventional insurance.

Relatedly, the demographic/social structures focus on religious beliefs like Christianity which values and operates on unique moral principles. As Muslims' values, cultures and undertakings are different from others and are shaped by distinct religious faith accompanied by the requirement to accomplish those in every aspect of life; thus, only a multi-dimensional impact analysis of religion is expected to contribute to the existing knowledge by understanding Muslim religion that is leaned to the adoption of takaful compared to the Christianity faith. The findings agree with the study by AL Mahi (2018) on a cross country analysis on the effect of religiosity on takaful demand which found that religious beliefs of affection and action creates a higher demand for takaful insurance/financial services across the 17 mostly Muslim majority countries.

## 6.0 CONCLUSION

Takaful insurance presents a growing potential into the untapped markets. However, the penetration rate of takaful sector in Uganda is still in its infancy stages. The purpose of the study was to explore the determinants for the penetration of takaful insurance in Uganda and classify the diversely presented factors into three contextual determinants using the theory of Reasoned Action (TRA) and Theory of Planned Behaviour (TPB) while employing a sequential mixed research design. The QUAL tallied with QUANT findings by revealing that informational, individual personality and demographic factors determines the penetration of takaful insurance in Uganda. Hence, we conclude that focusing on the demographic/social, informational and individual personality aspects is paramount in changing the intentions of the public and other stakeholders in adopting takaful/Islamic insurance products in a minority Muslim country like Uganda.

### Implications

In general, this study has contributed to knowledge in a number of ways. First, the study enriches the Theory of Reasoned Action and Theory of Planned Behaviour by extending the applicability of informational, individual personality and demographic determinants which measures intentions to accept the takaful insurance in Uganda. Secondly, the study has identified the determinants (informational, individual personality and demographic/social) that affect the choice of takaful products and its penetration in Uganda. Thirdly, the study classifies the diverse determinants for the penetration of takaful insurance into three categories of informational, individual personality and demographic factors for easy comprehension. Fourthly, the study informs the managers and other practitioners interested in promoting takaful sector to focus on the classified determinants enhance the penetration of Islamic insurance in Uganda. Finally, the study has provided empirical evidence to support the development of the takaful sector in Uganda by providing policy makers with prudent business guidelines.

## Limitations and recommendations

The study was limited to establishing and classifying the contextual determinants of takaful insurance without establishing the degree by which each of the determinants especially informational, demographic and individual personality explains the penetration of takaful insurance. Hence, future studies can examine the causal relationship between each of the three highlighted determinants on the penetration of takaful insurance in the context of minority Muslim countries. The study relied on exploratory sequential mixed research design with a descriptive approach which aimed at identify and describing the contextual determinants for penetration of takaful insurance. Further studies can adopt other research designs and the analysis techniques like structural equation modelling, hierarchical regression among others to enrich the study findings.

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# APPENDICES

## APPENDIX I: INTERVIEW GUIDE

Dear Respondent,

The management of Insurance Collect in Uganda is conducting a study titled “the barriers influencing the readiness of Takaful insurance penetration in Uganda”. Therefore, we are kindly requesting you to spare a little of your valuable time and fill this questionnaire. The purpose of this study is entirely for academic purposes, therefore all the information given shall be treated with utmost confidentiality.

We thank you very much in advance for the cooperation offered.

### SECTION A: DEMOGRAPHIC INFORMATION

This questionnaire aims to acquire information on the barriers to the penetration of Takaful Insurance in Uganda. Please respond to all items.

- a. What is your gender? .....
- b. What is your management level in the organization/place of work? .....
- c. For how long have you worked in the insurance industry? .....
- d. For how long have you worked in the current insurance company/Agency? .....

### SECTION B: GENERAL INFORMATION

1. Have you heard of Takaful/Islamic insurance? If yes, how, where and when did you hear about it .....

2. How is Takaful insurance perceived in Uganda? .....

3 (a). What are the factors that are considered when seeking for Takaful Insurance in Uganda? .....

(b). What factors that hinder the penetration of Takaful Insurance in Uganda? .....

4 (a). Do those seeking for Takaful/Islamic Insurance ask for any information? .....

No ( ) Yes ( ) .....

If yes, what kind of information is sought for? .....

(b). To what extent is the availability of, or lack of information a hindrance to the penetration of Takaful/Islamic insurance in Uganda? If it is to a greater/small, explain your position.

.....  
.....

5(a). Do those seeking for Takaful insurance driven by individual personality factors in Uganda? If Yes, Explain your answer

.....

(b). To what extent are the individual personality factors considered when one is seeking for Takaful insurance in Uganda? If it is to a greater/small, explain your position.

.....  
.....

6). What are the factor might be critical in the penetration of Takaful Insurance in Uganda?

.....  
.....

7). What should the Insurance Regulatory Authority (IRA) do to ensure that Takaful Insurance product grows in Uganda?

.....  
.....

## APPENDIX II: CLOSED-ENDED QUESTIONNAIRE

Dear Respondent,

The management of Insurance College in Uganda is conducting a study titled ***“the barriers influencing the Readiness of Takaful Insurance penetration in Uganda”***. Therefore, we are kindly requesting you to spare a little of your valuable time and fill this questionnaire. The purpose of this study is entirely for academic purposes, therefore all the information given shall be treated with utmost confidentiality.

We thank you very much in advance for the cooperation offered.

### Section A: Background Information (Please tick appropriately):

A. Gender:

1. Male      2. Female

B. Marital Status

- a) 20-29 years    b) 30-39 years    c) 40-49 years    d) 50 years and above

C) Marital Status:

- a) Single    b) Married    c) Divorced    d) Separated    e) Others (specify)\_\_\_\_\_

D. Highest level of Education

- a) Certificate   b) Diploma   c) Bachelor Degree   d) Post Graduate  
 e) Others (specify)\_\_\_\_\_

E. The Position held in the company?

- a) General Manager      b) Operations Manager      c) Product Development Manager  
 d) Marketing Manager    e) Life Insurance Manager    f) Non-life Insurance Manager  
 g) Any other (specify)\_\_\_\_\_

**SECTION C: Barriers to the penetration of Takaful in Uganda**

Please respond to the statements below by ticking the most appropriate number that corresponds to your level of agreement with 1=strongly disagree, 2= disagree, 3= Neutral, 4= Agree, 5= strongly agree) regarding the statements assessing the barriers influencing the readiness of Takaful Insurance penetration in Uganda.

Code		1	2	3	4	5
<b>BTP 1</b>	Religious beliefs hinder the penetration of Takaful/Islamic insurance	1	2	3	4	5
<b>BTP 2</b>	The shortage of skilled manpower affects the penetration Takaful insurance in the new market	1	2	3	4	5
<b>BTP 3</b>	Takaful Insurance is purely perceived as Islamic product	1	2	3	4	5
<b>BTP 4</b>	The regulatory environment hinders the penetration of Takaful insurance	1	2	3	4	5
<b>BTP 5</b>	The lack of public awareness about Takaful insurance products limits its penetration	1	2	3	4	5
<b>BTP 6</b>	The lack of transparent information hinders the adopt of Takaful insurance	1	2	3	4	5
<b>BTP 7</b>	The public attitude about Takaful insurance limits its penetration	1	2	3	4	5
<b>FTP 8</b>	The cultural values and beliefs affect the penetration of Takaful products	1	2	3	4	5
<b>FTP 9</b>	The educational level of clients affects the penetration of Takaful insurance products	1	2	3	4	5
<b>FTP 10</b>	The low-income levels hinder the purchase of Takaful insurance products	1	2	3	4	5
<b>FTP 11</b>	The demographic factor of age and gender limit the adoption of Takaful insurance product	1	2	3	4	5
<b>FTP 12</b>	Guidance and staff training affects the penetration of Takaful Insurance	1	2	3	4	5
<b>FTP 13</b>	The way losses are shared in Islamic insurance limits its penetration	1	2	3	4	5
<b>FTP 14</b>	The subjective norms of individuals affect the adoption of Takaful insurance	1	2	3	4	5

<b>FTP 15</b>	The small distribution channels limit the penetration of Takaful insurance	1	2	3	4	5
<b>FTP 16</b>	The price and insurance premiums affect the penetration of Takaful insurance	1	2	3	4	5
<b>FTP 17</b>	The brand image of Takaful insurance affect penetration of its products	1	2	3	4	5
<b>CTP 18</b>	The ability of Takaful insurance products to cater for the Muslim community needs limit its penetration in Uganda	1	2	3	4	5
<b>CTP 19</b>	Lack of acceptable investments instruments that are sharia compliant hinders the adoption of Takaful insurance	1	2	3	4	5
<b>CTP 20</b>	The lack of modern technology that can easily interfere between conventional software and takaful/Islamic values affect the penetration of Islamic insurance	1	2	3	4	5
<b>CTP 21</b>	The shortage of sharia scholars with appropriate skills and experiences affects the penetration of Islamic insurance	1	2	3	4	5
<b>CTP 22</b>	The lack retakaful insurance policies prevent the penetration of takaful insurance	1	2	3	4	5

### APPENDIX III: LIST OF INSURANCE COMPANIES IN UGANDA

Insurance Regulatory Authority

Summary of Licensed Insurance Agents/Agencies for 2022 as at 12th April 2022

NUMBER	COMPANY	NO. LICENSED
1	AAR	19
2	ALLIANCE AFRICA	9
3	APA	38
4	BRITAM	20
5	CASE CLINIC	0
6	CIC AFRICA LIFE	18
7	EDGE MICRO	0
8	EXCEL	57
9	FICO	18
10	GA	19
11	GRAND MICRO	1
12	GOLDSTAR	7
13	IAA	0
14	ICEA GENERAL	49
15	ICEA LIFE	265
16	JUBLILEE GENERAL	110
17	JUBLILEE HEALTH	47
18	JUBILEE LIFE	199
19	LIBERTY	2
20	LIBERTY GENERAL	17
21	MAYFAIR	3
22	MUA	18
23	NIC GENERAL	4
24	NIC LIFE	5
25	PAX	13
26	PRUDENTIAL	1054
27	RIO	0
28	SANLAM GENERAL	101
29	SANLAM LIFE	85
30	SWICO	7
31	TRANS AFRICA	2
32	UAP	100
33	UAP LIFE	148
	<b>TOTAL</b>	<b>2435</b>

## APPENDIX IV: BUDGET

S/N	ITEM/ REQUIREMENT	DESCRIPTION	UNIT PRICE	QUANTITY		AMOUNT (UGX)
<b>Total Research Grant (UGX: 10,000,000)</b>						
	Investigators (PI) Name	1. Mr. Munobe Williams 2. Mr. Wofuma Gorden				
<b>A Instrument Piloting</b>						
1	Qualitative instrument piloting	Allowance for assistants	20,000	5 days	(2person x 5days)	200,000
2	Quantitative instrument piloting	Allowance for assistants	20,000	5 days	(2person x 5days)	200,000
2	Honorarium for researcher investigators	Transport within Kampala	50,000	2	5 Days x 2 researchers	500,000
3	Printing questionnaires	5 pages each	500	320	500 x 320 questionnaire	160,000
4	Stationery	Assorted (pens/ pencils, rulers)	10,000	7	2 researchers x 5 R/Assistants	70,000
		<b>Category Total:</b>				<b>1,130,000</b>
<b>B Data collection</b>						
1	Training of research assistant	Honorarium for trainer Allowance for research assistant	50, 000	3	50, 000 x 3 days	150,000
2	Assistants attending training	Allows for research assistants	20,000	2	40, 000 x 3days	120,000
3	Collecting qualitative data	Average transport and allowance per day	20,000	2	2 persons x 20 days	800,000
4	Collecting Quantitative data	Average transport and allowance per day		2	2-person x 20 days	800,000
2	Transport for principal investors to the field	Allowance	50,000	2	2 persons x 10 days	1,000,000
		<b>Category Total:</b>				<b>2,870,000</b>
<b>C Data analysis</b>						
1	Entering and analysing data	Installing software, coding data, entering data, and analysis	50,000 per day	30 days	50,000 x 30 days	1,500,000
2	Writing the research report and dissemination (publication)	Organizing the document, checking grammar, plagiarism, updating information & writing publication	50,000 per day	30 days	50,000 X 30days	1,500,000
3	Completion of the report	Honorarium	50,000 per day	20 days	50, 000 x 30days	1, 500,000
4	Data analysis Training the co-researcher on data analysis	Honorarium	50,000	10	50 x 10 days	500,000

5	Proofreading the report	Allowance	300,000		1 x 300,000	300,000
		<b>Category Total:</b>				<b>5,300,000</b>
<b>D</b>	<b>Report Printing and Binding</b>					
1	Report printing	108 pages	500	3	11 pages x 500 x3	129,600
2	Report Binding	3	30,000	3	3 Copies of reports	90,000
		<b>Category Total:</b>				<b>219,600</b>
<b>OVERALL TOTAL</b>						<b>9,519,600</b>

