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DETERMINANTS OF TAKAFUL BUSINESS IN PAKISTAN AND MALAYSIA: AN EMPIRICAL ANALYSIS

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ABSTRACT

A theoretical demand for Takaful business is observed in Malaysia and Pakistan as per the research of this study. This is evidence that the people of Malaysian and Pakistan have become financially more sophisticated and more determined to invest in a business that fulfills the requirement of Shariah laws. The ethical nature of the Islamic finance product Takaful is going to be more attractive to both Muslims and non-Muslims as well. It is prominent from this research that the potential demand for Takaful products is very good and the Takaful Industry is now becoming the rival competitor of conventional insurance. The Global Takaful business is smaller as compared to the conventional insurance business. Therefore the Islamic finance product Takaful needs to gain worldwide brand recognition and surpass the performance standard set by the conventional insurance business industry. It is nice to note that Takaful business operators are increasingly starting to realize that the ethical guidelines and transparency of their products underpin their offering appeal to potential individuals regardless the Muslim or non-Muslim discrimination. The Takaful business is becoming a fast-developing business and penetrating a stable development phase. In several Muslim countries, national regulators have enacted a Takaful framework for the Takaful insurance industry. Malaysia & Bahrain are leading examples among Muslim countries of having progressive Takaful regulation. In the last few years, Saudi Arabia & Pakistan have also established regulatory frameworks for Takaful business. It is very optimistic to note that the government of Bangladesh is actively considering enacting a separate Takaful Act also. This will certainly help to grow the emerging Takaful insurance industry round the globe.

Keywords: takaful, business, interest free, loan demand
JEL Codes: E40, H81

1. INTRODUCTION

Takaful is an Islamic insurance system that fulfills and adjusts Islamic laws and regulations. Takaful is an Arabic word that means a joint guarantee. The concept of Takaful or Islamic insurance is needed, where resources are pooled to help the needy, this act does not contradict Shariah. This concept is in line with the Islamic principles of compensation, and shared responsibilities among the community. It is not a new perception; in fact, it had been practiced by Muhajrin of Macca and Ansar or Madina following the migration of our prophet Hazrat Muhammad (SAW) from Macca to Madina over 1400 years ago. It is generally accepted by Muslim Jurists, the operation of conventional insurance does not conform to the Islamic laws and requirements of Shariah. According to the teaching of Islam, all Muslims have faith in misfortune that passed by them as the will of Allah, but they are also commanded in Islamic teachings to take positive measures to minimize unfortunate events. Generally, an insurance contract reduces the risk of loss due to accidents or unfortunate events. Outside of Islam, this activity is straightforward and uncomplicated; however, its conformism to Islamic laws or Shariah is disputed and debatable. Muslim scholars differ in their views on the permissibility (halal) or prohibition (haram) of insurance. Conventional insurance involves the element in the contract of insurance of uncertainty (Al-gharar), gambling (Al-misir), and interest (Al-riba) in the investment activities of the conventional insurance companies, which contravene the rules of Shariah. Takaful is an alternative form of cover, which a Muslim can avail himself of against the risk of loss due to misfortunes.

Takaful is a risk reduction of accidents and misfortune tool that is designed to protect individuals or corporate businesses against specified risks and contingencies. Through this, the Takaful risk is transferred from individuals to a pool of policyholders. In the present era, the Takaful or Islamic insurance industry is an alternative form of insurance coverage not only for Muslims consumers but also for non-Muslims as well. The basis of Takaful operations is following Islamic laws and Sharia. The basic idea of Takaful is similar to conventional insurance that protects the masses and the corporate sector from the occurrence of loss and

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threats, but there are the elements of uncertainty, gambling, and interest, which are prohibited in Islam are removed.

1.1. BACKGROUND TO TAKAFUL

Takaful or Islamic insurance was first introduced in Sudan in 1979, inspired by the growing needs of Muslim consumers, for insurance protection that conforms to Islamic law. The concept of Takaful seems to have gained wider acceptance and continues to develop. The Takaful industry has gained wider acceptance and continues to develop. Thus, several Takaful operators now offer their complete range of products in more than 22 countries of the world. A recent estimation of the global Takaful, market shows that it might achieve US12.5 billion in premiums by 2015. Several factors may have contributed to this faster growth rate, which includes increasing awareness among Muslims and the Shariah, obedient risk management options, and of continuous effort made by Takaful operators to enhance their product handling and distribution channels. Regardless of the tremendous development of the Takaful sector, a considerable number of issues such that technical and Shariah remain unsolved amongst operators. The most basic issue and probably the most contentious one is the choosing of appropriate Takaful business models. This matter has caused a certain amount of division within the Takaful industry, and business community and might weaken the whole industry if it is not addressed properly.

1.2. OPERATIONAL MECHANISM OF ISLAMIC FINANCE

Islamic finance is termed as a monetary service primarily put into practice to fulfill the main doctrine of Islamic laws and Shariah. The main sources of Islamic laws also known as Shariah consist of the Holy Quran, Sunnah, Qiyas, and Ijtihad. The Holy Quran is the Devine sacred book of revelation given to the Prophet Muhammad SAW, Sunnah has also known as Hadith, is the narrative relating to the activities, statements, habitual practice, conduct, manner, and behavior of the Prophet Muhammad SAW during his lifetime, Qiyas is the use of assumption and believes by similarity to provide an opinion on a case not referred in the Quran or the Sunna. It is in comparison with another case referred to in the Quran and the Sunna of similar same nature, Ijma is the consensus among religion scholars about specific issues not foretold in either the Holy Quran or the Sunnah.

Islam does not contradict the behavior of the market financial system. Even the profit-earning objective is tolerable to a realistic scope. Private ownership is not invalid under the Islamic economy. However; the fundamental difference between capitalist and Islamic economies is that in secular capitalism, the profit motive of private ownership is given uncontrolled power to make economic decisions (Usmani, 2021).

If the leased property is insured under the Islamic mode of Takaful than it should be at the expense of the lessor and not at the expense of the lessee, as it is generally provided in the agreements of the 'financial lease'(Usmani, 2021).

Islamic financial institutions and products are designed to comply with the central tenets of Islamic law, and it is one of the most rapidly growing fragments of the global economy. Primarily, it started with the Dubai Islamic Bank in 1975 that is operated in the United Arab Emirates, Egypt, Sudan, Lebanon, the Bahamas, Bahrain, and Pakistan, but at that time the number of Islamic financial institutions are worldwide, and now exceeded over three hundred, with operations in seventy-five countries and assets above US$400 billion (El-Qorchi, 2005).

Islamic financial institutions initially concentrated in the Middle East especially; Bahrain and South East Asia particularly, Malaysia, and now Islamic finance principles are increasingly found all over the world. This includes developing economies where the financial sector is almost entirely Islamic such as Iran and Sudan or in countries where Islamic and conventional financial systems coexist that includes Indonesia, Malaysia, Pakistan, and the United Arab Emirates (El-Qorchi, 2005).

Islamic financial institutions are those that based their objectives and operations based on the Quran and Islamic Shariah principles. This particular definition recommends that Islamic financial firms are not just banks, but also other types of financial intermediaries that employ Shariah principles and Islamic laws. The other point is that the Sharia requires the adjustment of all aspects of Muslims' lives and the formation of a complete moral system (Warde, 2000).

Islamic economic systems during the first four centuries following the death of The Prophet Muhammad (SAW), reached Morocco and Spain to the west, India and China to the east, central Asia to the north, and Africa to the south. The extension of Islamic tools of finance is also indicated by historical records of contracts registered between businessmen at that time including Mudarabah and Musharakah. Islamic finance practices continued largely unchanged until the beginning of the 19th Century (Warde, 2000).

Takaful business contributes a phenomenal role in the development of the products of Islamic finance in Malaysia and Pakistan, and other Islamic countries. The initial step in establishing the Islamic Development Bank and Dubai Islamic Bank was the pioneering step of the Islamic Banking sector in Islamic Finance. The prince of Saudi Arabia, Kind Saud Al-Faisal took the primary step for the establishment of the Islamic Bank in 1976. The president of Sudan was asked to establish an Islamic Bank to be operated in Sudan initially. The

governmental and Executives legislative authorities of the Sudan government encouraged them to comply with this proposal of establishing an Islamic bank
Along with the establishment of the Faisal Islamic Bank at the same time the establishment of the Islamic cooperative insurance company thinking process started. In this regards the Bank's Shariah Supervisory Board opinion is required. So the board has started to study the mechanism of Islamic cooperative insurance companies. Further study about the target achievement continued and several steps were established, to achieve the target. The article of association and memorandum of association are prepared by Faisal Islamic Bank management. Further, some amendments were proposed by the Shariah board in the memorandum of association and article of association, to take further steps for implementation. The board makes sure that from a Shariah point of view, the practical mechanism of an Islamic cooperative insurance company was sound and feasible. Finally, under the company act 1925 of Sudan the first Islamic insurance company Sudan limited incorporated in January 1979.
The Islamic insurance company of Sudan was the first Takaful Company which is established to transact insurance business, as per the Islamic Shariah. The Faisal Islamic Bank subscribed to the whole authorized capital of this company. This First Takaful Company allowed several exemptions and concessions. All its assets and profits were exempt from all taxes. Further, the assets of the company are not subject to appropriation and nationalization. The company is also exempt from the application of the Laws, Acts, and rules regulating insurance in Sudan, which does not come under the scope of Islamic laws. After this initiative, In November 1984 following the companies Act 1965 of Malaysia the Malaysia Islamic insurance company was established as a private limited company. It was established in 1984 but it started its operation in August 1985 as a composite Islamic insurance company. The Malaysian government makes it possible to take positive steps in legislation and formed a special research body the name Task Force to make further research. This research Task force aims to take keen measures to establish the Islamic Takaful insurance company in Malaysia. As the primary responsibility of the Task Force is to formulate recommendations as a National Steering Committee on Islamic Banking and it has highlighted in its reports to the government of Malaysian on Islamic insurance.
The members of the task force have made visiting plans for several Islamic countries to discuss the conceptual framework of Islamic insurance companies that is going to be established in near future. The members of the task force are consisting of personalities and groups representing legal experts, religious scholars, economics, and insurance practitioners. Finally, in their reports, they have suggested to the government that Takaful Insurance be established in Malaysia. The government of Malaysia initiated legislation in Malaysia for Islamic insurance known as Takaful Act 1984. This act regulates the Takaful insurance known as Takaful of Malaysia. The first Islamic insurance company in Malaysia was the Syarikat Takaful Malaysia and practically it was the subsidiary company of Bank Islami Malaysia Berhad. The bank owns a 51% share of the paid-up capital of the Takaful Company. The balance of the share capital of 49% of the shares is owned by various state religious foundations within Malaysia.

2. LITERATURE REVIEW

2.1. DERIVATION OF TAKAFUL

The beginning of Islamic insurance started in the period of emerging Islam, which is based on cooperation (Aqilah). Such kind of cooperation is gradually practiced and sometimes made mandatory in insurance transaction that is based on cooperation. Shariah noncompliance in investments may be purified through charities that are called sadaqah and zakat. Therefore, the screening criterion to determine permissible investment opportunity increase time and cost in short term but improves corporate credibility for a longer time, in the system of Islamic finance.
Takaful is invented from the Arabic language word Kafalah, which means a joint mutual grantee-based contract assurance of each other on the guarantee. In the Islamic code, the mechanism of Takaful is based on cooperation, assurance, protection, responsibility, and assistance between the participants of the Takaful policy holders. It is a form of mutual help and functional as the Islamic insurance system known as Takaful (Saaty, 2008).
A Takaful contract is depended upon cooperation through a financial transaction between two parties to safeguard one of them from unexpected future material risk. In a financial transaction of Takaful, the premier contributor or known as the Insured is required to pay a particular sum of monetary transaction that is known as the premium contribution to the Takaful operator who is known as the Insurer. Takaful operator or insurer in agreement becomes legally responsibility to provide protections to the contributor of premier for unexpected loss. This agreement is known as The Takaful Insurance policy that consists of a certain period.
In a certain situation where the Takaful policy expired and the expected loss does not occur within the specified period, risk assurance is. The premier contributor is entitled to the whole amount paid under the account of contribution premiums along with the sum of profits share made out of this investment. These cumulated payments of premiums contribution are the principle of Mudharabah which is commonly known as

profit-sharing mechanisms of finance. In such transactions, both the insurer and the insured are the concept of cooperation helping one another against desired financial risk.
Using the principles of Islamic finance as explained in the main sources of Sharia are the Holy Quran, Hadith (Sunna), Qiyas, and Ijtihad also known as Ijma. One of the main financial instruments in Islamic finance is Takaful or Islamic insurance. It is permissible as per the requirement and need of Islamic fundamental laws and Shariah.
Islamic the complete code of life and the Islamic laws and Shariah have made a distinction between halal and haram which mean is permitted or prohibited. For instance, Islamic Shairah permits Takaful insurance contracts because it is based on cooperation and mutual responsibility. Takaful also permits zakat which is a type of tax levied as per Islamic laws required to pay by capable Muslim individuals. This action society obliges the rich to help the poor, insolvent, and weaker members of society. In contrast, the teaching of Islamic Shariah prohibits risky investments, because Muslim jurists generally have in their view that these activities are comes under uncertainty which is commonly known as (Al-gharar), and in such types of contracts results are unknown, concealed, and speculated in nature, and this gesture of activity is impermissible is Islam (Mohd-Sanusi, Z., Ismail, R., Hudayati, A., & Harjito, D. (2015).
The business of insurance industry started and was established over hundreds of years in the western world. It was debated and remained under discussion by Islamic societies. The concept of insurance was introduced to several Muslim states during the European Industrial Revolution, approximately 150 years ago. This happened due to European commercial agents, who lived in parts of the Islamic countries and have their business interests in the Muslim world. First of all, they imported goods from their home countries and then initiated insurance policies to protect their goods. When the practice gained popularity in the Islamic world, Muslim scholars ponder upon the services of marine insurance contracts. European agents purchased insurance policies to protect their goods imported to the Islamic world where these insurance policies complied with Shariah principles. IbnAbdeen was the first Muslim scholar, who examines the matter and concluded, such contracts were not in strict compliance with Islamic laws and principles. Since this first ruling several Muslim scholars examined the idea of insurance in more detail and some were in agreement with IbnAbdeen while others found it different from Islamic principles (Al-Ghadya, 1999).
Although Pakistan's city Karachi comes out well associated with the Gulf and round the glob as it is the one major port of west Asia. So, being the core financial Centre of west Asia and Pakistan's main economic hub, it is strange that unexpectedly it played a low role in terms of overall adopting Islamic finance principles. It is because the intended Islamic laws and regulations of the Pakistani banking sector and insurance sector and the economy as a whole have been regulated and run by Governmental policies entirely. However, recent government action has been aimed at the development of a parallel Islamic banking and Takaful sector alongside conventional banks and insurance companies (Bekkin, 2009).

2.2. TAKAFUL & CONVENTIONAL INSURANCE DIFFERENCE

Takaful is becoming more popular in the insurance market and is being taken on now as a substitute alternative to conventional insurance. The strength of Takaful products needs to promote and announce their awareness lies in its ethical structure. The ethical structure of Takaful serves is based on an outcome of the principles of fairness and the sharing of each other's burden and not conflicting with Islamic laws. Because this activity will extend the business and understanding of Takaful and as a result protection for the less fortunate members of the community will be provided. Based on this common cooperation and humanity, Takaful products stand a chance to be accepted by both Muslims and non-Muslims as well (Coetzer., and Swartz., 2010).
Despite the obvious religious and cultural dissimilarity, Takaful companies will attract new clients from the existing conventional insurance franchises. There misconception about the Takaful that it is for Muslims only although it is based on equal opportunity. Due to its clear ethical structure, Takaful can be promoted by both Muslims and non-Muslims as well. In Malaysia, the Takaful products have an attraction to even non-Muslim communities. The belief that Takaful is only for Muslims has been disproved as the Takaful companies promote their products on wider channels regardless of targeting Muslim society only. However, it is not enough input struggle to cultivate a culture of awareness for Takaful products. As Takaful products are facing challenges such as underdeveloped products and not fully equipped products as conventional have a variety of its products. The Takaful needs to bridge the gap to level up with the banking infrastructure; awareness can be refined by offering a wider range of Takaful products as an alternative to those offered in the conventional insurance markets (Coetzer., and Swartz., 2010).
It is a theoretically explained term that a market is a place where must be an exchange of products and services take place and where all parties in each contract know about the financial worth and price of the products and services. Riba is one Arabic language term that means the charging of prearranged interest and it is strictly prohibited in Islam irrespective of the purpose of a loan. Islamic financial transactions as result are made at least in principle that is known as interest-free product zone (Saaty, 2008).
The basic idea of a Takaful insurance agreement is mutually to cooperate with greedy parties to protect each other from future risk. The insurance contract is used as a device for the prohibiting loss of one party and is

called the insured by the transfer of particular risks to another party known as the insurer. Takaful is the alternative to conventional insurance which is based on the idea of social cooperation and joint indemnification of losses of the members. It is an agreement among a group of persons who agreed jointly to indemnify the losses or damages that may happen to them (Maysami, R. C., & Williams, J. J., 2006).

Takaful insurance's main purpose under the umbrella of the Islamic finance system is to bring equal opportunity to all parties involved in the Takaful insurance contract, and the prime motive of this agreement is to help the policyholder through bad times by covering and reduction of expected future risk and loss. Earning profit is not the main aim of Takaful insurance contracts while sharing of any profits generated from the contributions are divided as per Islamic laws which is acceptable (Maysami, R. C., & Williams, J. J., 2006).

In Takaful, the insured did not always pay an assured amount of premium contribution and gets nothing in return as happens in the case of gambling. Therefore, categorizing a serious activity that benefited people and society as gambling was inaccurate. Moreover, insurance benefited society in other ways including provisions that canceled the contract if the subject matter insured was illegal such as a drug interchange insuring against being caught, further reducing criminal activities. Strict rules prevented insurance policies from being enforced if the said policies promoted results contrary to the public interest, such as insuring goods bought from a putative enemy. Finally, and unlike gambling, in the insurance contract, there is consideration moving from the underwriter to the assured which is the safety aspect if the risk did not happen and the compensation if it did. An equally powerful argument in favor of insurance was the relationship that insurance companies created between themselves and their clients (Al-Ghadya, 1999).

2.3. RE-TAKAFUL (ISLAMIC REINSURANCE)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines Retakaful as "a contractual arrangement under which the reinsurer will be liable for part or all of the risks that the insurer has insured. The insured legal right will not be affected by the reinsurance arrangement and the insurer is liable to the insured for paying claims as per the insurance policy terms and conditions."

The Malaysian Takaful Act 1984, does not define the term Re-Takaful as per, but requires that "an operator shall have arrangements consistent with sound Takaful principles for Re-Takaful of liabilities in respect of risks undertaken or to be undertaken by the operator of Takaful insurance in the course of his carrying on Takaful business"

The Re-Takaful contract is a risk exchange between insurers. This will enhance the perfect competitiveness of the Takaful insurance industry. In other words, the expected profit attracts Re-Takaful. This assumption reveals that in Takaful operations the question is not Re-Takaful protection rather than it is a question of perfect competitiveness to establish sufficient reserves to support the Takaful insurance market. The Takaful operators would need Re-Takaful coverage, especially from conventional reinsurers only if they remain uncompetitive. Therefore, Retakaful protection will exist only with the competitiveness of the Takaful insurance industry. But until such competitiveness, is established for Takaful operators who may resort to conventional Re-Takaful for reinsurance coverage based on compelling need as an interim measure.

It is evident that the Islamic jurists' have categorized expenses of a Muddraba Islamic finance investment scheme into three main categories. This categorization of expenses and operating costs liability has enjoyed the support of the majority of legal scholars and Islamic financial institutions. Institutions such as Takaful and Re-Takaful have transacted based on the Mudaraba investment tools although some have preferred that all expenses of Re-Takaful operations should be borne by the operators or insurers. Re-Takaful or Islamic reinsurance is essentially about handling the risk burden. It is a risk aversion method in which the Takaful yielding company alternatives to either a conventional reinsurer or a Re-Takaful operator to reinsure original insured risks against an undesirable future situation if the risks insured were above the normal underwriting or claim. Thus, a Takaful yield company may be based on limited financial resources and hedge against possible incapability to meet all Takaful compensation if several damages occur altogether. Hence, it has to seek reinsurance protection from a financially capable reinsurer which will take over the coverage Takaful yield of the large proportion of the risk.

The Bank Faisal al-Islami al-Sfidani defined Re-Takaful as a form of insurance whereby the insurance company pays an agreed-upon premium from the Takaful fund to the reinsurance company and in return, the reinsurance company provides security for the risk-reinsured.

3. TAKAFUL OPERATIONAL FRAMEWORK

The operational mechanisms of conventional insurance are laid upon risk assumption, but Takaful insurance operates under the basic assumption of cooperation and assistance in society. The Takaful insurance system is one of the tools of Islamic finance and Islamic Finance is based on the following elements to fulfill compliance with Islamic laws and Shariah.

3.1. AL-GHARAR (UNCERTAINTY)

Al-Gharar elaborates that a contract may be performed in such a manner that payment will have to be paid in the happening of unsure and uncertain event results. For instance, one man may think to sell the fish in the water or the fruits on the trees at the beginning of the season. It may result in the unwarrantable and unidentifiable loss of one party and equally undue enrichment to the other party. So due to the nature of a contract, Al-gharar is forbidden and not permitted to ensure full consent and justified satisfaction of the agreed parties in a contractual agreement because it is not showing the full knowledge about the happening of an uncertain event. It must also be understood that uncertainty cannot be avoided in any business but as far as the nature of Al-gharar persists and is concerned it is prohibited in Islam (Khan, L.A., 2005).

The Islamic literature uses the term “Al-Gharar” to describe the risk on the happening of an uncertain event. It is primarily explained as the risk of loss is a promise to pay money upon the happening of a certain agreed event. A financial transaction under Islamic Shariah law is held invalid if there involves any element of Al-gharar, but as far as the conventional insurance mechanism is based on the conceptual theory of risk and loss taking and uncertainty that is the chief reason which creates huge ambiguity on the part of conventional insurance and made it not to qualify for as per Islamic Shariah laws. Al-gharar can exist in insurance in four types such as (i) Gharar in the outcome, (ii) Gharar in the existence, (iii) Gharar in the results of the exchange, and finally, (iv)Gharar in the contract period (Billah., 2000).

3.2. AL-MAISIR (GAMBLING)

Al-Maisir or gambling initiate from Gharar and exists in conventional insurance contracts since profit or loss to the insurer very much depends on chances which are closely associated with claims level. Al-Maisir in insurance operation resembles a certain extent of risk-taking whereby, the insured got a huge amount of money without an equivalent amount of input. However, the uncertainty with regards to an individual is also uncertain about a very large number of individuals or groups. As Al-Gharar is eliminated, similarly there is also Al-Maisir which is due to Al-Gharar, or uncertainty is also avoided under the Takaful insurance operating system. But on the other hand, conventional insurance does not prohibit gambling as it takes on one side the insured to make a bet on the loss occurrence, and the other hand same applies to the insurer. It is also highly regarded as acquiring and achieving wealth on luck or by chance at the cost of others and gambling (Khan, L.A., 2005).

3.3. AL-RIBA (INTEREST)

In Islamic Shariah collection and payment of interest in any form is not permissible and is prohibited. The Quran and the Sunnah very strongly condemned and prohibited Riba because it rewards money that is not permissible in Islamic economic mechanisms. Monetary capital value is considered as a production factor like land and labor and entrepreneur so that each factor is entitled to take part in return regardless of profit or loss. But it has to understand that a basic key principle of the Islamic financial operating system is that any profit from trade and business comes along with liability or risk associated is a prohibited transaction and not permitted in the Islamic financial operating system. Monetary capital value in Islamic finance is seen as an enterprise that comes with both risks and rewards. Conventional insurance companies normally place insurance funds in Riba or the most common word that interest-bearing instruments such as bonds and loans are prohibited (Iqbal, 2007).

The difference between Takaful insurance and the conventional insurance business is more visible in respect of the investment of surplus premium in funds. There is no hard and fast rule from an investment point of view in conventional insurance setup for Al-Riba or interest. Conventional insurance operating systems may invest in such types of assets and funds that are strictly forbidden by the Shariah such as alcohol, and gambling prohibited and called haram. While on the part of Takaful insurance companies invest their surplus funds in interest-free zones and avenues and keenly consider the concept of Halal and Haram (Khan, L.A., 2005).

3.4. PROFIT DISTRIBUTION IN TAKAFUL

By the nature, the insurance contracts of the Takaful insurance companies may also face additional risks when it is going to compare with conventional insurance. In a conventional insurance system, the companies invest a large amount in fixed long-term securities on their balance sheet to minimize the loss of risks and on the other hand variability associated with the equity share capital. But in the Takaful insurance business as per the Shariah law demand such as interest is forbidden which rules out the investment in fixed long-term securities (Hussain, M. M., & Pasha, A. T., 2011).

The discussions are based on the point that whether conventional insurance is in line with the Shariah laws and rules there have been multiple and widely accepted views that conventional insurance strongly contrasts with the Takaful insurance business. The prominent conceptual and operational paradigms of Islamic laws and Shariah are enough to define such contrasts (Hussain, M. M., & Pasha, A. T., 2011).

In conventional insurance, the contract is based on the principles of exchange of interest. The relationship is designed in such a way that the insured buys protection by payment of premium and the insurer protects against the insured risk. Under Islamic law, insurance transactions cannot be concluded based on buying and selling of contracts only without evidence of cooperation (Ali, 2006).

Under the Takaful insurance contract, each policyholder has their basic right to have an idea and know how the earned profits from different types of securities and investments are to be divided among the participants or policyholders of the Takaful insurance but under the conventional insurance system there is no a defined parameter or hard and fast rule for profit distribution mechanism it depends upon the company management and policy agreements (Hussain, M. M., & Pasha, A. T., 2011).

3.5. TAKAFUL OPERATING MODELS

There are various models adopted in different Muslim countries, the one model is Mudarabah Model which describes that all policyholders must agree to share profits or losses from the undertaking. Under this model, the operators do not have to pay a commission but will receive a salary that will be paid from the share of profits made by the company. These same conditions apply to the management (Maysami, R.C., Golriz H. and Hedayati H., 1997).

The profit and loss sharing between the participants of premium and operator are determined in advance and judged based on the company's developmental stage and earnings. The sharing ratio is approved by the Shariah committee on an advance basis. Normally total expenses are charged to the shareholder under Mudarabah mechanics (Billah, 2019).

The second operating model of Takaful is Wakalah Model. This model states that the surplus of policyholders' fund's investments is net of the management fee or expenses of the Takaful operators and these surpluses go to the policyholders only. The participant of the policyholder pays the Wakalah fee from contributions that cover the total Takaful operator expenses of the business and operator salaries etc. The Wakalah fee is determined by the Shariah Advisory Board of the company on a one-year advance basis. To give incentives to Takaful operators for good governance and management their fee is paid as per the level of performance (Hussain, M. M., & Pasha, A. T., 2011).

The third model of the Takaful insurance operating system is Wakalah Waqf Model. According to this model, a Waqf fund is created as a separate legal entity from the paid contribution of the policyholders, this amount deposited to this fund is considered a tabarru means donation. This fund provides relief to policyholders against defined risks and losses according to the terms and conditions of the Waqf fund (Wahab, A.R.A., Lewise, M.K., Hassan, M.K. , 2007).

3.6. UNDERSTANDING THE RISK & RISK MANAGEMENT

In Islamic finance, the term Risk is categorized into generic risks and unique risks. The generic risks point to operational risk, market risk, liquidity risk, and credit risk. While the second term unique risks include and consist of Shariah non-compliance risk, rate of return risk, displaced commercial risk, and equity investment risk. Among these two defined risks, the unique risk is said to be the most significant to Islamic finance including the Takaful insurance industry.

The concept of risk is associated with the uncertainty of events in the future. As the rule of the game if the higher the uncertainty of events the higher the risk. In insurance, industry risk is defined as the amount of loss associated with the property, life, or subject matter of insurance contracts. Risk to property can be a loss or damage for example to a car, building, house, etc. Risk to life can be described as poor health, injury, premature death, bodily injuries as a result of an accident, etc (Rejda, 2011).

The profile of risk for Islamic finance can be categorized into generic risks and unique risks. Unique characteristics exist in Islamic finance with a set of risk management and challenges of five risk categories which are (1) credit risk, (2) liquidity risk, (3) legal and fiduciary risk, (4) financial supervision and transparency, (5) Shariah supervision risk. As there is considerable growth is seen in Islam so it is needed for the time that the mechanism of risk should more clearly be defined (Morisano, 2009).

Traditionally the risk concept is always been related to the insecurity and uncertainty of events in the upcoming future. So this concept works as the higher the level of uncertainty of events than higher the risk is determined. In Takaful insurance, the risk is defined as the amount of loss attached to the property, life, and subject matter of the Takaful insurance or conventional insurance contracts. So the risk can be defined as the chance of happening of some event or thing having an impact on our objectives. The risk is measured in terms of the likelihood and consequences of happening of the event.

In the financial stability conference held in Kuala Lumpur, the governor of the Saudi Arabian Monetary Agency Mr. Al-Jasser and the Chairman of IFSB commented in a conference about the risk. They said the Risk has no religion or territory risk for monetary and financial institutions and is simply a risk even for Islamic Financial tools and Institutions. In every Islamic country of the world, there dual financial operating systems exist and they are the conventional financial system and the Islamic financial system. Both financial systems walk on a parallel basis. The Islamic financial institution will require of considering an additional concept about the risk. It is also observed that the Islamic financial institution has to consider moral obligations standards for both the Shariah laws compliance and faith trusting of the market using solid financial frameworks (Hassan, M. K., & Kayed, R. N., 2009).

Islamic Financial Service Board known as the IFSB has classified risk into six different classes. These classifications are (1) operational risk, (2) credit risk, (3) equity investment risk, (4) market risk, (5) liquidity risk, and (6) rate of return risk. The IFSB defined operational risk as losses resulting from insufficient internal control processes and systems or people from the external side as well. The external factors include the Shariah risk and legal risk, but they cannot exclude from strategic operational risk. The risk associated with the

compliance of Shariah cuts off across all the other six categories of risk mentioned and it is considered as part of the operational risk. Therefore compliance with Shariah laws and rules has an important feature of an Islamic financial institution (Rammal, 2006).
Risk management in the Takaful insurance industry is considered a process to identify the potential risk of losses of a Takaful operator and then select the most suitable techniques to avoid such potential losses. For the effectiveness of management, the Takaful operators are needed to observe the guidelines about the Takaful operating system for Takaful operators. The Takaful insurance operators are required to observe prudential limits and conditions imposed on the management outsourcing pattern of Takaful funds to ensure proper usage of the funds. Although the Takaful insurance operators have a risk supervisor known as a chief risk officer (CRO) in the organization. His obligations are to foresee the potential overall risk including the operational risk but it is also vital to assess and ensure its compliance with Islamic laws requirements. One of the major roles of these risk supervisors, CRO, is to incorporate a procedural framework to report on major expected risks compliance and risk identification (Yazid, A. S., Arifin, J., Hussin, M. R., & Daud, W. N. W., (2012).

3.7. COMPLIANCE WITH ISLAMIC LAWS (SHARIAH)

One of the aspects under Islamic laws or Shariah compliance is required. The validity of the Takaful contracts should be managed as per the Shariah and Islamic rules. If a Takaful insurance contract is not fulfilled the requirement of Shariah then imposed consequences both financial and non-financial. From a financial perspective, the contract may be invalid and result in obtaining illegal profit from such a transaction. Non-financial impacts include impediments from ALLAH's blessing, against the command of ALLAH. Thus the concept promoted in Islam will not materialize and this shows that Shariah noncompliance is a real risk that may lead to serious losses for the Takaful operator.
The core concept of Islamic Shariah classifies the day-to-day matter into either halal or permitted actions and haram or prohibited actions. For instance, the Takaful insurance permits a shared responsibility and the Muslim society strongly encourages among them. Islamic Shariah also permits zakat, the rich help the poor in society by contributing their money (Mohd-Sanusi, Z., Ismail, R., Hudayati, A., & Harjito, D. (2015).

Islamic financial transactions have required more levels of authorization when it is compared to conventional insurance. For instance, a transaction between the Takaful operator and the policyholder uses the contract either mudharabah known for profit sharing, or wakalah known for agency contracts. This is mandatory in a Takaful contract that transactions performed must comply with conditions laid down by the Shariah laws (Rehman Abdul Rehman, 2010).
In Islamic society, the Takaful system worked based on Taawun and Tabarru. Participants mutually agree to help and guarantee each other by collecting a contribution from an individual for the sake of cooperation. Insurance is worked on risk transferring process under which one protects themselves on behalf of others the main purpose of Takaful under the Islamic system is to bring equity to all parties involved and the objective of the contract is to help the policyholders through bad times. Profit earnings are not the main goal in the Takaful contract while sharing any profit generated incidentally is acceptable but in a conventional system, the business is started to earn a profit (Billah, 2019).
The idea of Takaful insurance is based on social cooperation and the Takaful insurance is considered an alternative to conventional insurance. The Takaful agreement is among a group of people in the society who share jointly their responsibility for incurred loss or damage (Maysami, R. C., & Williams, J. J., 2006).
Takaful insurance has grown not only as an innovative financial instrument but also as religious consideration. The contract of Takaful provides solidarity in respect of any tragedy in human life and loss of business or property. The Islamic model of insurance policy is based on the fundamental principle of cooperation and solidarity as ordained by Allah (SWT) mentioned to this effect in the Holy Quran (Maysami, R. C., & Williams, J. J., 2006).
The conceptual difference between Takaful and conventional insurance is that risk in Takaful is not exchanged by way of contribution payments made to the operator which means the operator is not selling and the participant is not buying any risk coverage. An operator is playing the role of fund manager on behalf of the participant. So operator is not undertaking risk the risk is however distributed among the participants who agreed to jointly assume the risk (Maysami, R. C., & Williams, J. J., 2006).
Takaful is not a new and modern concept in the Islamic financial system the jurists of Islamic teachings have acknowledged that the foundation of mutual sharing liability or Takaful is also laid down in the financial system of 'Aaqilah' which means an arrangement of mutual help or indemnification in custom tribes in a period of the Holy Prophet (S.A.W). For instance, the in the case of any natural disaster of any type people comes out to contribute something until the loss bearer is indemnified. So the Takaful insurance concept is primarily based on the idea of Aaqilah which means accepting this principle of mutual compensation and joint liability (Billah, 2019).
As per the Shariah law compliance, there should not be a transaction or process that contradicts Islamic principles. Compliance with Shariah is a continuous process and covers all matters and aspects so in an Islamic

Financial Institution operations are observed keenly. For this purpose, the scope of Shariah compliance includes the Takaful mudharabah model, wakalah model, or hybrid model. All agreements of products the Takaful insurance consist of investments, the wording of the contract, marketing collateral, sharing surplus profit, and fee structures. For Muslims, It is elementary of having an insurance system that meets the religious requirements in line with their faith. Therefore Islamic financial institutions need effective measures that comply with both Shariah requirements and sound financial practice put together. The Shariah compliance risk should be at the forefront of Islamic financial institutions including Takaful companies (Ahmed, 2010).

3.8. DEMAND DETERMINANTS OF TAKAFUL

In a pioneer study about insurance, it is founded that the demand for life insurance depends upon income, wealth, interest rate, and consumer price index. In addition, the consumer utility function for consumption and wealth can be affected by the market's financial development (Yaari, 1965).

Another study conducted explains that the overall level of insurance demand in a particular economy can be influenced by several variables such as economic, legal, political, and social. But the crucial factors that affect the demand for insurance are the price of insurance, income, and inflation. The legal aspects are the enforcement of the law, protection of good investors' investment, and creditors' rights. While social factors related to religion, life dependency, culture, and political factors have also very important because economic policies and political ones also have a very important role in the demand for the insurance business.

Investigating the consumption of life insurance and level of income the study reveals the idea that factors that influence customers in China are the level of income, higher education, and the social structure of the people in China have a vital impact on China. One of the study states also describes the determents of Takaful. The study investigates the long-run consumer price index and income elasticity of demand for the Takaful industry in Malaysia (Selected Companies). This study at the same also examined the microeconomic variables and the demographic variables as well. By using the covariation test it is found that the income elasticity of demand is greater than 1 which indicates the demand for Takaful increases significantly when there is an increase in income. Further, the education variable as the demographic is not significantly related to the demand for Takaful which means that although people are educated and aware of the services of Takaful services might not necessarily purchase the Takaful product (Hawariyuni, 2006).

Another research about the demand for Takaful tries made to find the relationship between the demand for Takaful and the economic variables in Malaysia. The researcher tried to find that whether the establishment of Takaful institutions has brought a positive impact on the economy of Malaysia. In the study, the correlation and regression techniques are applied and the researcher finds the results that a relationship exists between the demand for Takaful and all economic variables, i.e. Interest Rate, GDP, CPI, and stock index. The interest rate and stock index find a significant while for the interest rate, stock index, CPI, and GDP there is a negative relationship exists with the demand for Takaful. This trend implies that people tend to invest in the money market or capital stock market when the rate of return is higher (Z., Abdul Rehman.,Rosylin,M.Y., and Faizah, 2008).

There is a relationship that exists between Takaful profitability and business variables. Employment and Zakat both business variables theoretically explain the profitability of general Takaful and Family Takaful. This means there is a relationship, between business variables and Takaful profitability. As per the study, the microeconomic variables Inflation and GDP do not significantly influence the profitability of the Takaful business. This describes the trend that insurance products are perceived as no more luxury product and it is considered essential product. So due to changes in the microeconomic variable, comparatively the demand for the Takaful industry is relatively stable (Yon., 2004).

Demand for Takaful another study conducted by using the regression model. The focus of the study is to test the relationship between the dependent variable demand for Takaful and the level of income, stock index, saving rate, and inflation rate, which are used as independent variables. The results of the study show that there is a positive relationship between demand for Takaful which is measured by the contribution premium and the income and savings rate. However, there is a negative relationship between the demand for Takaful and the stock index, interest rate, and inflation rate. The coefficient of the income is highly significant which attributes to the robust demand for Takaful (Redzuan, H., Rahman, Z. A., & Aidid, S. S. S. H., 2009).

Determining the factors demand for family Takaful a study conducted in which it is tried to find out the factors of demand for family Takaful. In the study, demographic and economic factors are considered for the demand for family Takaful. The researchers put the contribution premium as the representative of demand for family Takaful. While inflation rate, real interest rate, income for the economic variables, education, Islamic banking development, the average life of males, and the average life of a female, are considered explanatory variables of demographic. The results show that the demographic explanatory variables have a positive relationship related to family Takaful. On the other hand financial development, interest rate, and inflation rate life expectancy, emerged as significant factors that influence the demand for family Takaful (Sharif, 2004). TAKAFUL AND THE GLOBAL MARKET

When looking at the universal reasons for the economic crisis there are quite a lot of main ingredients that have caused the financial crisis. One of the main ingredients that caused the crisis is that the global economy has been over-leveraging itself beyond the economic production of the world (Editor I. , 2009)

The most important hypothecation and mortgages are unsustainable because the liquidity overflows in the markets and many other investments are made, in other words, it is like that as the whole world took on debts for the next two decades or more than the world can produce in the next twenty years the huge mechanism of the levered economic world.

Especially, In Dubai the ultimate reasons for building an enthusiastic material empire. All over the world companies and personal wealth was growing recklessly all due to uncontrolled credit and leverage mechanism. People thought they owned the things they are building and making, in reality, it was fully debt given for a fixed period. When the time happens to repay the debt, the lenders found themselves bankrupt and insolvent, unable to repay the debt. When insolvency and bankruptcy are about to happen during a period of an economic crisis to avoid bankruptcy that can have a huge disagreement of global markets and economies of the countries, economic security is necessary to ensure the survival and welfare of nations. Governments need to secure crucial corporations in their nations. Governments have also needed to make safe out by other governments, such as the case in the European Union with bailing out the Governments of Greece and Ireland (Zahariadisand, 2014).

In Dubai, the president of the UAE and ruler of Abu Dhabi, took keen steps to rescue their economy from the impact of world economic crises and keep away the Government of Dubai from the world economic crises. Throughout the world, all the governments had to intervene against massive corporate interference to ensure that their economies would not fail (Coetzer., and Swartz., 2010).

When looking around several people are seen to think of themselves only as considering the best, the more superior, and righteous, etc. It is the instinct of mankind that people individually see themselves as better than and superior to others. Nations see themselves as better than others and superior. However the fact is that nobody owns the self, it is also a debt (days) given for a fixed period. Hence the people do not own themselves and the debt is to be repaid. When the time comes to repay their debt they are found to be insolvent. That is the real economic crisis for any individual in the country's economy. The economic crisis seen in the physical world is only a symbol mirroring the real economic crisis spiritually. However, people continue to be blinded by the physical world and have forgotten about the more important spiritual world in which the real crisis exists of economies and mankind's spiritual health (Ali, 2006).

Takaful is the fastest-growing area in the world insurance market. It is growing at 20 to 25 % per annum as compared to the world average growth of conventional insurance which is 5 to 15 % per annum. The validity of this growth was possible in the demand and the prospects of potential rewards for both customers and Islamic Insurance is only a subset of the global insurance entrepreneurs of Islamic insurance. In a market, the attraction of the Takaful business may be recognized as its connection with the Islamic Shariah as well as its being a better and more just system (Coetzer., and Swartz., 2010).

4. EMPIRICAL FINDINGS

Descriptive analysis helps to describe, summarize and show data in a meaningful form. This test is important in this study because it is hard to visualize the raw data and to tell what the data is showing. With the help of this test some natural trends of the variable will be sorted out which helps to understand the initial stance of the variable means how the central tendency and spread of the variables naturally behave in the selected time zone or tenure. First of all, the Descriptive Statistic table is prepared, and then the output is discussed.

From the descriptive, statistics table from the perspective of Malaysia, the minimum value of growth of Per Capita Income during the last nine years is; -53.46 % i.e. for the year 2013, representing the lowest per capita income year, while its maximum value is 16.63 % i.e. for the year 2010, representing the highest Per Capita Income year of the data collection period. So, it shows that the economy is lack constant growth. The mean value represents the average value during a specific period. Per Capita Income has a mean value of 1.13 % which also indicates the average per capita income is lower. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the per capita income. In the above table, Malaysia's standard deviation is a little high at 22.77 for per capita income which means sample values are higher than mean values.

From the descriptive, statistics table from the perspective of Malaysia, the minimum value of Interest Rate during the last nine years is 2.14 % i.e. for the year 2009 representing the lowest Interest Rate year while its maximum value is 3.50 % i.e. for the year 2007 representing the highest Interest Rate year of the period. So, it shows that the economy is stable and it shows that the Government of Malaysia has a good consistent economic policy for their country. The mean value represents the average value during a specific period. The interest rate has a mean value of 2.95 % which also indicates a good suitable economic plan. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the interest rate. In the above table, in the case of Malaysia, the standard deviation is very little 0.47 for the Interest Rate which means sample values are lower than mean values that show the country has sufficient capital resources.

From the above descriptive statistics table from the perspective of Malaysia, the minimum value of the Inflation Rate during the last nine years is 0.93 % i.e. for the year 2009 representing the lowest Inflation Rate year while its maximum value is 5.28 % i.e. for the year 2008 representing the highest Inflation Rate year of the period so it shows that the economy is stable and it shows that the Malaysian Government has a good consistent economic policy for their country. The mean value represents the average value during a specific period. The inflation rate has a mean value of 2.54 % which also indicates good suitable economic policy and vision for the country. By calculating and presenting descriptive statistics, the Standard deviation of the Inflation rate describes how much sample values have dispersion and variation from the mean value of the inflation rate. In the above table in the case of Malaysia, the standard deviation is very little 1.34 for the Inflation Rate which means sample values are lower than mean values which are good indicators for the economy.

Table 1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std Deviation
Malaysia					
Per Capita Income %	9	-53.46	16.63	1.13	22.77
Interest Rate	9	2.14	3.50	2.95	0.47
Inflation Rate	9	0.93	5.28	2.54	1.34
Stock Index %	9	-13.3	26.94	6.67	12.58
Takaful Premium Contribution%	9	3.33	59.00	24.39	16.66
Pakistan					
Per Capita Income %	9	-60.8	14.80	0.89	23.69
Interest Rate	9	8.54	13.54	11.15	1.96
Inflation Rate	9	7.39	18.94	11.56	4.24
Stock Index %	9	-53.03	33.26	11.09	27.71
Takaful Premium Contribution%	9	1.00	311.19	82.91	95.57
Combine Pakistan & Malaysia					
Per Capita Income %	18	-60.8	16.63	1.01	22.54
Interest Rate	18	2.14	13.54	7.05	4.44
Inflation Rate	18	0.93	18.94	7.05	5.55
Stock Index %	18	-53.03	33.26	8.88	21.00
Takaful Premium Contribution%	18	1.00	311.19	53.65	73.04

From the above descriptive statistics table from the perspective of Malaysia, the minimum value of the growth Stock index during the last nine years is -13.3 % i.e. for the year 2008 representing the lowest growth stock index year and showing the lack of interest of the investor in the capital stock market while its maximum value is 26.94 % i.e. for the year 2007 representing the highest Stock index growing year of the data collection period so it shows that the capital stock market has got its gear up and shows good economic results and growth. The mean value represents the average value during a specific period. The stock index has a mean value of 6.67 % also indicates the average of the stock index is lower and that investors are not keen to invest in the capital stock market. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the stock index. In the above table in the case of Malaysia, the standard deviation is a little high at 12.58 for the stock index which means sample values are higher than mean values.

The mean value represents the average value during a specific period. Takaful Premium Contribution has a mean value of 24.39 % which also indicates the average Takaful Premium Contribution is quite a healthy indicator and that individuals are very keen to purchase a Takaful insurance policy. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the Takaful Premium Contribution. In the above table in the case of Malaysia, the standard deviation is a little high at 16.66 for Takaful Premium Contribution which means sample values are higher than mean values.

From the above descriptive statistics table in the perception of Pakistan, the minimum value of growth of Per Capita Income during the last nine years is -60.8 % i.e. for the year 2013 representing the lowest per capita income year while its maximum value is 14.80 % i.e. for the year 2011 representing the highest Per Capita Income year of the data collection period so it shows that the economy is lack of constant growth. The mean value represents the average value during a specific period. Per Capita Income has a mean value of 0.89 % which also indicates the average per capita income is lower. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the per capita income. In the above table in the case of Pakistan, the standard deviation is a little high at 23.69 for per capita income which means sample values are higher than mean values.

From the above descriptive statistics table from the perspective of Pakistan, the minimum value of Interest Rate during the last nine years is 8.54 % i.e. for the year 2005, representing the lowest Interest Rate year, while its maximum value is 13.54 % i.e. for the year 2011, representing the highest Interest Rate year of the period so it shows that the economy is not stable and it shows that Government of Pakistan has needed to implement the good consistent economic policy for the country. The mean value represents the average value during a specific period. The interest rate has a mean value of 11.15 % which also indicates that good and favorable economic policies should be adopted. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the interest rate. In the above table, in the case of Pakistan, the standard deviation is very little 1.96 for the Interest Rate which means sample values are higher than mean values that show the country has not had sufficient capital resources to build up its economy.

From the above descriptive statistics table, from the perspective of Pakistan, the minimum value of the Inflation Rate during the last nine years is 7.39 % i.e. for the year 2007 representing the lowest Inflation Rate year while its maximum value is 18.94 % i.e. for the year 2008 representing the highest Inflation Rate year of the period, therefore, it shows that the economy is not stable purchasing power of the masses is very low and it is difficult for them to meet both ends in the such unpleased condition of the economy and it also shows that the Pakistani Government has need fully to adopt a good consistent economic policy for their country. The mean value represents the average value during a specific period. The inflation rate has a mean value of 11.56 % which also indicates a very high inflation rate exists and it is demanding for the economy to implement favorable economic policy and vision for the country. By calculating and presenting descriptive statistics, the Standard deviation of the Inflation rate describes how much sample values have dispersion and variation from the mean value of the inflation rate. In the above table, in the case of Pakistan, the standard deviation is very little 2.24 for Inflation Rate which means sample values are higher than mean values which is a good indicator for the economy.

From the above descriptive statistics table from the perspective of Pakistan, the minimum value of the growth Stock index during the last nine years is -53.03 % i.e. for the year 2009, representing the lowest growth stock index year and showing the lack of interest of the investor in the capital stock market while its maximum value is 33.26 % i.e. for the year 2005, representing the highest Stock index growing year of the data collection period; therefore, it shows that the capital stock market has got its gear up and shows good economic results and growth. The mean value represents the average value during a specific period. The stock index has a mean value of 11.09 % which also indicates the average of the stock index is lower and the investors are not keen to invest in the capital stock market. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the stock index. In the above table in the case of Pakistan, the standard deviation is a little high at 27.71 for a stock index which means sample values are higher than mean values.

Takaful Premium Contribution is the dependent variable of this study, so from the above descriptive statistics table in perspective of Pakistan, the minimum value of growth of Takaful Premium Contribution during the last nine years is 1.00 % i.e. for the year 2005 representing the lowest growth of Takaful business year because it was the year when the business of Takaful emerge in Pakistan but it showing the lack of interest of the of the individuals and the other businesses to purchase the Takaful Insurance policy for their respective risk in the insurance provider market while its maximum value of growth is 311.19 % i.e. for the year 2006 representing the highest Takaful insurance growing year of the data collection period so it shows that the in the insurance market the operators of Takaful business have got its suitable insurance plans for the individual and the other businesses in which the masses have shown good interest and purchase the Takaful insurance policy in order to minimize their risks and it also shows that how it is need full for the operators of Takaful Insurance to have good Takaful insurance plane for a healthy economic results and growth for the business of Takaful. The mean value represents the average value during a specific period. Takaful Premium Contribution has a mean value of 82.91 %, that also indicates the average Takaful Premium Contribution is quite high, and it indicates that with the time individuals in Pakistan have got their intention towards Takaful insurance policies, and are very keen to purchase Takaful insurance policies. By calculating and presenting descriptive statistics, Standard deviation describes how much sample values have dispersion and variation from the mean value of the Takaful Premium Contribution. In the above table in the case of Pakistan, the standard deviation is a little high at 95.57 for Takaful Premium Contribution which means sample values are higher than mean values.

The core purpose of this study is to enlighten that Takaful is a very significant tool of Islamic finance and it is rapidly getting the high scale of awareness in all sectors of the industry. So, for seeing from the above descriptive statistics table in perspective the combined mean of Per Capita Income growth is 1.01 which shows that there is a need to improve the GDP to improve the Per Capita Income and purchasing power of the masses. The combined mean of the Interest Rate and Inflation Rate is 7.05 that is also indicating that the factor of poverty exists due to unstable economic conditions. The combined mean of the growth of the stock index is 8.88 which also indicate that due to unfavorable economic condition, the investors are reluctant to invest in the capital stock index, by seeing the overall description of stock index growth it is observable that the opportunity for investment in the capital stock market is there but these are not consistent. It requires that the government needs to put on some positive intentions on the economic condition and brings economic revival remedies. Finally, there is most important descriptive ingredient is the standard deviation. In the case of Per Capita Income the growth of the standard deviation is 22.54 that on the higher side. There is a 4.44 and 5.55 standard deviation of the Interest rate and Inflation rate respectively which is also a little high. The standard deviation of the stock index growth is 21.00 which is also at a high margin and the growth of Takaful Premium Contribution standard deviation is 73.04 which is very high. Now as it was prominent that the standard deviation of all variables is high and as the custom narrative of the standard deviation evaluates that there is a high tendency of fluctuation from the mean value that shows the trend of uncertain and un consistent economic conditions.

The descriptive statistic of combined results helps us to understand the overall picture of Malaysia and Pakistan both as a whole. After calculating the combined results it enables us to describe that the Takaful sector is playing a vital role in both countries' economies and this tool of Islamic finance has vital contributions to the Islamic finance and economic conditions of the regions. After descriptive statistics, the trend analysis is to be explained to find out the relationship between variables that how much these variables have impacted the economy and what are their trends in the overall progress.

Table 2: Regression Analysis

Country	N	Beta (β)	R Square	Adjusted-R Square	Durbin Watson
Malaysia	9	.981	.962	.923	2.617
Pakistan	9	.922	.851	.701	1.143
Combined (M & P)	18	.905	.819	.763	1.053

To evaluate the linear regression results from the table, I would like to discuss regression analysis output categorically to find how much increase and decrease impacts occur in the predicted value of Takaful Premium Contribution by the interconnection of the predictors' variables i.e. Per Capita Income, Interest Rate, Inflation Rate, and Stock Index. The first description of analysis output represents the Malaysia-based data, Second the Pakistan-based data, and Third the combined data of Malaysia and Pakistan.

The value of beta (β) is +0.981 which shows the positive relationship between total predicted variables and predictor variables in Malaysia. The value of β shows that if Takaful Premium Contribution increases or decreases by 0.981 standard deviation units, there is an increase or decrease of 1 standard deviation unit in all four predictor variables. The value of the intercept is -0.5435 which means that if the coefficient of all predictor variables is assumed zero then this intercept is the value of the predicted variable.

Statistical regression test that uses F distribution can be called an F test. It is used when the sample size is smaller or less than 30 i.e. $n < 30$. The f test is used for testing the significance of regression and whether the used data in a test is the significance of the regression model. The relevance of the multiple regression models as a whole can be tested by this test. A significant F indicates a linear relationship between the predicted variable Y and at least one of the predictor variables X.

For the data of Malaysia, the F test value is 25.038 with a significant P value that is .004. This result tells that there is less than a 0.4 % chance that the F ratio value deviation will happen between the dependent variable and independent variables. Therefore, it can be concluded that this regression model results in the case of Malaysia show an expressively better forecast that the demand for Takaful in Malaysia depends upon the independent variables of this research work.

So, the regression model for Malaysia data overall predicts that there is a significant relationship between the predicted variable Takaful premium, and the predictor's variables (Per capita income, interest rate, inflation rate, and stock index). These results also justify and reject the null hypothesis. There is an insignificant and negative relationship between the dependent and independent variables for the data of Malaysia so far.

The coefficient of determination (R^2) shows how much the regression line fits the data. It is also called goodness of fit with a significance P value that is 0.004. In the regression analysis, the output of Malaysia R square has values of 0.962 that show a regression line significantly fits for data or about 96.2% of data is significantly fit for Malaysia with a regression line, it tells that there might be several factors that can explain the variation but this model that includes the per capita income, interest rate, inflation rate, and stock index explain 96.2 % and about 3.08 % of the variation is unexplained for the demand determinants for Takaful in Malaysia. Adjusted (R^2) is the adjusted value for the number of explanatory terms in the model means that the value of (R^2) after adjusting the error terms. In the case of Malaysia, the adjusted R square is .923 same as the goodness of fit.

The regression model has the assumption that deviations of error values are uncorrelated so if autocorrelation exists in the model, the shape of the function is considered inappropriate and serially correlated.
In the Malaysia model, the values of autocorrelation are 2.617 and this is greater than 0.80. If the Durbin-Watson test shows values less than 0.80 (<0.80) then autocorrelation lies. In the case of Malaysia, there is no autocorrelation.
Analysis of Variance (ANOVA) indicates the overall significance of the regression model the F Test determines whether the model is a good fit for data according to the P value which is also known as the level of significance. In the ANOVA test, the sum of the square indicates how much the independent variable has explained variance in the regression model and how much is the residual.
In the regression analysis, the output of Malaysia the P value is the significance standard shown overall model as significant values are less than 0.004 (< 0.004). so, we can conclude that our hypothesis H1 is accepted for Malaysia as there has been a positive and significant relationship between the Takaful Premium Contribution and the predictor variables, i.e. Per Capita Income, Interest Rate, Inflation Rate, and the Stock Index and the business of Takaful industry is playing very vital performance the economy of Malaysia and also playing as the valuable pivot role of the tool of Islamic finance from 2005-2013.
The value of beta (β) is +0.922 which shows a positive relationship between total predicted variables and predictor variables in the case of Pakistan. The value of β shows that if Takaful Premium Contribution increases or decreases by 0.922 standard deviation units, there is an increase or decrease of 1 standard deviation unit in all four predictor variables. The value of the intercept is -0.9554Which means that if the coefficient of all predictor variables is assumed zero then this intercept is the value of the predicted variable.
Statistical regression test that uses F distribution can be called an F test. It is used when the sample size is smaller or less than 30 i.e. n < 30. The f test is used for testing the significance of regression and whether the used data in the test is the significance of the regression model. The relevance of the multiple regression models as a whole can be tested by this test. A significant F indicates a linear relationship between the predicted variable Y and at least one of the predictor variables X.
For this test, the F ratio is 5.692 with a value of P 0.060which is insignificant because the Pvalue is >0.050. This result tells us that there is a 0.6 % chance that an F ratio this large would happen if there were an effect, therefore it can be concluded that this regression model results, in the case of Pakistan, in the expressively slightly not better forecast that the demand for Takaful in Pakistan depends upon this research predictors variables. So the regression model for the Pakistan data overall predicts that there is an insignificant relationship between the predicted variable Takaful premium and the predictor's variables (Per capita income, interest rate, inflation rate, and stock index). These results also justify and accept the null hypothesis that there is an insignificant and negative relationship between the dependent and independent variables for the data of Pakistan so far.
The coefficient of determination (R^2) value always lies between 0 and 1 and the resulting value near 1 is considered because in such case the independent variable value explains the dependent variably in a favorable manner. So the (R^2) value shows how much the regression line fits data so it is also called goodness of fit. In the regression analysis output of Pakistan R square have values of 0.851 that shows the regression line is significantly fit for data or about 85.1% of data is significantly fit for Pakistan variables with the regression line. Adjusted (R^2) is the adjusted value for the number of explanatory terms in the model means that the value of (R^2) after adjusting the error terms. In the case of Pakistan, the adjusted R square is .701 same as the goodness of fit.
Here, the R^2 explains the 85.1 % to the predictors variable, and 14.9 % is explained by some other variables but the R^2 value with the significance level of 0.060 is not under the confidence intervals of the F test. Therefore it is explicitly considered a hypothesis that accepts the null hypothesis.
The regression model has the assumption that deviations of error values are uncorrelated so if autocorrelation exists in the model, the shape of the function is considered inappropriate and serially correlated.
In the Pakistan model, the values of autocorrelation are 1.143 and this is greater than 0.80. If the Durbin-Watson test shows values less than 0.80 (<0.80) then autocorrelation lies. In the case of Pakistan, there is no autocorrelation.
Analysis of Variance (ANOVA) indicates the overall significance of the regression model. In the ANOVA test, the sum of the square indicates how much the independent variable has explained variance in the regression model and how much is the residual.
In the regression analysis, the output of Pakistan the P value is the significance standard shown overall model as insignificant values are greater than 0.05which is 0.06 so we can conclude that our hypothesis H_0 is accepted for Pakistan variables as there has been a negative and insignificant relationship with Takaful Premium Contribution and the predictor variables, i.e. Per Capita Income, Interest Rate, Inflation Rate, and the Stock Index. The business Takaful industry is playing a very vital performance in the economy of Pakistan and also played a valuable pivot role as a tool of Islamic finance from the year 2005 to the year 2013.

After discussing the relationship and results of Malaysia and Pakistan variables separately, now, it is also needful to have a look at the regression output as a combined factor and tries to find, how this tool of Islamic finance is performing this role in the economy of both countries. This is being done to find and evaluate the performance and significance of the relationship between a dependent variable and the independent variables. This will help us to understand that in Asian region how the Takaful insurance industry sector has been impacted. As Malaysia and Pakistan are major representative countries in Asia and especially in the Takaful insurance sector of Islamic finance as both countries are Muslim so any type of Islamic product especially in the case of banking and insurance have got more worth and chances of growth.

Now, it is formed a combined model to test our hypotheses H_I and H_0. It is likely to be very interesting to have a look at this section of the result as there are contradictory results on the output of seeing individual data of Malaysia and Pakistan.

The value of beta (β) is +0.905with a significance level of 0.000 that shows the positive relationship between total predicted variables and predictor variables in combined results for Malaysia and Pakistan. The value of β shows that if Takaful Premium Contribution increases or decreases by 0.905 standard deviation units, there is an increase or decrease of 1 standard deviation unit in all four predictor variables. The value of the intercept is -0.5864which means that if the coefficient of all predictor variables is assumed zero then this intercept is the value of the predicted variable for combined data.

Statistical regression test that uses F distribution can be called an F test. It is used when the sample size is smaller or less than 30 i.e. $n < 30$. The f test is used for testing the significance of regression and whether the used data in the test is the significance of the regression model. The relevance of the multiple regression models as a whole can be tested by this test. A significant F indicates a linear relationship between the predicted variable Y and at least one of the predictor variables X.

For this test, F is 14.682 which is significant at $P < .000$. This result tells us that there is less than a 0.0 % chance that an F ratio this large would happen if there were no effect, therefore it can be concluded that this regression model results, in the case of combined data of Malaysia and Pakistan, are expressively better projection that the demand for Takaful in Malaysia depends upon this research predictors variables. So the regression model for combined data overall predicts that there is a significant relationship between the predicted variable Takaful premium and the predictor's variables (Per capita income, interest rate, inflation rate, and stock index). These results also justify and reject the null hypothesis that there is an insignificant and negative relationship between the dependent and independent variables for the data of both Malaysia and Pakistan.

The coefficient of determination (R^2) shows how much the regression line fits data so it is also called goodness of fit with a significance P value that is 0.000. In the regression analysis output of combined Malaysia and Pakistan, R square has values of 0.819 that show the regression line significantly fits for data or about 81.9% of data fit Malaysia with the regression line, it tells that there might be several factors that can explain the variation but this model that includes the per capita income, interest rate, inflation rate, and stock index explain 81.90 % and about 18.10 % of the variation is unexplained for the demand determinants for Takaful in Malaysia and Pakistan. Adjusted (R^2) is the adjusted value for the number of explanatory terms in the model means that the value of (R^2) after adjusting the error terms. In the case of Malaysia, the adjusted R square is .763 same as the goodness of fit.

The regression model has the assumption that deviations of error values are uncorrelated so if autocorrelation exists in the model, the shape of the function is considered inappropriate and serially correlated.

In Pakistan's model, the values of autocorrelation are 1.053 and this is greater than 0.80. If the Durbin-Watson test shows values less than 0.80 (<0.80) then autocorrelation lies. In the case of Pakistan, there is no autocorrelation.

Analysis of Variance (ANOVA) points out that overall signs of the regression model the F Test determines whether the model is a good fit for data according to the P value which is also known as the level of significance. In the ANOVA test, the sum of the square indicates how much the independent variable has explained variance in the regression model and how much is the residual.

In the regression analysis output of combined data for Malaysia and Pakistan, the P value is the significance standard shown overall model as significant values are less than 0.000 (< 0.000) so we can conclude that our hypothesis H1 is accepted for combined data case of Malaysia and Pakistan as there has been a positive and significant relationship with Takaful Premium Contribution and the predictor variables, i.e. Per Capita Income, Interest Rate, Inflation Rate and the Stock Index and the business of Takaful industry is playing very vital performance the economy of Malaysia and Pakistan, and also playing as the valuable pivot role of the tool of Islamic finance from 2005-2013.

The next step towards analysis is Correlation analysis. Linear regression analysis can be run only if there is a correlation between the variables that are selected and being used for research. Correlation analysis helps to find the relationship between the variables and also the direction of the relationship whether the relationship between variables is in a positive direction or negative. A positive correlation indicates if one variable

increases, the other variable also increases, and vice versa. A negative correlation indicates if one variable increases, the other variable decreases.
As the core idea of this study is to investigate that the Takaful industry is an innovative approach in Islamic finance so for this purpose it is essential that have a critical look at the selected independent variables of the study that how these have an impact on the dependent variable of this concerned study.
The note able thing is that Correlation analysis is being examined on individual Malaysia, Pakistan and the combined selected variables data of Malaysia and Pakistan, because the prime target of this study is to find out the level of performance of the Takaful industry in Islamic finance and see how this innovated approach of business is performing in the insurance sector and the economy as well by seeing in different ways.

Table 3: Outcomes of Correlation

Dependent Variable Correlation With	Malaysia	Pakistan	Combined (M & P)	Significance level		
				Malaysia	Pakistan	Combined (M & P)
Per Capita Income	+.673	+.476	+.896	.024	.098	.000
Interest Rate	-.181	+.155	-.783	.320	.346	.000
Inflation Rate	-.399	-.148	-.722	.144	.352	.000
Stock Index	+.945	+.798	-.703	.000	.005	.001

First, to see at Malaysia column of correlation and find first of all that Per Capita Income correlates is +.673 that is a moderately high positive correlation, as it is a natural relationship between income and demand that as the income rises the demand for a thing also rises and vice versa but the significance level is at .024 which shows the relationship is significant. As The value of correlation between a dependent variable and independent variable is close to +1 these variables have a perfect positive relationship.
Second, in the Malaysia column of correlation find the Interest Rate has a correlation value of -.181 which is a low negative correlation, as it is a natural relationship between the variables that as the interest rate increase and the demand will decrease and vise a versa but the significance level is at .320 which shows that relation is insignificant. The value of the correlation between a dependent variable and an independent variable is a perfect negative relationship but insignificant.
The third in the Malaysia column of correlation finds the Inflation Rate has a correlation value of -.399 which is a bit high negative correlation, as it is a natural relationship between the variables that as the inflation rate increases the demand will decrease and vice a versa but the significance level is at .144 which is low insignificant. The value of the correlation between a dependent variable and an independent variable is a perfect negative relationship with a low insignificant level.
Fourthly, the Malaysia column of correlation finds the Stock Index that has a correlation value of +.945 which is a high positive correlation, so it shows that if there is an increase in investment in the stock index then there will also increase in Takaful premium, and vise a versa and the significance level is at .000 which is highly significant. As The value of correlation between a dependent variable and independent variable is close to +1 as these variables have a perfect positive relationship with high significance.
First, see at Pakistan column of correlation and find first of all that Per Capita Income correlates is +.476 which is a moderate positive correlation, as it is a natural relationship between income and demand that as the income rises the demand for a thing also rises, and vise a versa but the significance level is at .098 which is also a low insignificant level. As The value of correlation between a dependent variable and independent variable is close to +1 so these variables have a perfect positive relationship.
Second in the Pakistan column of correlation find the Interest Rate has a correlation value of +.155 which is a low positive correlation, as it is the natural relationship between the variables that as the interest rate increase and the demand will decrease but here, in this case, it is strange that interest rate shows a positive correlation and it shows that as the interest rate is high in Pakistan as compare to Malaysia so as due to high-interest rate the return on investment becomes higher so that may be the reason that there is a positive correlation between dependent and independent variable. But the significance level is at .346 which is insignificant. As the value of correlation between the dependent variable and independent variable tends to +1 so that is a perfect positive relationship with an insignificant level.
The third in the Pakistan column of correlation finds the Inflation Rate has a correlation value of -.148 which is a bit low negative correlation, as it is the natural relationship between the variables that as the inflation rate increases the demand will decrease and vise a versa but the significance level is at .352 which is insignificant. As the value of correlation between the dependent variable and independent variable is tends to negative that is a perfect negative relationship with an insignificant level.

For the fourth Pakistan column of correlation find the Stock Index that has a correlation value of +.798 which is a high positive correlation, so it shows that if there is an increase in investment in the stock index then there will also increase in Takaful premium and vise a versa and the significance level is at .005 which is highly significant. As The value of correlation between the dependent variable and independent variable is close to +1 as these variables have a perfect positive relationship highly significant level.
The first to see at Malaysia and Pakistan column of correlation and find first of all that Per Capita Income correlates is +.896 which is a high positive correlation, as it is the natural relationship between income and demand that as the income rise the demand for a thing also rises and vise a versa but the significance level is at .000 which is also significantly high. As The value of correlation between the dependent variable and independent variable is close to +1 so these variables have a perfect positive relationship.
Second, in Malaysia and Pakistan, a column of correlation find the Interest Rate has a correlation value of -.783 which is a high positive correlation, as it is the natural relationship between the variables that as the interest rate increase and the demand will decreases so that there is a negative correlation between dependent and independent variable. But the significance level is at .000 which is also significantly high. As the value of correlation between the dependent variable and independent variable tends to -1 so that is a perfect negative relationship.
The third in the Malaysia and Pakistan column of correlation finds the Inflation Rate has a correlation value of -.722 which is a high negative correlation, as it is the natural relationship between the variables that as the inflation rate increases the demand will decrease and vice a versa but the significance level is at .000 which is also significantly high. As the value of correlation between the dependent variable and independent variable tends to be negative that is a perfect negative relationship.
For the fourth in the Malaysia and Pakistan column of correlation find the Stock Index that has a correlation value of -.703 which is a high negative correlation, so it shows that if there is a decrease in the investment of the stock index when there is an increase in the premium contribution of Takaful and vise a versa and the significance level is at .001 which is highly significant. As The value of correlation between a dependent variable and independent variable is close to -1 as these variables have a perfect negative relationship. This correlation best represents the core idea of this study and it has given a very positive logic that the business Takaful Industry certainly is an innovative approach in Islamic finance and is strengthening and increasing its market share in the insurance industry overall which is a very healthy sign for the business of Takaful and also for Islamic finance.
Analyzing the comparison analysis between Malaysia and Pakistan the trend analysis technique is adopted, it is a mathematic technique that uses for secondary and historical data. It is the most important analysis of the studies because these analyses will prove a strong argument in favor of my hypothesis. In this step of analysis each independent variable will be comparatively examined that is both Malaysia and Pakistan individually and combined also. So that there will be realistic assessment is being carried out. For This analysis is being performed on the sum percentage of every variable to see the comparative impact of the variable.
In this part of the analysis combined graph for Malaysia and Pakistan for each variable is prepared separately but each independent variable is analyzed with the dependent variable. This effort is made to understand how the spread of the independent variable impact on the spread of the dependent variable.
From the statistic descriptive point of view, there is a direct positive relation between per capita income and the Takaful premium as is proved in the descriptive analysis as well. Per capita income is a dynamic variable to know the impact of one economy on its masses because it represents the average level of income of a country and it's one of the independent variables of this study. The Malaysian average per capita income is 7842 US$ which is higher than Pakistan which is 956 US$. There is consistent growth in both countries except there is a decline in 2009 and 2013 in both countries. So when we look at the dependent variable there is a continuous expansion in the Takaful Premium Contribution. It shows that there as there is an increase in the level of income the Takaful insurance tends to grow. The impact of the 2009 decline in income level shows more effect on Pakistan's Takaful insurance rather than on Malaysia. The 2013 impact of the decline is not representing the Takaful insurance business of both countries which shows that some other variable may have a good impact on the Takaful business.
The interest rate has indirect and negative relation with the Takaful premium this relation is also showing the same results in the descriptive statistics section of the analysis of this study. Interest rate is also important for looking at the impact of investment in any kind of business. The Interest rate average of Malaysia is 2.95 % from 2005 to 2013 which is lower than Pakistan which is 11.15. Here in this scenario when their look at the Takaful premium In Pakistan has shown there is a higher increase in Takaful investment. This attitude of investment shows the trend that people invest more when there is a higher rate of return is expected.
For the inflation rate there is also indirect and negative relation with the Takaful premium this relation is also showing similar types of results in the descriptive statistics segment of the investigation of this study. The inflation rate is another variable important for looking at the impact of investment in any kind of business. The Inflation rate average of Malaysia is 2.54 % from the period 2005 to 2013 which is lower than Pakistan which

is 11.56. This situation when their looks at the Takaful premium In Pakistan have shown there is a higher increase in Takaful investment. This attitude of investment shows the mindsets of the people who have their trend of more to invest in the risky economy because when there is higher risk there is a higher expected return as well expected.

The capital stock market is the investment sector that is very sensitive because it perceives the impact of economic, social, natural, and political change very quickly. To see the impact of economic, social, and political the capital stock market is the finest sector to gauge the economy. From the period of 2005 to 2013 the average investment in the capital stock market in Malaysia is 1289.30 on average annual indexes which is lower than Pakistan that is 118.8.39 annual average index. Here in this case between these two variables, there is a positive relation.

5. CONCLUSION

Every country has its socioeconomic environment which provides the base for taking part in contributing to any economic or social activity. The impact of Takaful business in the financial sector of Malaysia and Pakistan is considered very significant, because as per the results of Takaful Premium contribution in Malaysia and Pakistan, despite the fact of the economic and social constraints, the results are stunning. There is rapid and consistent growth found in both countries. Seeing the data analysis of Takaful premium contribution from the year 2005 to 2013 there is consistent and continuous improvement which is a very healthy sign for the Takaful business opportunity in Malaysia and Pakistan. Further it is also observed that both countries' results regarding the Takaful premium contribution are very progressive, but as far as the concern of Pakistan the results are very fabulous because the premium growth rate is high in Pakistan when compared to Malaysia which is remarkable sign in the development of Takaful Industry in Pakistan. In Malaysia Takaful started in 1985, and it is a very mature and established business in Malaysia, so it becomes a demanding performance to prove the results, without any kind of doubt the Malaysian have done up to the marking task in the business of Takaful industry. When it is required to have an outlook on the economy of a country the Per Capita Income is one of the major economic factors which gauge the economic health of a country. It is the most important factor to be considered because it tells about the purchasing power of the masses, and when it is going to be discussed to take part in the investment of any kind of business then the purchasing power or level of income is vital to take the decision. By looking at the output of results from 2005 to 2012, the per capita income of both countries, Malaysia and Pakistan, is very consistent, although in Malaysia it is high than that of Pakistan. In 2013 both countries have faced a considerable decrease in per capita income. The notable thing is that the investment in Takaful shows higher growth by Pakistan rather than Malaysia despite the fact of low per capita income prevails in Pakistan.

Now it is debatable that regardless of the higher per capita income of Malaysian over Pakistan the investment in capital stock is also lower as is found in the case of Takaful business. Because the stock index progress also shows that there is a high investment trend found in the case Pakistan capital stock index as well. Now the question is what people do when they have a higher level of income but there is no keen interest in investment of Takaful or capital stock market by looking at the limitation of this research only. So people may invest in the money market or save their surplus income. Then here comes another macroeconomic variable the Interest Rate that helps to figure out this dilemma.

Now looking at the Interest Rate it is visible that the interest rate is higher in Pakistan than in Malaysia. So that it can be opted to have an opinion that due higher rate of return in Pakistan people invests in a risky investment. Because it is the fundamental phenomenon that higher risk results in a higher return. So that may be the reason in Pakistan the trend of investment in Takaful business and the capital stock is higher than in Malaysia.

As per the variable selected for this research study, there is another evidence of a higher trend of investment in Takaful business and capital stock market Pakistan, that is the Inflation Rate, in Pakistan rate of Inflation is high in Malaysia also. Now, this also comes with the understanding that high inflation reduces the purchasing power of an individual. So as the level of income in Pakistan is evidence as low this naturally pushes the people to invest in different ways to increase their purchasing power. So the trend of “Higher the risk Higher the return” comes into play and individuals take a keen interest to invest in products from where they can generate a higher return.

Some researchers such as (Giat. A, 2007), (Khan, 2003), (Ismail, 1997), (Al-Ghadyan 1999), and (Belkin 2007) have discussed in their studies that the Takaful business fulfills the requirement of the Quran and Sunnah and the Muslim jurists have also declared the Takaful as per Shariah laws. Several others such as (Giat. A, 2007), (Khan, 2003), (Al-Ghadyan 1999), and others have also argued in their studies there is no contradiction that Takaful is per the Shariah laws. While some researchers talk about the demand factors of Takaful such as (Hussels, Ward, and Zurbruegg (2005), (Zuriah, Rosylin, and Faizah (2008), and Takaful (Hendon (2009). The discussion about the microeconomics and macroeconomics variables have a significant influence on demand for Takaful. The level of income and stock index has a positive relation with Takaful demand while the interest rate and inflation rate have a negative relation with the demand for Takaful.

As per this research outputs of correlation, Malaysia's per capita income and stock index have a positive correlation with a significant level while interest rate and inflation rate have negative relation but a low insignificant level exist. While in the case of Pakistan per capita, income is insignificant, the interest rate is insignificantly, and stock index significantly have positive, and inflation has negative insignificance concerning the demand for Takaful. A combination of both countries Malaysia and Pakistan's per capita income has positive relation while interest rate, inflation rate, and stock index have a negative relation with demand for Takaful business. And all variables have highly significance level to reject the null hypothesis of the study and to accept the alternate hypothesis that there is a significant relation between the dependent variable and independent variables.

Finally, it is also very important to see the investment growth for Malaysia and Pakistan in case the case of the capital stock market and the Takaful industry, the growth percentage of Pakistan for investment in the mentioned sectors is high when it is compared with the growth of Malaysia, while the per capita income of Pakistan is low and the Malaysian is high and on the other hand the interest rate and inflation rate is high and Malaysian are low. So categorically it shows that this is the natural trend of investment because to improve their purchasing power people always have to look to invest their savings in different ways. The other impact of interest and inflation rate also favors Pakistan's economic condition because due to the high-interest rate the return on investment is also higher so people have a keen interest to invest to improve their level of income. While the inflation rate also has a favorable economic condition in Pakistan because as the growing inflation trend of the market again shows high risk higher return applies its impact and people show their investment interest.

5.2 RECOMMENDATIONS

Takaful insurance is only a division of global insurance where the global Takaful insurance business is in the region creeping up rapidly. However, the Takaful is a rapidly growing product in the insurance market worldwide. The stimulus incentives growth is not considered good if there is a low demand for Takaful insurance products observed and if there are no prospects of potential rewards both for the individual customers and the corporate sector of Islamic Insurance. The current opportunities of Takaful insurance products require demand to meet the global standard to increase the market share. To achieve international standards it is desirable of getting a better response about the righteousness of the Takaful insurance operating system. Takaful Industry requires strong marketing and technical and methodical expertise in insurance technical matters and compliance with Shariah laws. It is needed to emphasize the goodness of the Islamic financial operating system and its application within Islamic finance operating practices.

By seeing the current progress and demand it is an outstanding opportunity to expand the size of Takaful insurance products in the market by addressing the customer’s needs and wants who have a preference for Takaful products. The attraction of Takaful products In the market is not due to the concept that it is a product that is permissible under the Shariah laws, but it is due to the Takaful growth in the insurance industry. So from this aspect, it should be attractive irrespective of any religious basis upon which the system stands initially. By taking all matters into account the Takaful operators in the market should take. Although in recent years competitive elements face up to the industry arising from market technological advancement, liberalization, and greater customer expectations are the compounds towards further development of innovative products, effective services, and improved efficiencies in the operational process. The effective use of distribution channels, dynamic investment strategy, and increased public awareness of Takaful will provide imputes for further growth of the Takaful industry. The endeavor to develop a Takaful industry that is competitive, dynamic, and more resilient will be the result of the combined commitment and collaborative effort of the regulators of the industry and market partners as per the financial institutions. The aim shall be to create progressive world-class Takaful insurance operators for promoting the development of Islamic finance tools of business as per Shariah-based just and fair financial system for the Ummah to accommodate their needs and requirements.

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