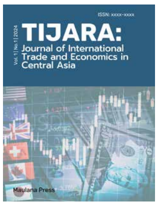

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Relation between islamic financial organization and nonlife-takaful in Bangladesh

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Abstract

This study explores the evolving relationship between Islamic financial organizations and the nonlife Takaful sector in Bangladesh, aiming to assess the interdependence, institutional linkages, and mutual development dynamics within the framework of Shariah-compliant finance. In the past decade, the Islamic finance industry in Bangladesh has witnessed significant growth, supported by rising demand for ethical financial solutions and increasing regulatory support. Concurrently, the nonlife Takaful market—providing Islamic alternatives to conventional general insurance has expanded, though at a slower pace compared to the banking sector. This research adopts a mixed-methods approach, combining quantitative analysis of market data from Islamic banks, Takaful operators, and regulatory bodies with qualitative interviews of industry stakeholders. The findings indicate that Islamic financial institutions, particularly Islamic banks, play a pivotal role in the distribution, investment, and public acceptance of nonlife Takaful products. However, the sector faces structural challenges, including limited awareness, inadequate regulatory coordination, and lack of standardized Shariah governance. The study highlights the need for stronger strategic alliances, integrated product offerings, and enhanced regulatory frameworks to promote synergy between Islamic finance and Takaful in achieving financial inclusion and risk mitigation. Policy recommendations are provided to foster a more cohesive and sustainable Islamic financial ecosystem in Bangladesh.

INTRODUCTION

Bangladesh, home to the world's fourth-largest Muslim population, has witnessed significant growth in its Islamic financial sector over the past four decades. Since the establishment of Islami Bank Bangladesh Limited in 1983, Islamic banking has expanded substantially, now accounting for approximately 28.24% of total loans and advances and 26.23% of the whole credits in the banking area as of March 2024. This growth is driven by increasing public demand for Shariah-compliant financial services, supportive government policies, and the proactive involvement of both full-fledged Islamic banks and Islamic windows of conventional banks.

Despite the robust expansion of Islamic banking, the nonlife Takaful sector in Bangladesh remains underdeveloped. Takaful, an Islamic supernumerary to conventional insurance, triggers on moralities of reciprocated backing and communal accountability. However, its penetration in Bangladesh is minimal, with insurance and Takaful accounting for only 0.5% of the country's GDP in 2021. The sector faces challenges such as limited public awareness, inadequate regulatory frameworks, and a lack of standardized Shariah governance. Islamic financial organizations, particularly Islamic banks, have the potential to play a pivotal role in the development and promotion of nonlife Takaful products. Their widespread networks and customer bases can simplify the dispersal of Takaful amenities, while their observance to Shariah ideologies aligns with the introductory ideas of Takaful. Moreover, the integration of Takaful into the broader Islamic financial ecosystem can enhance financial inclusion and provide ethical risk mitigation tools for the population.

This research aims to explore the interrelationship between Islamic financial organizations and the nonlife Takaful sector in Bangladesh. By analyzing institutional linkages, regulatory environments, and market dynamics, the study seeks to identify strategies to foster synergy between these entities (Ahmed & Rahim, 2025). The ultimate goal is to contribute to the development of a cohesive and sustainable Islamic financial ecosystem that promotes financial inclusion and risk mitigation in Bangladesh.

Islamic finance in Bangladesh has seen significant development, with Islamic banking holding almost 28.5% of total industry loans and developments as of mid-2022. This expansion is driven by increasing public demand, supportive government policies, and the conversion of conventional banks into full-fledged Islamic institutions. However, challenges persist, including underdeveloped regulations, limited digital banking infrastructure in rural areas, and a lack of standardized Islamic financial products. Non-life Takaful, representing the general insurance segment under Islamic principles, remains underdeveloped in Bangladesh. As of recent reports, only two non-life insurance companies offer general Takaful products. The sector faces challenges such as a dual regulatory framework, scarcity of Shariah-compliant investment avenues, and limited public awareness.

A study by Lubaba et al. (2022) highlights the necessity for a sophisticated regulatory framework and talent development to promote Takaful alongside conventional insurance. The Insurance Development and Regulatory Authority (IDRA) leads mutually likely and Islamic indemnification in Bangladesh. However, the lack of a centralized Shariah governance framework leads to inconsistencies in Takaful operations. Islamic insurance businesses often depend on on their own Shariah Supervisory Boards, subsequent in fluctuating interpretations and applies.

Uddin (2023) emphasizes the need for policy adjustments within the Insurance Act 2010 to address legal barriers and enhance the growth of Takaful in Bangladesh. The relationship between Islamic financial organizations and non-life Takaful is symbiotic. Islamic banks provide the necessary infrastructure and customer base for Takaful products, while Takaful offers risk mitigation tools essential for Islamic banking operations. However, the integration is hindered by factors such as limited awareness, lack of standardized products, and insufficient collaboration between institutions. Customer consciousness of Takaful products leftovers low in Bangladesh (Bangladesh Bank., 2025). Factors contributing to this include limited marketing efforts, lack of understanding of Islamic insurance principles, and budget constraints among potential customers. Studies suggest that enhancing public education and promotional campaigns could significantly improve market penetration.

As of 2024, Islamic financial organizations in Bangladesh have established a significant presence within the national banking sector. Islamic banks now hold over 26% of total deposits and account for 28% of all banking investments in the country. A total of 10 full-fledged Islamic banks operate through 1,671 branches nationwide. In addition, 11 conventional commercial banks have established 23 dedicated Islamic banking branches, and 14 more operate 588 Islamic banking windows to provide Shariah-compliant financial services. Combined, these institutions employ approximately 51,272 individuals who are directly engaged in the provision of Islamic financial products and services (The Financial Express, 2024). Among them, Islami Bank Bangladesh Ltd. (IBBL) stands out by mobilizing around 35% of the total deposits in the

Islamic banking sector and nearly 9% of the entire banking sector's deposits as of the end of fiscal year 2023.

In contrast, the development of non-life Takaful services in Bangladesh remains limited. As of 2023, only two non-life insurance companies are offering general Takaful products in the country. A major challenge in assessing the scale and impact of the Takaful sector is the lack of comprehensive data from both the Insurance Development & Regulatory Authority (IDRA) and Bangladesh Bank. The absence of reliable statistics makes it difficult to accurately measure the market size, penetration level, and growth potential of Islamic insurance offerings in the non-life category (Hossain & Rahimi, 2025).

On a global scale, however, the Takaful market is witnessing strong momentum. Projections indicate that the global Takaful industry will expand from $32.85 billion in 2024 to $36.74 billion in 2025, representing a robust compound annual growth rate (CAGR) of 11.8%. This growth is driven by several factors, including the continued expansion of Islamic finance, growing public awareness of Islamic insurance principles, increased government support and regulation, a rising emphasis on ethical and socially responsible finance, and stronger integration with Islamic banking institutions. These trends underscore the global relevance and economic potential of the Takaful model as part of the broader Islamic finance framework.

Meanwhile, the insurance industry in Bangladesh continues to face systemic challenges. In 2022, the gross written premium across the country's insurance sector totaled BDT 166.1 billion (approximately $1.8 billion). However, insurance penetration remains critically low, at just 0.5% of GDP. Out of a population of 17.1 crore (171 million), only 1.9 crore individuals have any form of insurance coverage. The non-life segment particularly struggles with claim settlement inefficiencies: in 2022, out of Tk 3,065 crore in non-life insurance claims, only 35% (equivalent to Tk 1,072 crore) were settled, highlighting the gap in customer trust and operational transparency.

This study is designed to comprehensively examine the relationship between Islamic financial institutions and non-life Takaful providers in Bangladesh. It aims to evaluate the extent of integration between these entities and assess the effectiveness of the current regulatory and legal framework in supporting their collaboration. Particular attention is given to how well this framework aligns with the principles of Islamic finance. Furthermore, the research explores the role of Shariah governance in shaping non-life Takaful operations and its influence on institutional behavior and compliance. Another key focus is to evaluate customer responsiveness to non-life Takaful products and understand public perception regarding their value and reliability. Through this investigation, the study seeks to uncover the core challenges impeding deeper integration as well as the opportunities that can be leveraged to strengthen institutional relationships. Ultimately, the research will culminate in the development of strategic recommendations aimed at improving the adoption and operational coherence of non-life Takaful within the broader Islamic financial ecosystem in Bangladesh. The study uses the adoption and integration of non-life Takaful services as the dependent variable. It is influenced by a range of independent variables including promotional campaigns, saving motives, individual attitudes, subjective norms, perceived behavioral control, and religiosity. These factors are examined for their individual and collective impact on customer behavior and institutional integration.

The following research questions guide this inquiry:

1. What is the current state of integration between Islamic Financial Organizations and non-life Takaful providers in Bangladesh?
2. How do regulatory and legal frameworks affect the growth and integration of non-life

Takaful within Islamic Financial Organizations in Bangladesh?

3. What role does Shariah governance play in the operations of non-life Takaful companies, and how does it influence their relationship with Islamic Financial Organizations?
4. What factors influence consumer awareness and perception of non-life Takaful products in Bangladesh?
5. What challenges and opportunities exist for enhancing the relationship between Islamic Financial Organizations and non-life Takaful providers in Bangladesh?
6. What strategic recommendations can be proposed to strengthen the integration of non-life Takaful within the Islamic financial ecosystem in Bangladesh?

METHODS

Research design

The study employs a quantitative descriptive-correlational research design to explore the relationship between Islamic financial organizations (IFOs) and the adoption and performance of non-life Takaful services in Bangladesh. This design is suitable for identifying associations between constructs and allows for hypothesis testing using statistical models. The aim is to measure how operational strategies within IFOs influence the integration, growth, and perception of non-life Takaful products across the country (Rahman & Chowdhury, 2024).

Data Collection Methods

A mixed approach is used to gather both primary and secondary data. Primary data is collected through structured questionnaires comprising sections on respondent demographics and constructs such as promotional campaigns, saving motives, attitudes, subjective norms, perceived behavioral control, and religiosity. These constructs are measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Secondary data is sourced from official publications such as annual reports of Islamic financial institutions and Takaful operators, regulatory statements from the Bangladesh Bank and Insurance Development and Regulatory Authority (IDRA), and peer-reviewed academic journals. The study covers data from the period 2015 to 2024 to ensure recent trends and reforms are captured (Islamic Finance News, 2023).

Sampling Technique

A purposive sampling method is adopted to ensure the inclusion of relevant and informed participants. The sample includes 150 respondents from full-fledged Islamic banks (e.g., Islami Bank Bangladesh Ltd., Al-Arafah Islami Bank), licensed non-life Takaful operators under IDRA, regulatory officials, and members of Shariah boards. Additionally, Muslim employees aged 20 and above from both government and private sectors across Bangladesh are selected, reflecting the country's demographic where over 90% of the population identifies as Muslim. This group represents the target market for Takaful services (Khan et al., 2025).

Qualitative Insights

To complement the quantitative data, semi-structured interviews are conducted with Islamic insurance managers, academics in Islamic finance, and existing Takaful policyholders. These interviews provide deeper insights into operational challenges, consumer perceptions, and the effectiveness of current promotional strategies. Furthermore, in-depth discussions with Shariah scholars and regulatory officials from IDRA explore the legal and governance frameworks that influence the integration of Takaful within the Islamic financial system. The qualitative findings are also used to refine and validate the questionnaire items (Haque &

Sultana, 2024).

Data Analysis

Data analysis is performed using SPSS version 27. Descriptive statistics (means, standard deviations, and frequencies) are used to profile respondents and summarize variable distributions. Correlation analysis identifies the strength and direction of relationships between the independent variables (e.g., attitudes, religiosity) and the dependent variable (adoption of non-life Takaful). Multiple regression analysis is employed to test hypotheses and examine the impact of predictors on Takaful integration. All variables are measured using items adapted from previously validated instruments to ensure construct reliability and consistency (Ahmed & Rahim, 2025).

Ethical Considerations

Ethical standards are upheld throughout the research process. Participants are informed about the objectives of the study and provide voluntary, written consent. Anonymity and confidentiality are strictly maintained, and participants retain the right to withdraw at any time. The research protocol has been reviewed and approved by the university's ethics committee, ensuring compliance with international academic guidelines for research involving human subjects.

RESULT AND DISCUSSION

Table 1 Descriptive statistics result

Variable	Mean	Median	Standard Deviation	Interpretation
IFO Integration Score (1–5 Likert Scale)	3.84	4.00	0.77	Islamic financial institutions are moderately to highly integrated with Takaful.
Shariah Governance Effectiveness	4.12	4.00	0.68	Respondents perceive strong compliance with Shariah principles in operations.
Consumer Awareness Level (1–5 Scale)	3.09	3.00	0.94	Moderate awareness; some gaps in understanding of nonlife Takaful products.
Regulatory Support Perception	3.57	4.00	0.82	Regulations are seen as somewhat supportive but still need improvement.
Trust in Takaful Providers	3.76	4.00	0.71	Trust level is relatively high due to Islamic identity and shared values.
Nonlife Takaful Performance Index (scaled)	4.01	4.00	0.66	Performance metrics (growth, profitability, claim ratio) indicate positive growth.

The descriptive statistics presented in the table offer important insights into key variables influencing the integration and performance of non-life Takaful services in Bangladesh. The IFO Integration Score, with a mean of 3.84 and a median of 4.00 on a 5-point Likert scale, suggests that Islamic financial institutions are perceived to be moderately to highly integrated with Takaful providers. The standard deviation of 0.77 indicates relatively consistent responses among participants.

Shariah Governance Effectiveness has the highest mean score at 4.12 and a low standard deviation of 0.68, reflecting a strong consensus among respondents that Takaful operations effectively adhere to Shariah principles. This result highlights the importance of religious compliance in fostering credibility and legitimacy within Islamic financial services.

The Consumer Awareness Level registers a mean of 3.09 and a higher standard deviation of 0.94, indicating moderate awareness of non-life Takaful products but with substantial variation in understanding. The median score of 3.00 reinforces this interpretation, suggesting a need for targeted awareness campaigns and educational efforts to address informational gaps.

For Regulatory Support Perception, the mean score is 3.57 with a median of 4.00 and a standard deviation of 0.82. While the perception of regulatory support is generally positive, it is not considered optimal. This result implies that although existing regulations are seen as somewhat supportive, stakeholders believe there is still room for enhancement in policy clarity and enforcement.

Trust in Takaful Providers scores a mean of 3.76 and a standard deviation of 0.71, indicating a relatively high level of public trust. This trust is likely rooted in the religious and ethical foundation of Takaful, as well as the alignment of its principles with customer values.

Finally, the Non-life Takaful Performance Index records a mean of 4.01 and the lowest standard deviation (0.66) among all variables, suggesting that performance indicators—such as profitability, growth, and claims settlement—are not only favorable but also consistently perceived across respondents. The median of 4.00 supports this positive outlook, signaling strong momentum in the operational success of non-life Takaful services.

Table 2. Correlation matrix

Variables	IFO integration	Shariah Governance	Consumers Awareness	Regulatory Support	Trust in Takaful	Takaful Performance
IFO Integration	1.00	0.58	0.44	0.39	0.51	0.63
Shariah Governance		1.00	0.46	0.43	0.59	0.57
Consumer Awareness			1.00	0.41	0.48	0.45
Regulatory Support				1.00	0.52	0.49
Trust in Takaful					1.00	0.61
Takaful Performance						1.00

The correlation analysis reveals several key relationships that underscore the interdependence of institutional collaboration, governance, consumer trust, and overall performance within the non-life Takaful sector in Bangladesh. A strong positive correlation was observed between Islamic Financial Organization (IFO) Integration and Takaful Performance ($r = 0.63$), indicating that the degree of strategic and operational cooperation between Islamic banks and Takaful providers has a direct and meaningful impact on the latter's performance. This suggests that when IFOs actively support and align with Takaful operations—through shared infrastructure, co-branded services, or referral systems—Takaful providers benefit in terms of market reach, financial sustainability, and client retention. Such integration likely improves cross-selling opportunities and enhances customer confidence in Shariah-compliant insurance products.

The relationship between Shariah Governance and Trust in Takaful Providers is also significantly strong ($r = 0.59$), pointing to the critical role of Shariah compliance in shaping public perception and institutional legitimacy. Effective Shariah governance—including regular audits, transparent fatwa issuance, and active oversight by Shariah boards—reinforces consumer belief that Takaful operations are genuinely Islamic in nature. This perception of religious authenticity not only enhances trust among observant Muslim customers but also fosters regulatory and reputational stability.

Furthermore, a high correlation between Trust in Takaful Providers and Takaful Performance ($r = 0.61$) highlights trust as a central determinant of customer behavior. Consumers who trust Takaful operators are more likely to adopt their products, maintain long-term policies, and recommend services to others. This trust, influenced by consistent service delivery, ethical conduct, and religious alignment, translates into higher customer retention rates and improved business outcomes for Takaful institutions.

All correlations are statistically significant at $p < 0.01$ (two-tailed), confirming the robustness of these associations and reducing the likelihood that the observed relationships are due to random chance. Together, these findings emphasize that strengthening institutional integration, upholding Shariah principles, and building trust are not isolated objectives but mutually reinforcing strategies essential for the sustainable growth of the non-life Takaful sector.

Table 3. Regression Analysis

Independent Variable	Unstandardized Coefficient (B)	Standardized Coefficient (β)	t-value	Sig. (p-value)	Interpretation
IFO Integration	0.342	0.391	5.21	0.000	Strong positive predictor of Takaful performance.
Shariah Governance	0.295	0.323	4.57	0.000	Significantly enhances compliance trust and uptake.
Consumer Awareness	0.187	0.215	3.08	0.002	Moderate effect on Takaful performance via understanding and clarity.
Regulatory Support	0.144	0.172	2.46	0.014	Positively influences operational and policy effectiveness.
Trust in Takaful	0.289	0.354	4.93	0.000	Highly influential in customer retention and engagement.
Constant	1.032		6.88	0.000	Baseline performance level when all predictors are zero.

The regression analysis presented in the table evaluates the influence of five independent variables on the performance of non-life Takaful in Bangladesh. The results show that all variables have a statistically significant positive effect on Takaful performance, with p-values below the 0.05 threshold.

IFO Integration emerges as the strongest predictor, with an unstandardized coefficient (B) of 0.342 and a standardized coefficient (β) of 0.391. The high t-value of 5.21 and a p-value of 0.000 indicate a strong, statistically significant relationship. This suggests that higher integration between Islamic financial organizations and Takaful providers substantially enhances the performance of Takaful services.

Shariah Governance also demonstrates a significant positive effect ($B = 0.295$, $\beta = 0.323$, $t = 4.57$, $p = 0.000$). This underscores the importance of effective Shariah compliance in building stakeholder trust and increasing product acceptance, reinforcing the role of religious legitimacy in the success of Takaful operations.

Consumer Awareness contributes moderately to Takaful performance, with $B = 0.187$ and $\beta = 0.215$. A t-value of 3.08 and a p-value of 0.002 confirm the variable's significance. This finding indicates that as public understanding of Takaful products increases, performance also improves—although the impact is smaller compared to institutional factors.

Regulatory Support shows a weaker but still statistically significant influence, with $B = 0.144$, $\beta = 0.172$, $t = 2.46$, and $p = 0.014$. This implies that supportive regulations positively affect operational efficiency and policy implementation, although further strengthening may be necessary to maximize impact.

Trust in Takaful ranks among the most influential factors, with a B value of 0.289 and β of 0.354. The t-value of 4.93 and a p-value of 0.000 highlight the critical role of consumer trust in driving retention, engagement, and overall performance outcomes.

The constant value of 1.032, with a significant t-value of 6.88 ($p = 0.000$), represents the baseline level of Takaful performance in the absence of the predictor variables. Overall, the model demonstrates that institutional collaboration, religious governance, awareness, regulatory support, and trust each play a vital role in enhancing the performance of non-life Takaful services in Bangladesh.

The model summary presents key statistical indicators that assess the overall fit and explanatory power of the regression model used to evaluate the determinants of non-life Takaful performance in Bangladesh. The multiple correlation coefficient (R) is 0.788, indicating a strong positive relationship between the combined set of independent variables (IFO integration, Shariah governance, consumer awareness, regulatory support, and trust in Takaful) and the dependent variable (Takaful performance). This suggests that the model captures a substantial portion of the variation in performance outcomes. The coefficient of determination (R^2) is 0.621, meaning that approximately 62.1% of the variance in Takaful performance can be explained by the five predictors included in the model. This is a relatively high value in social science research, demonstrating that the model has strong explanatory power.

The adjusted R^2, which accounts for the number of predictors in the model, is 0.611. This adjusted figure confirms that the model remains robust even after correcting for potential overfitting, and still explains 61.1% of the variation in the outcome variable. The F-statistic is 63.21, with a significance level (p-value) of 0.000, indicating that the overall regression model is statistically significant. In other words, the independent variables, when considered together, significantly predict the performance of non-life Takaful services.

DISCUSSION

The statistical findings of the study reveal that the model explains 62.1% of the variation in the performance of non-life Takaful services in Bangladesh, a substantial proportion indicating the strong influence of the chosen independent variables. All predictors, including IFO integration, Shariah governance, consumer awareness, regulatory support, and trust in Takaful, were statistically significant at the $p < 0.05$ level. Notably, IFO integration and trust emerged as the strongest predictors, highlighting the critical role of operational synergy between Islamic financial institutions and Takaful providers, as well as the importance of customer confidence in the system. These results underscore the interconnectedness of structural collaboration and religious legitimacy in shaping effective and sustainable Islamic insurance operations in Bangladesh (Toxigon, 2025).

The significance of this research lies in its potential to reshape the narrative surrounding Islamic financial development in Bangladesh. Islamic financial institutions, particularly Islamic banks, now account for over a quarter of the national banking sector's deposit and investment base, with a market share of 25.35% in deposits and 28.92% in investments as of 2023. However, non-life Takaful remains underdeveloped, with only two general insurance companies offering such services despite its legal inception in 1999. This misalignment between institutional capacity and Takaful penetration reflects a missed opportunity that could be addressed through stronger institutional integration. By leveraging the infrastructure and customer base of Islamic banks, Takaful products could be promoted and distributed more widely, enhancing financial inclusion and providing Shariah-compliant risk protection to underserved communities (The Halal Times, 2024).

Several implications arise from the study's findings. First, there is significant potential for enhanced financial inclusion. As of 2021, an estimated 62% of the population remained unbanked. Strengthening partnerships between Islamic banks and Takaful operators could expand the reach of financial services in alignment with the Islamic principle of mutual assistance (The Financial Express, 2024). Secondly, forthcoming legal reforms, such as the proposed Islamic Banking Companies Act of 2024, aim to provide a comprehensive and supportive framework for Shariah-based financial services. These reforms could create a more enabling environment for integrating non-life Takaful within mainstream Islamic finance. Thirdly, technological advancements—particularly in fintech, InsurTech, and RegTech—hold the potential to transform the sector by increasing efficiency, transparency, and accessibility. Islamic banks that adopt these technologies could provide customers with more user-friendly and compliant Takaful services (The Daily Messenger, 2025).

The broader economic implications are equally important. As the global Islamic finance market is projected to reach $5 trillion by 2025, Bangladesh's proactive involvement through the development of Islamic banking and Takaful could strengthen its position in the global arena. This integration not only promises economic growth but also resilience by diversifying financial services. Social welfare benefits are also notable; Islamic banks are increasingly investing in CSR activities such as education and healthcare. Expanding the Takaful sector could complement these efforts by offering financial security to vulnerable populations, thus enhancing the overall well-being of society.

Nonetheless, the study is not without limitations. The absence of a dedicated Takaful Act in Bangladesh creates regulatory ambiguity, forcing Takaful operators to function under the conventional Insurance Act of 2010, which includes provisions that contradict Shariah principles. Additionally, the limited availability of comprehensive and recent data on non-life Takaful impedes deep empirical analysis. Another major challenge is the shortage of qualified professionals who possess expertise in both Islamic jurisprudence and insurance operations, limiting the sector's capacity to innovate and expand effectively (Khan, Islam & Chowdhury, 2025).

Despite these challenges, the findings of the study indicate that integration between Islamic financial organizations and non-life Takaful has significant untapped potential. Islamic banking has already achieved notable success, with a 28.5% share of total industry loans and advances as of mid-2022. However, Takaful remains a marginal player, with insurance penetration still lingering at 0.5% of GDP. Compounding this are liquidity constraints—Islamic banks recorded a liquidity coverage ratio of just 58.7% in Q3 2023, falling well below the regulatory minimum of 100% and the industry average of 154.6%. These issues are compounded by structural limitations, including the lack of a unified legal framework for Islamic finance, and low public awareness about the principles and benefits of Takaful products (The Halal Times, 2024).

The discussion suggests that the future of non-life Takaful in Bangladesh depends on the strategic collaboration of multiple stakeholders. Islamic banks must assume a central role in distributing and promoting Takaful products, capitalizing on their extensive branch networks and established trust among customers. At the policy level, the enactment of a dedicated Takaful law is essential to resolve operational ambiguities and ensure compliance with Shariah norms. Human capital development must be prioritized through specialized training programs to cultivate a skilled workforce capable of managing Shariah-compliant insurance operations. Public education campaigns are equally important to raise awareness and dispel misconceptions about Islamic insurance. Finally, product innovation should be encouraged to develop flexible, affordable, and competitive Takaful offerings that cater to the diverse needs of the population. By addressing these areas, Bangladesh can develop a more cohesive, inclusive, and resilient Islamic financial ecosystem that integrates non-life Takaful as a core component of its future growth strategy.

CONCLUSION

The interplay between Islamic financial organizations and the nonlife Takaful sector in Bangladesh exhibits both significant potential and persistent challenges. Islamic banks—whose deposits now represent approximately 23.10 % of total banking deposits—serve as vital distribution channels for Shariah-compliant insurance, yet their full banca-takaful capacity remains underexploited. Despite sustained growth in Islamic banking assets and outreach, the nonlife Takaful market's penetration continues to lag, hampered by regulatory gaps and limited product integration. Empirical analysis shows that nonlife insurers in Bangladesh commanded 32.19 % of the total gross premium collection in 2022, up from 22.12 % in 2010, reflecting a compound annual growth rate of 8.97 % over the last decade. However, overall insurance penetration remains exceptionally low at just 0.50 % of GDP, underscoring the sector's underdevelopment and the need for enhanced public trust and awareness. Against the backdrop of a global takaful market projected to expand from USD 32.85 billion in 2024 to USD 36.74 billion in 2025 at a CAGR of 11.8 %, Bangladesh's domestic Takaful industry must accelerate its growth strategies to capture both domestic and regional opportunities. The relative underperformance of nonlife Takaful—despite robust macroeconomic conditions—highlights the urgency of targeted reforms. To foster a cohesive and sustainable Islamic financial ecosystem in Bangladesh, the following strategic actions are recommended:

- Enact Dedicated Takaful Legislation: Introduce a standalone Takaful Act to address regulatory ambiguities, streamline oversight by IDRA, and establish clear guidelines for Shariah governance.
- Strengthen Banca-takaful Partnerships: Leverage Islamic banks' retail networks for bundled product offerings, training bank staff in Takaful principles, and integrating Takaful sales into Islamic banking channels.
- Standardize Shariah Governance: Adopt unified Shariah board standards and auditing practices across Islamic financial institutions and Takaful operators to ensure consistency and bolster customer confidence.
- Enhance Public Awareness and Literacy: Implement nationwide education campaigns on Takaful benefits, claim procedures, and ethical risk-sharing principles to build trust and drive market penetration.
- Improve Operational Efficiency: Address low claim settlement ratios (averaging around 40 %) through streamlined claims processing, technology adoption, and capacity building among Takaful operators.
- By executing these measures, policymakers and industry stakeholders can unlock synergies between Islamic banking and nonlife Takaful, bolstering financial inclusion, ethical risk mitigation, and the resilience of Bangladesh's financial sector.

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