An Assessment of Acceptance Rate of Digitalization of Takaful Insurance Industry in Nigeria

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Abstract

This study analysed the level of acceptance of digitalization of Takaful of insurance industry in Nigeria, with specific focus on consumer engagement and retention within insurance industry with cutting-edge technologies such as mobile apps and social media (Instagram, Facebook and Internet). Digitalization offers numerous benefits but pose some concerns like data privacy and information overload, which may hinder the engagement efforts unless carefully dealt with. The study used the qualitative approach by interviewing experts, practitioners, consumers and stakeholders in the Islamic finance industry. This approach enables the collection of information and insights about the views and experiences of the agents involved in the process of implementing and practising the ethics of digitalization in Islamic insurance. The findings revealed that InsurTech is the most suitable tool for accomplishing the task while social media platforms such as Instagram and Facebook are helpful tools for customer engagement and experience and enhances operational efficiency, augments customer experiences, and ensures regulatory compliance, leading to increase in satisfaction and loyalty. This new development is expected to force conventional insurance providers to adopt Takaful approaches to remain competitive in the rapidly changing industry. Additionally, the research found that specific issues faced by Islamic finance, including Shariah compliance, cyber security and the digital divide will be appropriately resolved if Takaful industry is completely digitalized in Nigeria. The research calls for the need for a strategic plan that leverage on digital channels and ensure Shariah compliance to promote growth in the Islamic finance industry.

Keywords: Takaful, Digitalization, Insurance, Technology

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Introduction

The digitalization of takaful is affected by a number of factors that impact on its acceptance and efficiency. These factors are essential for takaful companies to improve their digital services and explore new markets.

In Nigeria presently, the insurance sector is dominated by "normal" insurance companies and insurance brokers (Uwaleke, 2025), But the Islamic Insurance sector is gaining momentum since 2016 with the establishment of four full-fledged takaful operators. These takaful operators have business models that adhere to Shariah principles. The global takaful insurance industry is expected to grow to US $97.17 billion by 2030 (Uwaleke, 2025). The digitisation of Takaful has revolutionised customer retention and customer engagement in the insurance industry. Through the adoption of innovative technologies such as Mobile app, Instagram, Facebook and internet. Takaful operators have streamlined their operations and boosted customer interactions, resulting in higher satisfaction and retention rates. This trend has forced conventional insurers to develop new strategies in order to thrive in a dynamic environment. Although the digitalization of Takaful has many advantages, issues of privacy, digital divide and data security still pose a problem for consumers with options and this in turn reduces the rate of acceptance of digitalization of Takaful in the insurance industry in Nigeria. This informed the current study, which was carried out to examine the level of acceptance of digitalization of takaful insurance industry in Nigeria, with respect to customer engagement and retention in insurance industry through the use of advanced technologies.

Review of Literature

Mustakim and Gazali (2023) examined the determinants of consumer acceptance of Takatech based on the theory of planned behaviour. an online questionnaire was used to survey 211 Malaysian consumers using convenience and snowball sampling. SPSS version 28 was used for data analysis, with a focus on regression analysis for hypothesis testing. findings revealed that attitude positively influenced the acceptance of Takatech, whereas subjective norms and perceived behavioural control did not.

Ahmad, Mokal and Rahman (2023) reviewed the impact of technological innovation in takaful industry and how to survive the fintech competition. the authors used a qualitative approach, reviewing and discussing trends and developments in takaful industry including big data and data analytics (statistical analysis was not specified). the study emphasised the need for partnership with technology giants to tap into digital distribution channels and digital expertise.

Elomari (2023) compared the impact of fintech on the takaful industry in Qatar, surveying 320 takaful and fintech experts. the researchers used quantitative techniques such as correlation analysis and regression to explore the relationships between adopting fintech, profitability, challenges and growth of Qatar's takaful industry. the survey results identified regulatory and cybersecurity issues but also highlighted the advantages of fintech in enhancing profitability and customer relationships.

Ashfaq and Zada (2021) reviewed the literature on fintech and Micro Takaful for digital financial inclusion in the GCC. this was a qualitative study, which reviewed previous research on Islamic microfinance and fintech without empirical data collection or statistical analysis.

Lee et al. (2024) used secondary data from the global Findex database and a probit regression to study digital financial services and financial inclusion in Malaysia. the authors found that online bill payments, mobile payments and online purchases all positively impact financial inclusion. the study concluded that digital financial services such as takaful can support insurance coverage for marginalised populations.

Muhamad et. al., (2024) tested the readiness of e-takaful participation among 3,395 Malaysians through a survey using purposive cluster sampling. the researchers used a partial least squares-structural equation modeling (pls-Sem) to examine the relationship between religiosity, attitudes, takaful literacy and participation readiness. the researchers found all paths significant, implying that better literacy and regulatory frameworks are needed.

Nurhayati (2023) used a qualitative method to examine the opportunities and challenges of fintech in sharia insurance, particularly the use of big data analytics and Robo-advisory in takaful. her study reviewed existing literature to show the increasing significance of fintech, but did not elaborate on quantitative methods or data analysis.

Nasir, Farooq, and Khan (2021) conducted a bibliometric review of 149 journal publications on takaful using citation analysis, co-word analysis, and citation histograms. this quantitative approach identified research themes and trends in takaful, with insights on research gaps and opportunities.

Polas et al. (2024) performed a literature review on the digital transformation of Islamic finance, fintech and digital currency. their qualitative review examined three main fintech approaches (digitalization, development and disruption) and highlighted the need for ethical and sharia-compliant fintech, but did not specify statistical methods or analyses.

Conceptual Clarification

Takaful (Islamic Insurance)

Takaful is an Arabic word that translates to solidarity or mutual guarantee.it is an all-encompassing cooperative scheme of indemnity or repayment in the event of loss, based on a shariah compliant alternative to insurance (Uwaleke,2025). It is a system that involves pooling the resources to help each other.

Factors Influencing Digitalization of Takaful

Various factors interact to influence the digitalization of takaful and its acceptance by consumers and efficiency of operations. The knowledge of these factors is important for takaful operators to improve their digital products and services and tap the potential market. These variables affecting the digitalization of takaful are religiosity, attitude and takaful literacy (Muhamad et. al., 2024).

Consumer engagement and Retention within the insurance Industry

Engagement and retention in the insurance industry play a vital role in staying competitive and fostering profitability. By effectively engaging with customers throughout their journey, retention rates can be improved, which is crucial given the expensive nature of consumer acquisition. Engagement with consumers in the insurance sector refers to the proactive interaction with customers along their journey, improving their satisfaction. Retention involves retaining current customers through loyalty and trust, essential for sustained success in a competitive environment (Konakalla, 2024). The upcoming subsections detail some of the strategies for engaging and retaining consumers in insurance:

Consumers Engagement Techniques

Personalisation, behavior science, emotional and cognitive dimensions: tools like salesforce journey builder, multi-channel support, behavioral science principles, cognitive and emotional aspects not only help insurers to personalise but also impacts how consumers perceive brands and new products and helps insurers understand consumers and build trust (Alversia et al., 2021; Konakalla,2024; Raghuram, 2019;)

Consumers Retention Techniques

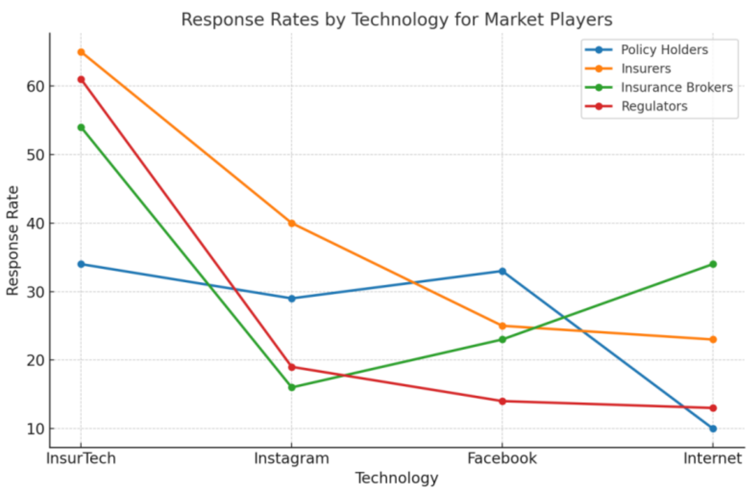
Data analysis, cost effectiveness and feedback mechanisms: feedback regularly can enhance consumer's retention and improve overall satisfaction leading to significant increase patronage in the Insurance market share (Asfalis, 2023).

Methodology

Qualitative information was obtained from interviews with Islamic finance experts, practitioners and stakeholders. An online survey was also conducted on Takaful consumers in the insurance sector in Nigeria (n=250) through convenience and snowball sampling. Descriptive statistics was used. The study design helps to get information on the perceptions and experiences of agents involved in the implementation of digitalization ethics in Islamic insurance. The analysis of response rates related to various technologies used to reach out and retain customers in the Takaful insurance industry. The data is presented graphically through a variety of charts: trend line, pie and bar chart. These charts are followed by a detailed analysis of responses based on the response rates from the various stakeholders: Policy Holders, Insurers, Insurance Brokers and Regulators.

Result and Discussion

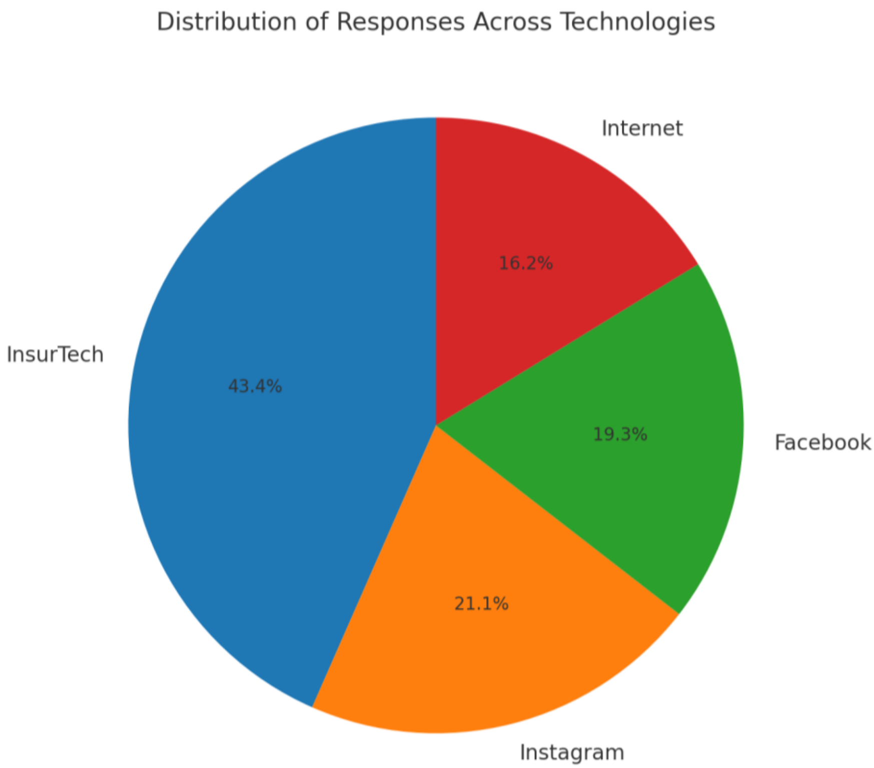
Figure 1: *Trend Graph: Response Rates by Technology for Market Players*



Source: Author's Computation 2025

The line chart (Figure 1) shows the distribution of response rates for market participants (Policy Holders, Insurers, Insurance Brokers and Regulators) across the four technologies: InsurTech, Instagram, Facebook and the Internet. Key insights include: - InsurTech is the most widely adopted technology among all market participants. - Instagram is widely adopted by Insurance Brokers, with secondary adoption by Policy Holders and Regulators. - Facebook is most influential with Policy Holders but less so with Insurers and Brokers. - Internet (including generic websites and email) is the least diffused technology and shows lower levels of diffusion than other technologies.

Figure 2: *Pie Chart: Distribution of Responses Across Technologies*



Source: Author's Computation 2025

The pie chart in Figure 2 (above) shows the breakdown of responses for the four technologies. InsurTech proved to be the most successful with 43.4% of the responses, followed by Instagram (21.1%) and Facebook (19.3%). Internet is the least used at 16.2%. This chart shows the prevalence of using InsurTech to engage customers, but Instagram also has a secondary influence on customer experience.

Conclusion

Finally, the best channel is InsurTech, with social media (Instagram and Facebook) being a useful complement to enhancing customer experience. This research has implications for consumers, academics and policy makers. This study can help readers gain knowledge of InsurTech and increases the trust in using it. Additionally, it can inform policy making in terms of consumer takaful regulations. The study suggests the need for a strategic plan that harnesses technology and complies with shariah requirements to promote growth in the Islamic finance industry.

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