"ASSESSING THE POTENTIAL DEMAND FOR NON-INTEREST INSURANCE IN GHANA"

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I. Introduction

A. Background of the study

The insurance industry in Ghana is dominated by conventional insurance products, which are based on interest-bearing investments. However, there is a growing demand for non-interest financial products, particularly among the ethical population, who seek financial solutions that are compliant with their personal ethical or religious beliefs. Non-interest insurance is one such product, which is also gaining popularity in many countries around the world. This study seeks to assess the potential demand for non-interest insurance in Ghana.

B. Problem statement

Despite the growing demand for non-interest financial products in Ghana, the non-interest insurance sector remains underdeveloped. This is due to a lack of awareness and understanding of non-interest insurance products among the population and regulators, as well as a lack of investment in the sector by insurance companies. As a result, there is a need to assess the potential demand for non-interest insurance in Ghana and identify the factors that motivate or hinder its adoption.

C. Research objectives

The main objective of this study is to assess the potential demand for non-interest insurance in Ghana. The specific objectives are:

1. To determine the level of awareness and understanding of non-interest insurance products among the population in Ghana.

2. To identify the factors that motivate or hinder the adoption of non-interest insurance products in Ghana.

3. To assess the potential survival/ growth for non-interest insurance in Ghana.

4. To make recommendations for the development and promotion of non-interest insurance products in Ghana.

D. Research questions

To achieve the research objectives, this study will seek to answer the following research questions:

1. What is the level of awareness and understanding of non-interest insurance products among the population in Ghana?

2. What are the factors that motivate or hinder the adoption of non-interest insurance products in Ghana?

3. What is the potential of survival/ growth for non-interest insurance in Ghana?

4. What are the recommendations for the development and promotion of non-interest insurance products in Ghana?

E. Significance of the study

This study is significant in several ways. First, it will contribute to the literature on non-interest financial products in Ghana, which is limited. Second, it will provide insights into the potential demand for non-interest insurance products in Ghana, which can inform the development of appropriate products and marketing strategies. Third, it will provide a basis for further research on non-interest financial products in Ghana. Finally, it will contribute to the development of the insurance sector in Ghana, which is a critical component of the financial sector and the economy at large.

II. Literature Review

A. Definition of insurance & non-interest insurance

According to investopedia.com, "*insurance is a contract, represented by a policy, in which a policyholder receives financial protection or reimbursement against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured. Most people have some insurance: for their car, their house, their healthcare, or their life"*

Non-interest insurance operates on the principles of cooperation, mutual assistance, and shared responsibility among its participants. Unlike conventional insurance, non-interest insurance prohibits the charging or paying of interest, gambling, and uncertainty in transactions.

In Islamic countries, it is also known as Takaful insurance, and is an Islamic alternative to conventional insurance. It prohibits all transactions that are considered against Islamic principles. According to The Institute of Chartered Accountants in England and Wales (ICAEW), *"takaful is a system based on mutual assistance which was approved by the Islamic Fiqh Council in 1985 as a Shari'a compliant alternative to conventional insurance. Commercial insurance is considered unlawful because it involves prohibited elements including gambling (maisir), interest (riba) and uncertainty (gharar)."*

Non-Interest insurance is not limited to Muslim countries and can be found in non-Muslim countries as well. Non-Interest insurance is increasingly becoming popular in many countries around the world, including countries with significant Muslim populations, such as Malaysia and Indonesia, as well as non-Muslim countries, such as the UK and Japan.

B. Types of non-interest insurance products

Non-interest insurance products are similar to conventional insurance products, but are designed to comply with Islamic law [Shariah]. These products include life insurance, health insurance, property insurance, and motor insurance. Non-interest insurance also offers specialized products such as investment-linked Takaful, education Takaful, and Hajj Takaful.

C. Comparison between non-interest and conventional insurance

Non-interest insurance differs from conventional insurance in terms of its underlying principles, contract structure, and risk-sharing mechanisms. Conventional insurance is based on the principle of risk transfer, where the insured transfers the risk to the insurer for a fee (premium). In contrast, non-interest insurance is based on the principles of mutual cooperation, risk sharing, and joint responsibility among its participants. Conventional insurance also involves interest-based investments and gambling, which are prohibited in non-interest insurance.

D. Non-interest insurance practices in other non-Muslim countries

In non-Muslim countries, Non-Interest insurance is often marketed as an ethical alternative to conventional insurance. For example, in the UK, Non-Interest insurance is marketed to consumers who are interested in ethical investment and socially responsible financial products.

There is also growing interest in Non-Interest insurance among consumers who are not necessarily Muslim but are looking for insurance products that align with their values and beliefs. Non-Interest insurance offers a range of products that can cater to different needs, such as family takaful, general takaful, and health takaful.

Overall, Non-Interest insurance is a growing industry, and its popularity is not limited to Muslim countries. As awareness and understanding of Non-Interest insurance continue to increase, it is likely that more consumers in non-Muslim countries will consider Non-Interest insurance as a viable alternative to conventional insurance.

E. Factors affecting demand for non-interest insurance

Several factors influence the demand for non-interest insurance, including religious beliefs, cultural norms, income levels, and awareness and understanding of the products. These factors play a critical role in determining the uptake of non-interest insurance among the population.

III. Methodology

A. Research design

Based on previous studies by Middle East scholars on Islamic Takaful and other parts of Europe, the following approach of data collection processes were adapted.

To achieve the objectives of the data collection exercise and the assessment as a whole, we used a total sample size of 8000 respondents nationwide.

2.1 Sampling Process

The respondents were selected on a regional basis, with reference to the data retrieved from the 2010 population and housing census and data from the Ghana statistical service. The respondents were selected from different areas across the nation.

2.2 Sampling Methodology

The study employed probability sampling to select respondents. Data were collected in CAWI (Computer Assisted Web Interview) thus online questionnaires to those who have access to the internet.

The questions used were adapted from previous researchers who have used similar questions in their studies. The questionnaire designed for the study was in three categories. The first section measures the demographics such as age, gender etc. of the respondent while the second and third parts measures other constructs of the study.

To ensure the true reflection of views on grounds based on the research design and sample size used, the study considered a confidence level of 95% with margin of error of 5% and total population of 30,417,856 as at December 2019. The sample size used was 8,000 and 7,035 was realized after data cleaning.

2.3 Data Collection Method

Data collection instruments were designed by IFRIG Ghana data collection team.

It is important to mention that the research assistants were given the necessary training on how to handle the online questionnaire. With regards to CAWI, thus the online questionnaire,

its methodology involves sharing of the questionnaire links to respondent digital devices such as Android and iOS phones, Tablets etc. Upon clicking on the link, the questionnaire will open for the respondent to start filling the forms. CAWI has a lot of advantages in terms of its usage.

IV. Results and Discussion

Table 1: Gender

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Male	5184	73.7	73.7	73.7
Female	1851	26.3	26.3	100
Total	7035	100	100	

Response from table 1 shows that, 5184 respondents representing 73.7% were males and 1851 respondents representing 26.3% were females. The results above show that the majority of respondents were males.

Table 2: Age Category

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
18-25yrs	1824	25.9	25.9	25.9
26-39yrs	3190	45.3	45.3	71.2
40-49yrs	1344	19.1	19.1	90.3
50 and above	677	9.7	9.7	100
Total	7035	100	100	

Response from Table 2 shows that, 1824 respondents were between the ages of 18-25yrs representing 25.9%; 3190 respondents representing 45.3% were between the ages of 26-39yrs; 1344 respondents were between the ages of 40-49yrs representing 19.1% and 677 respondents were between the ages of 50yrs and above which represented 9.7%. This further shows that the majority of the respondents were between the ages of 26-39yrs.

Table 3: Religion

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Islam	4896	69.6	69.6	69.6
Christianity	2134	30.3	30.3	100
Others	5	.1		
Total	7035	100	100	

Response from table 3 shows that 4896 respondents representing 69.6% were Muslims while 2134 respondents representing 30.3% were Christians; 5 respondents representing 0.1% were from other religions. This means most of the respondents were Muslims.

Table 4; Educational level

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Less than high school	196	2.8	2.8	2.8
High school	384	5.5	5.5	8.3
Diploma	384	5.5	5.5	13.8
Undergraduate	1825	25.9	25.9	39.7

Graduate	3766	53.5	53.5	93.2
Other	480	6.8	6.8	100
Total	7035	100	100	

Results from table 4 shows that 196 respondents representing 2.8% have not been to high school; 384 respondents representing 5.5% are in high school; 384 respondents representing 5.5% also are diploma holders; 1825 respondents representing 25.9% are undergraduates; 3766 respondents representing 53.5% are graduates and 480 respondents representing 6.8% are from other level of education. This means that, majority of the respondents were graduates.

Table 5; Insurance Policy

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	3173	45.0	45.1	45.1
No	3862	55.0	54.9	100
Total	7035	100	100	

Response from table 5 shows that 3173 respondents representing 45.0% have an insurance policy with an insurance company in Ghana while 3862 respondents representing 55.0% do not have any insurance policy with an insurance company in Ghana. This means that most of the respondents do not have an insurance policy.

Table 6; Existence of Islamic Takaful

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	2139	30.4	30.4	30.4
No	4896	69.6	69.6	100

Total	7035	100	100	

Results from table 6 indicate that 2139 respondents representing 30.4% are aware of the existence of Islamic Takaful and 4896 respondents representing 69.6% are unaware of the existence of Islamic Takaful. This implies that the majority of the respondents are unaware of the existence of Islamic Takaful.

Table 7; Level of Awareness on Islamic Takaful

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
High	292	4.1	4.1	4.1
Moderate	1728	24.6	24.6	28.7
Low	5015	71.3	71.3	100
Total	7035	100	100	

Results from table 7 shows that 292 respondents representing 4.1% have high level of awareness on Islamic Takaful; 1728 respondents representing 24.6% have moderate level of awareness on Islamic Takaful and 5015 respondents have low level of awareness on Islamic Takaful. This means that the level of awareness on Islamic Takaful is low.

Table 8; Islamic Takaful Keeping Premium till the following year

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	1825	25.9	25.9	25.9
No	5210	74.1	74.1	100
Total	7035	100		

From this table, 1825 respondents representing 25.9% know that, Islamic Takaful keeps premium till the following year while 5210 respondents representing 74.1% do not know about it . This is to mean that most of the respondents have no or less idea that Islamic Takaful keeps premium till the following year.

Table 9; Survival of Islamic Takaful

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	6362	90.4	90.4	90.4
No	673	9.6	9.6	100
Total	7035	100	100	

Results from table 9 indicate that 6362 respondents representing 90.4% have the foresight that Islamic Takaful will survive in Ghana whereas 673 respondents representing 9.6% have the perception that Islamic Takaful will not survive in Ghana. This means that, majority of the respondents believe Islamic Takaful will survive in Ghana.

Table 10; Future of Islamic Takaful

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	6363	90.4	90.4	90.4
No	672	9.6	9.6	100
Total	7035	100		

From the table above, 6363 respondents representing 90.4% believe that Islamic Takaful has a future in Ghana whereas 672 respondents representing 9.6% think that Islamic Takaful has no future in Ghana. In conclusion, the majority of the respondents believe that Islamic Takaful has a future in Ghana.

Table 11; Patronize

	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent (%)
Yes	6554	93.1	93.1	93.1
No	481	6.9	6.9	100
Total	7035	100		

Results from table 11 indicates that, 6554 respondents representing 93.1% agree to patronize Islamic Takaful products if given the opportunity while 481 respondents representing 6.9% are not convinced to patronize Islamic Takaful products if given the opportunity. This shows that the majority of the respondents have interest in patronizing Islamic Takaful products when the opportunity arrives.

V. Conclusion and Recommendations

A. Summary of findings

This study has revealed several important findings regarding the potential demand for non-interest insurance in Ghana. The study found that there is a low level of awareness and understanding of non-interest insurance among the population. Additionally, respondents cited a lack of trust in the insurance industry as a major factor hindering the adoption of especially conventional insurance. However, respondents also expressed interest in the concept of non-interest insurance and identified potential benefits such as increased transparency and ethical standards.

B. Conclusions

Based on the findings of this study, it can be concluded that there is a significant potential demand for non-interest insurance in Ghana. However, several barriers to adoption must be addressed in order to increase demand. These barriers include low awareness and understanding of non-interest insurance, a lack of trust in the insurance industry, and a general lack of familiarity with Non-Interest finance principles.

C. Recommendations on how non-interest insurance can gain traction in Ghana

1. Increase awareness and education about non-interest insurance: More efforts should be made to educate the population about the concept of non-interest insurance and its potential benefits.

2. Increase trust in the insurance industry: The insurance industry should work to increase transparency and ethical standards in order to build trust with consumers.

3. Develop tailored marketing strategies: Marketing efforts should be tailored to the specific needs and preferences of the target market in order to increase awareness and adoption of non-interest insurance.

4. Work with Islamic finance institutions: Collaboration with Islamic finance institutions in Ghana could help to increase awareness and adoption of non-interest insurance especially among the Muslim population.

5. Engage with regulatory bodies: Engagement with regulatory bodies could help to create a supportive legal and regulatory environment for non-interest insurance in Ghana.

VI. Limitations of the Study

Every research has limitations, and this study is no exception. Some of the limitations that may affect the generalization of the study's findings are:

1. The study's sample size does not represent the entire population of Ghana, which limits the generalizability of the results.

2. The study relies on self-reported data, which may be subject to social desirability bias.

VII. References

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