STRATEGIES ADOPTED BY TAKAFUL INSURANCE OF AFRICA TO PENETRATE THE INSURANCE MARKET IN KENYA

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DECLARATION

This research project is my original work and has not been presented in any other university or College for the award of any degree or diploma.

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This research project has been submitted for examination with my approval as the University

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ABSTRACT

The study investigates the strategies that Takaful Insurance of Africa have adopted in order to penetrate the insurance market in Kenya. Takaful Insurance of Africa was launched in Kenya in the year 2011 and within a span of three years the net written premium is kshs726million. The objectives of the study were to determine the strategies adopted by Takaful insurance of Africa in penetrating the insurance market in Kenya and the challenges the organization encounters in the process of its operations. A case study design was used; data was collected from respondents using an interview guide and data was analyzed using content analysis. From the findings it is clear that surplus and Mosque assurance are the leading strategies adopted by Takaful Insurance of Africa to penetrate the Kenyan Market. The study recommends that the organization need to allocate a budget for advertising through both print and electronic media in order to attract the Non-Muslims clients who are interested in purchasing Takaful insurance and also to remove the myth that Takaful insurance only belongs to Muslim community only. This will make the conservative public to be informed and make right decisions and choices with regard to their insurance needs. The study recommends further that the organization need to allocate a budget on Research and development of unique Takaful products that will differentiate them from the conventional insurance. The study further reveals that Takaful Insurance of Africa is the first fully fledged sharia compliant underwriter and the insurance industry is eager to find out how it will perform before other players can register subsidiary insurance companies.

GLOSSARY/ACRONYMS

Fatwa	**:**	Brotherhood/togetherness
Fiqh	**:**	Islamic jurisprudence.
Fuqaha	**:**	Muslim jurist.
Ghabn	**:**	Fraud or deception that permits injustice.
Gharar	**:**	An Arabic word for uncertainty.
Ijtihad	**:**	Intellectual interpretation of original sources of Islam.
Kafalah	**:**	To help or assist one another.
Maiser	**:**	An Arabic word for gambling.
Muamalat	**:**	Islamic teachings especially in Madrasas.
Mudarabah	**:**	An investment partnership.
Quard-Hasam	**:**	Long term investment similar to treasury corporate bonds
Riba	**:**	An Arabic word for interest.
Skuks	**:**	Investment instruments similar to equity
Tabarru	**:**	To donate for the benefit of others.
Zakat	**:**	An obligatory charity imposed upon rich people in helping the poor

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1 Research Background

Insurance is an economic institution that allows the transfer of financial risk from an individual to a pooled group of risks by means of two-party contracts Archer(2009). (Taylor, 2010) refers to insurance as a promise of compensation for specific potential future losses in exchange for a periodic payment. Therefore, the concept of insurance means co-operation among a group of people to reciprocally guarantee each other. It means giving surety to each other or holding responsibility to help each other in case of unexpected or untimely accidents or events that cannot be met financially by any one individual separately.

Modern insurance can trace its beginning to the 1600s, when British merchants and ship owners began to meet at coffee house near Lombard Street in London. The coffee house was called Lloyd's which later became a renowned name in the insurance cycles. These individuals were known as underwriters and are the forerunners of the well-known insurance association Lloyd's of London which can insure almost any risk-from the ships at sea and land-based wars to the launching of satellites (Babbel and Klock, 1994). In this way, insurance must continue to evolve in order to remain relevant and develop appropriate mechanism to address these risks in an environment of accelerated human and economic development (Young, 1996). (Wekesa,2010) posited that in as much as conventional insurance continues to evolve there is perceived credibility crisis of the industry in the eye of the public with regard to settlement of claims and scope of covers for the various products that they sell. (Ramadhan, 2009) did confirm that lack of adequate knowledge has compounded the situation resulting to low penetration of insurance and while on other hand (Hagel and Davison, 2010) have blamed majority of insurers on the basis that they do not prioritize investment in training, career development and recruitment to enhance their human resource competitiveness and thus affecting their service delivery. As a result, the current problems facing the industry will not be eliminated if paradigm shift is not adopted to address these challenges both in conventional and Takaful insurance.

Insurance products have historically been distributed through insurance brokers who act on behalf of the customer (the insured); insurance agents who act on behalf of the insurance company and insurance business have also been marketed directly without going through the intermediaries (Walmsley, 1995). Insurance penetration is the ratio of insurance premium to the GDP of the country, giving an indication of the industry contribution to the local economy while market penetration can be defined as sales of a company in a market in which homogenous products exists, this is mainly measured by premium income and market share. With the traditional distribution channels, insurance penetration in Kenya has remained very low at around 3.09% (AKI, 2011) and insurance companies are looking beyond the traditional distribution channels and developing new avenues to penetrate the market.

The concept of insurance has been around in Africa for a long time. Members of a community pooled together resources to create a "social insurance fund". The "premiums "ranged from social inspiration to material support or other payments in kind from the "fund" drawings were made out to support a few unfortunate members exposed to perils ,these developments gave birth to what we currently refer to as conventional or commercial insurance and for the past three centuries, insurance has evolved further from mutual assistance and mutual risk sharing & propelled towards shareholder value and profit maximization to unintended outcomes and new type of risks. Takaful Insurance of Africa is the first shariah compliant underwriter in Kenya, it has introduced a new and exciting ethical perspective to risk founded in the year 2008 and formally licensed in 2011, it is the first fully fledged Takaful operator in the East and Central Africa region.

1.1.1 Takaful Insurance

The Takaful contract is based on the Islamic principle tabarru which is a contract of self-insurance or self-guaranteeing among members of group while the conventional insurance contract is one of transferring risk from the insured to the insurer for premium, that is, one of risk trading, In 1976 the first international conference on Islamic Economics was held in Makkah, which was attended by more than 200 Islamic Jurists and Economists and they decided that the commercial insurance which is practiced by the commercial insurance companies in this era does not conform to the shariah principle of cooperation and solidarity because it does not fulfill the shariah conditions which would make it valid and acceptable. It was also suggested that a committee comprising of shariah Experts and Muslim Economists should be constituted in order to suggest a system of insurance that will be free of Riba,Usury and Gharar the matter continued to receive the attention of numerous groups of Islamic Jurisprudents in cooperation with eminent and distinguished economists and insurance experts who came up with different conclusion, views and opinions. Some of them approved all forms of insurance subject to certain conditions, limitations and qualifications, others totally disapproved all of them. However an overwhelming majority of Islamic shariah voiced the need for a shariah compliant insurance.

However, emergence of Takaful insurance can be traced back to Sudan in years 1979, according to Abass (2012) when drafting the framework of Takaful jurists must be aware of certain fundamental guidelines which include, the practice must adhere to strictly to the Islamic principles of business or commerce, business must be conducted openly in accordance with utmost good faith,honesty,full disclosure, truthfulness and fairness in all aspects.co-operative risks sharing and mutual assistance amongst the participants in the group and awareness amongst the group members that they are facing similar risks and are willing to contribute to any unfortunate member.

1.1.2 Concept of Strategy

Strategy is a multi-dimensional concept that has found application in all fields of study in life. Strategy defines organisation purpose, goals, objectives and priorities. It deals with the organisations competitive advantage and also positioning it in its environment. It also defines the obligations of the organization to its shareholders and the business of the organization including its product and market scope. It is a plan of how a firm will compete after evaluating its strengths and weaknesses compared to those of its competitors, of which must lead to competitive advantage. A strategy is the outcome of some form of planning, organized process of anticipating and acting in the future in order to carry out the organization’s mission. Drucker (1954) viewed strategy as defining the loss of companies. Chandler (1962) in support of Drucker defined strategy as the determination of the long term goals of the enterprise, the adoption of courses of action and allocation of resources necessary to carry out these goals. Cole (1997) in a more elaborative version, recognized strategy as the pattern of major objectives, purpose or goals stated in such a way to define what business the company is in and the kind of company it is to be. The current unfrequented change in the environment has resulted to organizations taking into consideration all available factors within their operations in an attempt to adapt their activities and internal configurations to reflect new external realities. The framework that links an organization's capability to its environment is known as strategy (Ansoff, 1990). A well formulated strategy helps to marshal and allocate organization's resources into a unique and viable posture based on its relative internal competences and shortcomings anticipated changes in the environment and contingent moves by intelligent opponents (Pearce 11 and Robinson 1991).

Mintzberg and Quinn (2002) viewed strategy in five different ways:Plan,Ploy,Pattern,Position and Perspective i.e. The five P's. As a plan: Strategy deals with how leaders try to establish direction for organizations, to set the more pre-determined courses of action. Strategy as a plan also causes the fundamental issue of cognition how intentions really mean.

As a ploy: Strategy takes account direct competition, where threats and various other maneuvers are employed to gain competitive advantage. This places the process of strategy formulation in its most dynamic setting with moves provoking counter moves etc. Ironically, strategy itself is a concept rooted not in set plans and established patterns. As a pattern: Strategy is focuses on action, meaning the concept is an empty if it doesn't introduce the notion of congress, the achievement of consistency in an organization's behavior into account.

As a pattern it introduces the notion of convergence, the achievement of consistency in organization behavior. Realized strategy when considered alongside intended strategy encourages us to consider the notion that strategy can emerge as well as be deliberately imposed. As a position: Strategy ensures we look at organizations in their competitive environment that is how they find their positions and protect them in order to meet competition avoid it or subject it.As a perspective: strategy raises intriguing questions about intentions and behavior in a collective context. It raises the issue how intentions diffuse through a group of people to become shared as norms and values and how patterns of behavior become deeply ingrained in the group.

Mintzberg and Quinn (1991) concluded that for any strategy to be considered effective, it must be clear and decisive, objective, and must maintain initiative and commitment and must concentrate superior power to be the best united dimension and comparison to the rival. The effective strategy must be flexible to ensure easy planned maneuvering and reposition to use minimum resources under a well committed and co ordained leadership. Holman (1999) argued that today's business environment is characterized by dynamics and rapidly changing environment, changing customer values, rising global competition, liberalization and a host of other economic, political and social dynamics that can't be overlooked by organizations that will last in such a turbulent environment. Is their ability to manage both continuity and change, Pearce and Robinson (2011) add that in order for organization's to achieve their goals and objectives, it is imperative for them to adapt to their environment. Failure to adapt to a changing environment leads to a strategic miss-match between the organization offers and the market demand. As such then, executives have to make strategic choices that are concerned with decisions about an organization's future and the way it needs to respond to these environmental influences and pressures.

1.1.3 Market Penetration

Market penetration strategy represents the plan by which the firm delivers its value to customers. It also specifies how the firm would go about its value selection, value creation and value communication Ramaswamy and Namakumari (2009). Traditional Market penetration involved concepts such as market segmentation, target market selection and strategy development for the marketing mix variables. With increased competition and maturity of markets, however, these traditional marketing mix elements have become commoditized (Duncan & Sandra, 1998). In their new approaches to market penetration, innovative managers have moved to a more humanistic and relationship based model. Companies realize that their most valuable assets are relationships with key stakeholders. Many firms prefer to distribute direct to the final consumer as working with middlemen with different objectives can be troublesome (William and Jerome 1996).

A company may increase its market penetration through competing in the existing market and taking up part of the competitor's market share, this has been a red ocean strategy adopted by some organizations while others create a market for themselves making competition irrelevant through efforts like strategic partnerships and emerging markets. Strategic partnerships can be viewed as alliances between commercial companies when each possesses an asset or idea that can help the other. In the current economies, strategic alliances enable businesses to gain competitive advantage through access to a partner's resources, including markets, technologies, capital and service. The strategic joint effort of banks and insurers to provide insurance services to bank customers is an emerging concept that is growing globally.

Beyond Bancassurance the insurance market is creating more avenues for market penetration and it is just a matter of time before the market embraces it. Insurance companies are also creating new avenues to reach untapped markets and the development of Takaful which is a unique system of mutual risk sharing is just one of the emerging new markets. It concentrates on providing maximum assistance to the unfortunate few where profits are shared with policy holders at the end of the year. Takaful is rational and altruistic, since it is embedded in the principles of zakat (Najatullah 2009).

Market penetration, sometimes referred to as a market share, is a measure of the percentage of sales volume an existing business achieves in relation to the competition, this can be done through Increased Promotion where companies may choose to increase market penetration through greater promotional efforts. They may launch an advertising campaign to generate greater brand awareness or implement a short-term promotion with a finite ending date. A promotion is often linked with pricing, such as advertising a special sale price for a limited period. A competitor may counter a successful promotion with one of its own in an attempt to regain lost market share. Distribution Channels is when a company attempts to increase market penetration by increasing the methods it uses to get service to the consumers, making them more readily available.

1.1.4 Insurance industry in Kenya

The insurance industry is regulated by IRA which was established after amendment of Insurance Act, CAP 487 in 2006 (AKI, 2011) making it autonomous and regulator of the industry. AKI is a regulatory body of the insurers and the professional body of the industry which is the IIK, which deals mainly with training and professional education. The year 2013 the gross written premium by the industry was Kshs. 91.60 billion compared to Kshs 79.06 billion in 2012, representing a growth of 15.9 %. The gross written premium in non-life insurance was Kshs 60.67 billion (2012: Kshs 52.35 billion) while that for life insurance business was Kshs 30.93 billion (2012: Kshs 26.71 billion). Non-life insurance premium grew by 15.8 % while life insurance premium and contributions from deposit administration & investment/unit linked contracts grew by 15.8 % (AKI, 2013).

In Kenya the penetration rate is 3% for a population of 40 million (AKI, 2011) while India at 4% penetration for a population of over a billion and contrasts with South Africa with a penetration of 16% for a population of 50 million. This shows the importance of having an insurance sector which can add more to economic development of the country, which signifies a huge potential for the insurance business in the country. Takaful Insurance of Africa was officially launched on 24th March 2011 after the regulator (IRA) issued a license to begin transacting Takaful business. According to AKI report of 2011, it wrote gross premium of Kshs.178 million representing 0.29% of market share. This is a relatively new business model that was first introduced in Kenya in 2011 after the country noted a tremendous growth in the Islamic banking industry.

Since its adoption in the country, there are five Takaful operators which Include Takaful Insurance of Africa, Cannon Insurance, Metropolitan Life, Jubilee Insurance and UAP Insurance who have opened a window to deal in Takaful Insurance before establishing a full fledge subsidiary. In addition, Kenya-Re has also shown interest in growing their business through establishment of Retakaful Department entirely dedicated in reinsuring Takaful operators risks. Takaful entry to the already saturated insurance market is not only going to increase competition but offer an alternative to conventional insurance which has continued to dominate the insurance market in Kenya. However, Takaful operators will not be immune to challenges facing insurance industry and therefore, they must demonstrate their competitive edge against the conventional insurance by developing products that are relevant to the needs of their target market (Abdikadir, 2011).

1.1.5 Takaful Insurance of Africa

Takaful Insurance of Africa benefits from a solid dual regulatory governance structure that of the Insurance Regulatory (IRA) and that of an independent Shariah Supervisory Council (SSC). This additional regulation based on the Islamic Shariah fundamentals provides further grounding and security that protects the interest of the insuring public. Takaful Insurance of Africa is a pioneering and dynamic Takaful company which has introduced a new and exciting ethical perspective to risk founded in the year 2008 and formally licensed in 2011, it is the first fully fledged Takaful operator in the East and Central Africa region. The rationale behind it is founded on the need to provide risk management and financial security, based on ethical principles and values. Their Vision is to be the number one provider of innovative Takaful Products and Services and there Mission is to provide superior Takaful products and services that offer enduring value to the members through quality risk management and exceptional claims settlement, the values at Takaful Insurance of Africa transcend throughout the entire organization & they include Excellence, Customer Focus, Integrity, Innovation, Team Work and Equity, the beliefs are that Takaful Insurance of Africa provides corporate social insurance for all Kenyans. As such Takaful is not a concept for Muslims only, it believes that each person in our society is a unique human being, with pride, need, values, and innate personal worth. For the society to succeed, Takaful Insurance of Africa will operate in a climate of openness and trust, in which each member will be granted respect, cooperation and decency.

Takaful Insurance of Africa believes that diversity strengthens societies and should be honored and protected, true unity is more than self-interest and it results when values and ideas are shared. It aims to be a unifying force and a source of energy to brighten the future of our society. Takaful Insurance of Africa has an endless quest for excellence which cannot be compromised, it is committed to be a responsible member of the Kenyan community as an investor, employer and consumer. Societal welfare is central to the corporate policy and strategy.

The Takaful Model is inherently designed to protect, support and improve community welfare. The shareholders, members and employees are committed to the CSR policy, both through the principle of Zakat and the annual CSR programme.The Human Resource policy is to excite the people to exceptional performance. The objective of the people-focused policy is to provide the environment, processes and systems for managing people-related risk within the organization to help achieve that purpose.

Takaful Insurance of Africa aims to attract and retain the best talent available as the foundation for becoming a truly customer and employee centric organization, there HR policy is designed to support talent acquisition, development, reward and retention by employing the right people through recruiting, selecting, developing and retaining competent people in order to deliver the Takaful promise to the participants, they attain this by managing, training, developing and molding behavior in line with the values and culture of strong individual and team performance, this aims to make the best use of the talent by matching the right tasks to the right teams to grow leaders and develop leadership skills to attain focused and undivided commitment in the delivery of unparalleled service to the members. Takaful Insurance of Africa has the required mix of professional competence to carry out the strategy and perform the role effectively for the benefit of the members and comply diligently with the required legal and regulatory human resource guidelines provided by the regulator, it has various lines of business which include General Takaful, Family Takaful, Pension scheme, Medical Takaful & Index based Livestock development (Fresh,2013)

1.2 Research problem

Conventional insurance has been criticized for its exploitative nature of making profit, Islam is never objected to profit though it has strong objection to practices impermissible under Shariah. A consensus exists among majority of Islamic scholars and Fuqaha (Jurist) that conventional insurance is strictly prohibited because it embraces Riba (Interest) in transaction, Gharar (uncertainty due to combination of unknown and doubtful) and elements of Maisir (Gambling) in contracts (Siddiqi,1985). Eliminating all practices irreconcilable with shariah from commercial insurance cannot be accomplished without structural changes in insurance company contracts, operational modes, types of investment transactions and targets Abdel (2011). (Kamsam,2006) while conducting a study on impediments faced by Takaful players in Malaysia noted that Takaful has the same challenges that face conventional insurance which range from credibility crisis to lack of innovation particularly on Family Takaful.

The same have been replicated in the insurance industry when Takaful became operational after getting approval from the regulator (IRA) in 2011. As a result, the adoption of Takaful in Kenyan market has not only intensified competition but also brought in a new business model that is likely to enhance innovation and offer alternative to those who have reservations on conventional insurance or are dissatisfied with it. (Mohd, 2006) did carry out a review on the issues that affect Takaful industry but failed to provide remedies in addressing some of the issues that he raised. The issues he raised from his review included modernization of data-processing systems and interface between conventional software and Islamic value, cross-training Takaful managers to be knowledgeable about Islamic finance as well as risk management, expanding and enhancing the capacity for Re-Takaful globally and broadening distribution channel beyond agency system including Bancatakaful. However, his review is silent on the environment where those challenges are found or applicable. (Talah, 2009) on the other hand did conclude that despite Takaful first origin in Sudan, the rate of its development has been extremely hampered and compounded by decades of civil war in the country. An article written by (Rafiq, 2010), focused on the challenges of marketing Takaful in non-Muslim countries with clear emphasis that a lot of regulatory regime changes have to be implemented to allow Islamic banks to sell insurance products and develop investments instruments that are Shariah compliant realized.

In 2012 a group of undergraduate studentsfrom University ofNairobi carried a research project on the challenges of marketing Takaful insurance in Kenya. The major challenges that they pointed out in their research included religion and misconception on Takaful, ignorance of Takaful products, negative perception and lack of product innovation. The researchers appeared to have concentrated more on Takaful products thus leaving other intrusive features that impact on the operation of Takaful insurance in general.(Ochieng 2013) carried out a research on the challenges facing adoption of Takaful insurance in Kenya which gave a broad view on how major challenges were to be dealt with. The researcher is not aware of any study that has been done to determine how Takaful Insurance can be used as a strategy to penetrate the insurance market in Kenya. This is the gap that this study intends to fill. The study seeks to addresses the following research question. What strategies are used by Takaful Insurance of Africa to penetrate the Insurance market in Kenya?

1.3 Research objectives

The objective of the study is as follows:

i. To determine the Strategies Takaful Insurance of Africa has adopted to penetrate the Insurance Market in Kenya.
ii. To determine the Challenges faced by Takaful Insurance of Africa in penetrating the Insurance Market in Kenya.

1.4 Value of study

This research will be of significance to various groups of people. Regulators and government agencies will be able develop policies and guidelines. Insurance is a highly regulated industry and Takaful is not immune of this, Takaful requires a different legal frame work such as Shariah Supervisory Board (SSB) to ensure that the organizations adhere to the tenets of Muslims faith, the shariah law which has mainly catered for the ethical issues has led to a more excited public wanting to venture at the new model.

Policyholders and the general public will be greatly informed by the availability of this literature and enable themto make informed decision when engaging or purchasing Takaful products. In addition, they will know the similarities and contrast that exists between conventional and Takaful insurance and thus enable them to make informed decisions on their insurance needs.

The interested Academicians, researchers, investors and students will also benefit from the study as it would serve as source of reference and in particular on Takaful subject. Finally, Underwriters in the industry will also benefit from the findings of this study by knowing prior the strategies in the model that are likely to improve their performance when they open a similar window aiming at recouping maximum profit.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This entailed an overview of the theoretical foundations and market penetration strategies relevant to the insurance industry. The conceptual framework is highlighted to case show the possibility and relevance of this study. The literature review also covers an overview of Takaful insurance penetration and challenges faced in the Insurance Industry.

2.2 Theoretical foundations

This proposal is anchored on the concepts of Agency Theory and Dynamic Capability Theory as discussed here below.

2.2.1 Agency Theory

Agency Theory is based on the idea that in a modern corporation, there is a separation of ownership and management, resulting in agency costs associated with resolving the conflict between the owners and the agents. This implies that management cannot be trusted, thereby calling for strict monitoring by the Board in order to protect shareholders' interest. The Theory dwells on effective monitoring which is achieved when Board have majority of outside and ideally independent directors. The position of Chairman and CEO should be held by different persons.

The agency theory views the company as a link of contracts among self-interested individuals rather than a unified, profit-maximizing entity. Agents need constant supervision and management, which raises agency costs or coordination costs. Information technology, by reducing the costs of acquiring and analyzing information, permits organizations to reduce overall management costs, and allows them to grow in revenues while shrinking the numbers of middle management and clerical workers (Laudon&Laudon, 1996).

2.2.2Dynamic Capability Theory

Dynamic capabilities Theory can be defined as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environmentsTeece et al. (1997). The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The resource-based view has been criticized for ignoring factors surrounding resources, instead assuming that they simply exist. Considerations such as how resources are developed, how they are integrated within the firm and how they are released have been addressed by the dynamic capability theory.

Dynamic capabilities attempt to bridge these gaps by adopting a process approach; by acting as a buffer between firm resources and the changing business environment, dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firms competitive advantage which otherwise might be quickly eroded. While the resource-based view emphasizes resource choice or the selecting of appropriate resources, dynamic capability emphasizes resource development and renewal.

2.2.3 Theoretical concepts of conventional insurance

Early literature on insurance did concur on one thing, insurance was meant to protect the society against any form of unforeseen risk that may put the interest of individual or society at stake and as result, members were encouraged to contribute particular amount under the common pool that would be used to compensate those affected by risks such as fire, accidents and death (Al Sadah, 2006).Takaful being a new concept is based on a set of principles that are both Shariah compliant and economically viable. Convention Insurance with the exception of mutual insurance schemes is based on the principle that the insurer provides indemnity in return for a premium paid by the insured (Kong and Manmohan, 2005) thus the risk of loss is transferred to the insurer entirely. The transfer of risk is the essence of the conventional business for which proprietary insurance companies are set up. A Takaful operator, on the other hand is not an indemnity provider. The obligation to pay the claims lies with the Takaful fund (Ainley and Ali, 2007). Conventional insurance concept is easier to understand and appreciate, particularly from a commercial perspective. It is simply a contract that imposes on the insurance company an obligation to provide either the sum insured or the payment of claim (Archer, 2004), uncertainty is therefore a common phenomenon under conventional insurance, this is unacceptable in Takaful since Islamic law requires that contract of exchange has to be free from uncertainties in the counter values. Being free from uncertainty is never possible in the insurance industry, because uncertainties are peculiar and integral to both premium and claims (Fisher,2008).Whereas conventional insurance still dominate the market, the growth globally has stagnated at 8% for the past five years and the rate is projected to decrease to 6% in the next three years globally.

2.2.4 Theoretical concepts of Takaful insurance

Takaful being a new concept is based on a set of principles that are both Shariah compliant and economically viable. Takaful from the stand point of pure semantic and Arabic morphology, indicates two parties or more providing an indemnity to one another as much as one party intends to indemnify his fellow participants, he also expects to be indemnified by the other parties (Ayub, 2007).The obligation to pay the claims lies with the Takaful fund (Ainley and Ali, 2007). Takaful aims for risk elimination within a given social group. An influential Islamic scholar, Mustafa (2006) in his book made an argument for the acceptability of conventional insurance practices as insurance contracts in the aggregate poses very little uncertainty, since the risk for which the parties are contracting can be valued. This argument was not enough to quell the general unease pious Muslim have with the idea of conventional insurance. Thus, a new approach emerged which shifted the conceptual focus of insurance away from individual contractual agreements and towards the institution of insurance’s benefit to society as a whole, the growth rate of Takaful Insurance currently stands at 20% and is expected to increase to 30% by 2015 before settling at 15% thereafter (Ernst and Young, 2010).Therefore, Takaful has continued to show huge potential despite numerous challenges affecting its adoption and penetration (IRA, 2011). In Kenya, the Takaful future looks bright, for instance, Takaful Insurance of Africa did realize 32% growth in gross written premium for the first year of its operation(2011) followed by 44% in (2012)and 57% in (2013) & it is projected at 70%(2014).

2.3 Market Penetration Strategies

Penetration strategies refer to creating more opportunities for customers to purchase products or services. For many businesses, the primary challenge for growth is getting their products and services in front of customers. Holman (1999) defines penetration as the activity or fact of increasing the market share of an existing product or promoting a new product through strategies such as branding, advertising, lower prices or volume discounts. Within the broad category of protecting and building the organizations position, there may be opportunities to gain market share, this is known as market penetration Johnson & Scholes (1997).

Much of the activities like competencies which sustain or improve quality or innovation or increasing marketing activity could all be means of achieving market penetration. However, the ease with which an organization can pursue a policy of market penetration will depend on the nature of the market and the organizations resources and core competences and the extent to which these can be developed. Formulation of an appropriate market penetration strategy is a prime concern for any organization. In the expanded sense market penetration strategies aims at meeting competition, securing sales, gaining market share and achieving profits. Market penetration strategy represents the plan by which the firm delivers its value to customers. It also specifies how the firm would go about its value selection, value creation and value communication. Ansoff Matrix tool has been used widely in reference to Penetration strategies.

2.3.1 Ansoff Matrix

This helps a firm decide their market growth as well as product growth strategies, the two questions which the Ansoff Matrix tends to answer are how firms can grow in the existing markets and What amends can be made in the product portfolio to have better growth. The matrix is a strategic marketing planning tool that links a firms marketing strategy with it general strategic direction and presents four alternatives growth strategies as a matrix. These strategies include seeking market penetration by pushing existing products in the current market segments, market development by developing new markets for existing products, developing new products for existing markets and diversification. Diversification refers to developing new products for new markets. A wide range of penetration strategies have been developed over time and these include pricing penetration strategy, new channels of distribution strategies and special incentives. Formulation of market penetration strategy consists of two steps namely STP (segmentation, targeting, positioning) and assembling the marketing mix Ramaswamy and Namakumari (2009).

2.3.2 Market Segmentation

The market penetration strategy takes shape when these two steps are completed. Segmentation of the market is the starting point of the whole exercise. The market for any product is stratified based on several characteristics. Segmentation is the process by which you try to understand the heterogeneous market by viewing it from different angles and grasping the commonalities as well as differences contained therein and then dividing the whole market into segments, each homogenous within itself, sharing certain common characteristics. A further market segmentation involves market atomization which is an approach that breaks down the market to the finest level of detail. It is a strategy, which treats each consumer uniquely Thuo (2008). The process of segmentation throws up several market segments with varying potential. The firm may not be interested in all the segments.

2.3.3 Market Targeting

Targeting involves breaking a market into segments and then concentrating the marketing efforts on one or a few key segments. It can be the key to a small business's success and the beauty of target marketing is that it makes the promotion, pricing and distribution of your products and services easier and more cost-effective (Wanjohi, 2002). It provides a focus to all of your marketing activities and in the case of Takaful Insurance the target market is Muslim as the model subscribes to the shariah laws.

2.3.4 MarketPositioning

Positioning the offer comes in ones the firm has already selected the target market and decided on its basic offer. Positioning is a marketing concept that outlines what a business should do to market its product or service to its customers. In positioning, the marketing department creates an image for the product based on its intended audience. This is created through the use of promotion, price, place and product. The more intense a positioning strategy, typically the more effective the marketing strategy is for a company. A good positioning strategy elevates the marketing efforts and helps a buyer move from knowledge of a product or service to its purchase Ramaswamy and Namakumari (2009).

2.4 Challenges of adopting Takaful Insurance

Although a sense of direction is important, is can also stifle creativity, especially if it rigidly enforced. Aarker (1991). Takaful is a new business concept that needs to be executed with utmost speed and accuracy to benefit from the perceive benefits. Many new business models undergo only brief periods of popularity where others tend to be too narrow in focus or too general and abstract to be applicable to a specific situation Walker (1994).

(Ford & Gioia, 2000) pointed out that some of the challenges encountered while implementing new business model are due to; failure to understand the customers, inadequate or incorrect marketing research and inability to predict environmental reactions. Takaful being a new concept in Kenya, the rate of its adoption is still very low and majority of those who have either taken one or more products of Takaful, still do not understand the philosophy on which Takaful operates and to make matter worse, some of the clients only took or bought those products after seeing a member of the family or friend buying the products (Bhatty, 2002).

Walker (1994) posited that in order for a firm to save on cost and meet evolving customers demand, technology should form integral part of their service delivery in the customer’s supply chain. Therefore, Takaful operators who fail to embrace new technology and adapt modern delivery mechanism such as the internet, then their Takaful products will most likely appear disadvantaged and non-competitive to the potential buyers. In addition, there is chronic shortage of trained professionals with skill necessary to propagate the ideals of Takaful. Yon (2009) analyzed some of the challenges that Takaful operators are likely to face particularly on territories that do not have proper legal frame work to support establishment and growth of Takaful Insurance. Some of the challenges that the industry include lack of uniform terminology, difference in Shariah interpretation, Retakaful and promotional marketing strategies are issues that require urgent attention if at all Takaful potential is to be realized. Kenya has had a similar share of challenges that include inadequate skill and knowledge that would be necessary in ensuring Shariah compliance leadership for the few institutions that transact Takaful business, absence of product innovation and corporate governance

Takaful operators have a shortage of tradable shariah compliant assets in the market such as Skuks and Quard-Hasam (Wambura, 2012). Lack of suitable (shariah-compliant) investment vehicles, particularly those with longer-term duration. There are a number of hurdles related to sharia compliant assets in which companies must invest the contribution made by Takaful participants. In the short term, owing to the relative size of the Islamic banking over Takaful market investment instrument that are sharia compliant are few and thus posing huge challenge to Takaful operators. In Kenya, the trend is even worrying since the Islamic financial system is still in formative stage and therefore, Takaful operators have a huge challenge of getting those acceptable investments instruments for contribution that they receive (Billah, 2001).

2.5 Empirical literature review

(Usmani, 2007) contends that Muslims have been having common misunderstanding that insurance or risk mitigation is not allowed under Islam, as Muslims believe that only God knows one’s future and faith. He further elaborated that mutual assistance was not originally a commercial transaction and did not contain any profit at the expense of others. As a result, focus in Takaful in general is around the importance of moral values and ethics as business is meant to be conducted openly and full of disclosure, truthfulness and fairness in all dealingsTakaful is designed to serve people of all faiths and backgrounds, despite the reference to Shariah laws (Mbogo,2011) and further confirms that Kenya’s insurance regulator has noted a sharp increase in the number of conventional insurer’s enquiring about setting up Takaful windows to tap the growing demand for Islamic finance in the country. Aurora (2011) contends that Saudi Arabia has emerged as the largest market for Takaful insurance with an annual growth of 15-20% annually and the growth is expected to accelerate because the government has continued to provide legislation that promote its growth such flexible and attractive taxation systems especially on Family Takaful products. Abdikadir(2011) on the other hand notes that Malaysia remains determined to provide ambient environment that would promote Takaful growth through creation of attractive investment instruments that are shariah compliant so as to eliminate the challenge of limited investments instruments noted in other regions operating Takaful business model.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter dealt with the methodology used in the study. It involved the methods that were used to collect the data for the study. This included research design, data collection and analysis procedures with the results from the study.

3.2 Research Design

The research design was a case study. Cooper and Schinder (2003), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The merit of using a case study is that it allows an in-depth understanding of the behavior pattern of the concerned unit. Additionally a case study allows a researcher to use one or more of the several research methods depending on the circumstances.

The use of a case study for this research enabled the understanding of the Takaful concept as a strategy to penetrate the insurance market in Kenya. The reason for this choice was based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena. Takaful Insurance of Africa being the first licensed Shariah compliant underwriter in Kenya it was important to carry out this research. The study adopted a case study research design and an interview guide was used to collect data.

3.3 Data Collection

Qualitative primary data was collected from seven people in the senior management Takaful Insurance of Africa and this were the CEO, the GM General Takaful, GM Finance, Branch Managers in Head office, Mombasa, Garissa and Eastleigh. An interview guide was used.

The primary data was collected using the interview guide, while secondary data was collected from existing reports including the industry survey reports, annual reports from IRA and AKI and reports done by Takaful Insurance of Africa i.e. Fresh Magazines, Annual financial reports and strategic plan.

3.4 Data Analysis

Data analysis is about searching for patterns of relationships that exist among data groups McDanile and Gates (2001). The data collected was edited for inconsistencies and entered in readiness for analysis. The qualitative data collected was analyzed using content analysis approach. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. Hussey and Hussey (1997). It involves observation and detailed description of objects, items or things that comprise the object of study. Content analysis was performed for the information obtained .The main purpose of content analysis was to study existing information in order to determine factors that explain a specific phenomenon. It enabled the researcher to analyze and interpret the meanings of the said words and beliefs. This approach was employed to make inferences by systematically identifying the themes and developing relationships with emerging trends. The approach was useful in revealing and understanding hidden issues under investigation.

The reliability and validity of the research instruments was determined by using face validity (subjective assessment). Two independent senior managers in Takaful Insurance of Africa who have worked with the organization from inception will be requested to examine the items to assess the extent to which they answer the research objectives. Their suggestion on the improvement of the instruments was taken into account.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents findings, discussions and interprets on the findings of the research study. The purpose of the study was to determine the strategies adopted by Takaful Insurance of Africa in penetrating the Insurance market in Kenya. The objective was achieved by collecting primary data by way of administering an interview guide to seven respondents who are employees of Takaful Insurance of Africa. They were selected from top management of the organization. The respondents highlighted the strategies which Takaful Insurance of Africa has adopted in penetrating the Insurance market in Kenya and the challenges it has faced while penetrating the Insurance market in Kenya.

4.2 Data Analysis

The data was checked for completeness and relevance to the study objectives and analyzed using the content analysis method.

4.3 Findings of the study

4.3.1 Marketing Penetration Strategies

The Researcher sought to establish the strategies adopted by Takaful Insurance of Africa in penetrating the Insurance market. All the respondents confirmed that indeed the organization had various strategies in place as per their strategic plan. They explained that the strategies were implemented immediately the organization was launched and this resulted into the rapid growth within the first eight months in operation.

The Researcher was informed that for the first time ever in the history of insurance an underwriter was returning back premium to its clients, something the conventional insurance has never done and therefore the concept of Takaful was indeed embraced well by the insurance market and the industry as a whole and this implies that the data base is comprised of both Non-Muslims and Muslims.

The respondents also confirmed that Takaful Insurance of Africa created a niche market were it concentrated its marketing efforts mainly in the Muslim dominated areas which had never been insured before indicating this was untapped market. The Researcher was told because of the shariah law many Muslim were now turning to Insurance as opposed to before when they said that ‘Allah’ will protect their properties this has translated to growth in the Insurance Industry due to new markets.

The Researcher learnt that Takaful Insurance of Africa has further segmented the market to create products that suite occasions in their Muslim calendar like the idi-fitri and Hajj this has greatly increased the penetration of Insurance. The segmentation of the market has resulted to Takaful Insurance of Africa fighting for space in the already crowded insurance industry dominated by conventional players.

The Respondents explained that Takaful Insurance of Africa being the first fully fledged underwriter using sharaiah law were in a hurry to penetrate the Kenyan market before the Insurance Regulatory Authority could license a similar underwriter. Several underwriters like Jubilee, Cannon, Metropolitan, APA and Madison have a Takaful window but have not been able to penetrate the market the way Takaful Insurance of Africa have done.

The Respondents explained the opening of many branch networks in the Muslim dominated areas of Northern Kenya is a strategy that Takaful Insurance of Africa want to explore; many conventional underwriters have shied away from these areas as they are classified as hardship areas this has seen the organization launch up to five new branches in Muslim dominated areas in Kenya.

The Researcher sought to establish the strategies adopted by Takaful Insurance of Africa in penetrating the Insurance market in Kenya and the challenges it faces while operating business. As a summary, the Respondents collectively identified the following strategies Surplus, Mosque assurance, Hajji Travel card, Lines of business, Variety of distribution channel and Research and Development in the organization.

4.3.1.1 Surplus

The Researcher sought to establish if the concept of Surplus had contributed to the rapid penetration of Takaful Insurance of Africa. From the Respondents, the Researcher learnt that Surplus was seen as the major strategy the organization used to penetrate the insurance market. When premium is paid 40% is used for Administration purpose and 60% is used as for servicing the claims, ones claims are offset what is left is returned back to the clients prorate on how they contributed to the pool, this is known as Surplus. The Respondent said for the very first time the Insurance market has never witnessed an underwriter return premium back to the customers and this has resulted to an upsurge of customer base, they affirmed that this was the main strategy that the organization has adopted and in August 2014 the organization was award as the best in claims settlement in the industry by Think Business.

The Respondent were alive to the fact that with the concept of surplus all customers of the conventional insurance will 'exit' to Takaful Insurance of Africa with a strategy that is thriving in the Insurance Industry that has ever been experienced in the market in Kenya.

4.3.1.2. Mosque Assurance

The Respondent reported that MossqueAsurance was used to create awareness about the concept of Takaful, the practice involved targeting Muslims who go for prayers at the mosque on Fridays which is their main day of worship. Takaful Insurance of Africa would pitch a tent within the premises and distribute marketing materials are talk to the worshippers explain about the products they offer, this is regarded as face to face marketing.

The Research established that Takaful Insurance of Africa has used this as a major marketing tool and a lot of awareness has been created by targeting the Muslim faithful. The marketing team targets at least five mosques every Friday and in a month they are able to visit over twenty mosques annually over two hundred and forty visits are made this is indeed massive marketing.

The Research learnt that most Muslim faithfully were excited to hear that there was an underwriter in the market who could offer them shariah compliant products something they had been yearning for a long time, the Research was informed many Muslim faithful had heard of Takaful Insurance in the Arab countries and Middle East and were very excited to learn that now Takaful could be found n Kenya.

4.3.1.3 Islamic banks

The Respondents confirmed that the licensing of Islamic banks had contributed to the rapid expansion of Takaful Insurance of Africa, with the introduction of bank assurance concept the penetration of insurance has increased tremendously The Researcher was informed that banc assurance is when the bank clients are convert to insurance clients that is when they seek a facility to purchase a Car or House they are offered Insurance also.

The Researcher was informed that with both the banks and the underwriter ascribing to the concept of sharia law and Islamic principles the two products were entwine and sold together this means the banks have given insurance a life line and the two can be sold as bancatakaful.

The Research was told because of the ethical issues lacking in the conventional insurance many clients are opting for the Takaful concept and the fact that they look forward to receiving surplus this encouraged them tremendously. The Islamic banks were licensed with an aim of giving financial assistance to the needy Muslims who felt the issues of interest rate in the commercial banks were not ascribing to their faith, insurance andbanking is now begin sold together.

4.3.1.4 Launch of Hajji Travel Card

The Researcher was informed that according to the Islamic law the Muslim must make a pilgrimage to Mecca once in their life time this implies that on average there is not less than twenty Muslims making a trip. Takaful Insurance of Africa have launched a Hajj Travel card which means the person embarking on the journey does not need to carry any cash but instead carry the credit card. The respondents stated that with the many incidences occurring while at Mecca many customer have lost many valuable things like money,cameras,bags,clothes and some became stranded, the Hajji card is therefore a solution to this the Respondent confirmed that the Hajji Travel card is indeed a credit card and it means simply embracing a cashless trip.

The Research also discovered that while on the trip and the card got lost or was stolen the card was replaced immediately through electronic wiring. The card would be used to settle bills and swipe all transaction without handling cash this was very convenient to the customers.

4.3.1.5 Introduction of various lines of business

All the respondents stated thatTakaful Insurance of Africa has diversified to various lines of business including General Takaful, Family Takaful, Pension scheme, Livestock and index based covers and recently Medical Insurance and this has meant the clients can now access a variety of products under one roof thus improving profit margins.

The Researcher learnt that the organization was now offering insurance for Livestock after partnering with ILRI, the target market being an Arid and semi-Arid areas of northern Kenya this product has exceeded the expectation. The Respondents have stated that many farmers can now breathe a sigh of relief as compensation is a reality; the index based livestock cover is now on offer and a farmer who losses their livestock due to drought related symptoms can now be compensated as long as they have purchased cover and the fear of drought is n longer a worry for the farmers and they can concentrate on other important issues..

4.3.1.6 Variety of distribution channel

The respondents acknowledged that Takaful Insurance of Africa has a gross expansion strategy for the target areas especially the Northern Kenya. The Islamic law is founded on the sharia principles which are against uncertainty, charging of interest rate, his is regarded as unfair and unethical Takaful is founded on these principles.

The Research was informed that Takaful Insurance of Africa has various branches with over 10 branches being rolled out within a span of five years, the growth of the organization is alarming and the concept of Takaful is spreading rapidly with many customers asking for the service at their doorstep and the organization is forced to open more branches.

The Research was informed that Takaful Insurance of Africa in their first year of operation which was 2011(which was eight months) they were able to underwrite premium of kshs256 million in 2012 the organization wrote premium of kshs548 million and in 2013 the premium written was kshs752million it is expected that in the last quarter of 2014 the organization will break even, this is due to the raid expansion strategy they have put in place.

4.4 Challenges faced by Takaful insurance of Africa

The Respondents all stated that in the process of doing business Takaful Insurance of Africa is faced by various challenges as much as they focus on the strategies they need to also overcome the challenges which are hindrances and this make the organization not to grow faster. The Researcher was informed that some of the challenges include creation of awareness, Bancatakafu, surplus as a marketing tool, training on the Takaful concept and Research and development.

4.4.1 Creation of awareness

All the Respondents supported public Education and creation of awareness through Mosque Assurance as the critical measurers that should be adopted to enhance development of Takaful insurance of Africa, it is evident from the study that only Mosque assurance was been used as means of creating awareness. The research was informed that Takaful Insurance of Africa only uses Mosque assurance to create public awareness this factor featured predominantly in the study.

The Research learnt that the target market for Takaful Insurance of Africa was both the Muslim and Non-Muslim and it was therefore important that other than the Mosequeassurance advertisement on both print media and electronic should be embraced. From the study, there were varied views but it is evident that public awareness created by Mosque assurance on Takaful is the key mode of communication and therefore creating a need to introduce other ways.

4.4.2 Bancatakaful

The respondents felt that more Islamic banks need to be licensed as the end result will be more clients for Takaful Insurance of Africa since they both ascribe to the shariah law. The Respondents stated that the banks would convert their clients to insurance clients and hence translate o increased customers base.

The Research was informed that the licensing of more Islamic banks would definitely translate to more business for Takaful Insurance of Africa as both are founded on the principles of shariah law and are termed as shariah compliant. The Researcher sort to establish if there was any ways which Takaful Insurance of Africa could hasten the Licensing of new Islamic banks.

4.4.3Surplus as a Marketing tool

The respondents stated that Surplus should be used to attract more clients from the conventional insurance to purchase Takaful products as many customers are indeed excited about this concept and the fact that they will be returned back their premium.

The Researcher was informed that Surplus should be used as a bait to attract the many Non-Muslims clients opting to purchase Takaful insurance as opposed to conventional Insurance, further the Non-Muslim clients are feed up of the ethical issues on the conventional insurance and are willing to try the shariah compliant Insurance which they believe are more upright.

4.4.4Training on Takaful concept

The Respondents felt the need to train staff on the principles of Takaful so that they are able to push the Takaful concept and eventually create an impact by availing the much needed information. The respondent identified the need to have program exchange from established markets like Malaysia that have several companies practicing the Takaful concept.

The Researcher learnt that technical knowhow and skills were still lacking in the Takaful concept, there are no expertise and professionals to run the concept and offer expertise advice. Takaful Insurance of Africa need to collaborate with tertiary institutions to provide training needs for professionals who can drive the concept well by proving information to the customers and general public.

The study revealed that Takaful concept have shortage of Sharia scholars who would be providing advice to the management on compliance of their various Takaful products that are free from interest (Riba), gambling (Maisir) and uncertainty (Gharar). The

Respondents confirmed that Takaful Insurance of Africa have shortage of Sharia scholars and therefore if the country continues to grow its Takaful industry then it will have a challenge of getting sharia scholars that have full understanding on how sharia based organizations are managed and run. This will have an impact on the management of Takaful Insurance of Africa as there will be instances where they may deviate from the tenets and principles of Takaful Concept.

The Researcher was informed that in order for the Takaful concept to thrive an urgent solution must be obtained as the future of Takaful Insurance of Africa relies on training and how well the concept can be executed.

4.4.5 Research and Development

The researcher was informed that Takaful Insurance of Africa needs to invest on research and development and offer unique products to the market in order to give the conventional insurance a challenge, being a unique concept it is important to take competitive advantage and create a niche market by offering customers unique products. .Most businesses within the financial services sector have been at the forefront in adopting technology that would enhance their performance. In order for Takaful Insurance of Africa to remain competitive, they must invest in technology that would enhance service delivery while at the same time minimizing on their cost. All the Respondents posited that Takaful Insurance of Africa should procure technology that easily interface between conventional software and Islamic values since majority of software companies developed software that tend to serve interest of conventional market and leaving out Takaful concept.

The Researcher was informed the software should be flexible and tailored to incorporate Islamic values that prohibit short-comings that are present in conventional insurance. As a result, Takaful Insurance of Africa will have competitive edge against conventional insurance and thus enhancing their performance and most probably increasing their market share in the long run.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study findings have been presented as discussed in chapter four, consequently, this chapter is a summary of the findings based on the objectives of the study and draws conclusions thereof. It covers the recommendations suggested to the company, the limitations of the research and finally making suggestions for further research.

5.2 Summary

Thestudy revealed that Takaful Insurance of Africa main strategy for penetrating the insurance market is using surplus as a marketing tool, however the respondents stated that surplus was new to the insurance market and therefore the market was excited about it. The study revealed that the respondents' majority of them having worked and acquired experience from the conventional insurance were aware of the gap the surplus had created in the conventional insurance and were therefore using it as a competitive advantage to drive the Takaful concept. Majority of the respondents were geared to the aspect that indeed is surplus was well marketed there will be a huge influx o customers from the conventional Insurance to Takaful Insurance of Africa.

Mosque assurance was deemed as the main source of creating awareness, the study revealed that Takaful Insurance of Africa was reaching out to its clients through the Mosque, the respondents explained the organization had not allocated a budge on advertising or sales promotion and that is why it was focusing on Mosque assurance.

The study revealed that the launch of the Hajji Travel card had indeed brought peace of mind to the pilgrims as they can now travel without carrying cash but instead use credit card. Many pilgrims had reported huge sum of money loss especially when there was stampede, in fact it was believed that robbers would plan a stampede and steal money now that is a thing of the past because with a credit card it would be difficult to forge the pin number and when a card is reported as lost it is blocked immediately and no transaction can be done on it. The respondents stated that Takaful Insurance of Africa is indeed making huge sales on the card.

The research further established that Takaful Insurance of Africa has diversified to various lines of business including General Takaful, Family Takaful, Pension scheme, Livestock and index based covers and recently medical Insurance, the respondents felt this has led to the rapid growth n the premium underwritten as the clients are able to shop for a variety of products under one roof. The respondents stated the Index based Livestock cover was doing well in the Arid and semi-Arid areas of northern Kenya this product has done well and the researcher was informed this will soon be a cash cow for the organization as t many farmers no longer the fear drought as they ensure they purchase the covers on time.

The researcher further establish that Takaful Insurance of Africa was expanding at an alarming by increasing the branch network this was aimed and improving the distribute channels of the Takaful concept, the respondents stated the organization concentrated its energy on the north Kenya because of the vast Muslim culture who form the bulk of their clients. The respondents felt that although Takaful Insurance of Africa target market remain both Muslims and Non-Muslims that organization was concentrating on areas which embrace the shariah law and this make them find themselves concentrating in the Northern area Somalia and now they have found new markets in Punta land. The respondents confirmed that the organization want to be in East and Central Africa by 2015 and hope to have spread to the whole of Africa by 2030 a very ambitious strategy.

5.3 Conclusion

The study revealed that Takaful Insurance of Africa adopts the concept of surplus as its main strategy in order to penetrate the insurance market; this is followed by Mosque assurance which it uses to create awareness to the general public and attract new customers. The study however revealed that the Hajji Travel card is a cash cow for the organization as the card has attracted many new customers o the organization.

The study further revealed that diversification on various lines of business has attracted many new clients who are now able to purchase all their Insurance need under one roof, the index based Livestock cover has enabled farmers to now live comfortable lives without the fear of drought wiping their animals aware as the cover are now available.

The study further revealed that Takaful Insurance of Africa have an expansion strategy in place for the branch network in a view to recoup the profits when the new concept of Takaful is still fresh in the minds of the customers especially those coming from the conventional insurance .

5.4 Recommendations

On completion of the study ,the researcher recommends that Takaful Insurance of Africa needs to allocate a budget for creating awareness to the customers through print media and electronic media through TV, Billboards and internet this will enable the organization to attract more Non-Muslim clients who don't visit the Mosque.

The research also recommends a budget allocation for Research and Development of new products that will different the Takaful concepts from the conventional insurance this strategy will ensure the customers are attracted to the products.

The research also recommend that Takaful Insurance of Africa should ensure staff are properly trained and they need to partner with local universities and other tertiary institutions to enhance their human capital base so as to assist in pushing Takaful agenda in the insurance market.

The researcher also recommends the licensing of more Islamic Banks will enable Takaful Insurance of Africa to fully relay on the bancataful which helps them improve on the client base.

5.5 Limitations of the study

The study focused on the challenges in the adoption of Takaful insurance in Kenya and therefore, these challenges were majorly based on non-financial indicators. As a result, one would ask if there are financial indicators that could also be affecting adoption of Takaful. Further, the study included sample of agents yet they could be having unique challenges that could be impacting on their performance as the distribution arm of Takaful insurance. The result could have been different if challenges facing Takaful agents were also considered. In conclusion, reference materials for Takaful insurance were scarce and therefore, the researcher relied mostly on reference journals and various websites which would have impacted on the quality of research and depth of knowledge of the research.

5.6 Suggestion for further research

This study was a case study on Takaful Insurance of Africa the first fully fledge shariah compliant underwriter in Kenya and therefore it concentrated on the organization which is relatively new and enjoying monopolistic rights this therefore limits the study.

The regulator is in the process of licensing other underwriters and the Researcher would recommend studies to be carried out in the future so as to have basis of comparison.

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APPENDIX 11

Interview Guide

1. For how many years of have you worked in the insurance industry?
2. How long have you worked for the Takaful Insurance of Africa?
3. What is the performance of Takaful Concept as compared to that of Conventional insurance?
4. What are the strategies adopted by Takaful Insurance of Africa in penetrating the insurance market?
5. What factors have you contributed to the faster growth of Takaful Insurance in Africa?
6. What are the roles of IRA and SSB towards the growth of Takaful insurance of Africa?
7. How has the licensing of Islamic banking influenced the growth of Takaful Insurance of Africa?
8. What impact has Mosque-Assurance created towards the growth of Takaful Insurance of Africa
9. What effect have been caused by the launch of Hajj travel cover towards the growth of the organization
10. What do you perceive as the major challenges being encountered by Takaful Insurance of Africa
11. How has the shortage of Shariah scholars with appropriate experience & skill affected the growth of Takaful Insurance of Africa?
12. What are some of the challenge experienced byTakaful Insurance in Africa in its day to day operation?
13. Has Takaful Insurance in Africa ventured into Research and Development?
14. What is Takaful Insurance in Africa plans of training and career development of its staff?
15. The use of modern technology in the organization to promote efficiency & effectiveness in the firm operations working positively.