

**“The Comparative Analysis Of The Operations Of Takaful And
Conventional Insurance In Pakistan.”**



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ABSTRACT

This research aims to identify the operational differences between the Islamic insurance (takaful) and conventional insurance in Pakistan. This paper also sheds light on the characteristics that make takaful superior than conventional insurance and determines the degree of compliance of takaful system with the Accounting and Auditing Organization for Islamic Financial Institution standards (AAOIFI). Pakistan is an Islamic state with the Muslim majority but takaful industry, which has a great potential to flourish, is not yet developed. So it's really essential to identify the benefits for the stakeholders and the economy as well as the gray areas. The literature revealed that Islamic insurance system is more beneficial for the world in contrast with conventional insurance system as it doesn't involve riba (interest), gharar (uncertainty), and maisir (gambling). Both primary and secondary data has been collected through interviews and other sources like, published research papers, websites, books etc. respectively. The findings disclosed that the takaful model adopted and practiced in Pakistan is completely in compliance with the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) standards and ascertains that Islamic insurance (takaful) is more better than the conventional insurance particularly for the Muslim population of the world. Recommendations have been made to provide solutions to pitfalls or gray areas identified during the research.

Keywords: Takaful, Conventional Insurance, Shariah principles, Riba (interest)

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