

New recognition of business risks to spur Takaful adoption



NIGERIA

By Hajara Adeola

It is often difficult to predict the occurrence of external shocks or the impact on businesses; thus, efficient risk management is crucial to any enterprise. As events over the year have revealed, Nigerian businesses, like their counterparts elsewhere, need to pay close attention to risk management.

As if the impact of COVID-19 was not bad enough, peaceful civil protests in some Nigerian commercial cities were taken advantage of to loot stores and warehouses, while destroying private and public properties.

Although the government was quick to arrest the situation by imposing a brief curfew in the affected areas, small business owners were left reeling in the aftermath, largely due to the lack of financial buffers or safety nets and the low adoption of insurance or Takaful.

Nigeria's commercial centers are arguably driven by small- and medium-sized business and a 2017 survey by the Small and Medium Enterprises Development Agency of Nigeria puts their number in excess of 41 million. Due to infrastructure shortages, these businesses often operate in clusters and use shared services.

However, the efficiency provided by clustering also exposes them to risk when activities in the clusters are affected. For instance, earlier this year, electrical malfunctions reportedly caused a fire outbreak that affected multiple shops in a Lagos market cluster.

Similarly, when the government eased COVID-19 restrictions, market clusters were only allowed to open on alternate days to manage social distancing and this has protracted their recovery. In the melee that followed the recent protests, shops and warehouse clusters were again a soft target, highlighting the risk exposure of these areas.

One would expect that insurance patronage in such an operating environment would be high; however, insurance penetration (including Takaful) in Nigeria is estimated at less than 1% of GDP while it is less than 3% across Africa.

Takaful has been touted as one of the tools to drive insurance penetration among the Nigerian Muslim population. However, with four fully-fledged and two window operators, the impact is yet to be felt — I believe that this year could be the inflection point.

The insurance industry has long grappled with three major challenges: poor insurance culture, high marketing

and distribution costs, and the high cost of capital for business expansion. Today, the Nigerian consumer is more receptive to insurance and Takaful following the extraordinary impact of the pandemic, the havoc that followed the civil protests as well as other events.

Operators can seize this opportunity to drive product awareness and adoption. In addition, expansionary monetary policies have driven the cost of funding for businesses to multiyear lows, thereby increasing the prospect of capital raises for operators.

Lastly, the rapid adoption of financial technology solutions has deepened the reach of financial products while significantly reducing marketing budgets. These three factors, if properly harnessed, can result in a major turnaround for Takaful operators and the broader insurance industry.

I believe that Takaful was created for moments like this and I hope that operators seize this opportunity to make a difference. They will, however, need to demonstrate value by designing products that cover emerging as well as traditional risks. (2)

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Rise in demand for modest fashion in Italy



ITALY

By Stefano Loconte

As Italy has the fourth-largest Muslim population in Europe and is also the main leader in the fashion industry, the interest in modest fashion has increased in the last few years, not only from Muslims but also from non-Muslim 'fashionistas'.

Modest fashion or dressing refers to a fashion trend in women wearing less skin-revealing clothes, especially in a way that satisfies their spiritual requirements for reasons of faith and religion.

Market players in the Italian fashion industry have noticed the worldwide demand for modest clothing and have

created specific fashion collections dedicated to Muslim women. No doubt, this represents a step forward in strengthening the connection between the Islamic world and Italy but it is also a deep understatement of the Islamic culture.

Luxury labels such as Dolce and Gabbana have launched collections to meet their customers' demand with the aim of embracing the Halal lifestyle and the ideals related to modest fashion such as kaftans, abayas and hijabs.

The Torino Fashion Week held in Italy recently portrayed many young fashion designers presenting their clothing designs compliant to the modest fashion guidelines. This proves that the Italian fashion labels have started to recognize the importance of modest clothing and

the needs of people interested in Halal fashion.

For a country like Italy where Islamic finance is still new and at a nascent stage, it is essential to open the doors and get closer to many aspects of the Islamic world in order to better understand its culture before finding and obtaining new business opportunities or partnerships with the different market players.

Italy has plenty of ideas and new projects dedicated to the Islamic world and though it clearly takes some time to fully embrace Islamic finance and Halal into its economic system, it will surely reach there one day. (2)

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