



The Insurance Industry in Sudan: Scope, Significance, Challenges and Economic Impact

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Abstract

This paper will explore the current organization, importance, issues, and economic effect of the Sudanese insurance industry. Analysis is used to point out the role of insurance in economic stability, mobilization of investments and social wellbeing and to counter the obstacles that inhibit the expansion of insurance sector. The research is done based on a dataset of 321 respondents out of total target population of 400 in various cities of Sudan and is used to explore and investigate the differences in demographics, insurance awareness, and perceived insurance contributions to economic well-being. The evidence has indicated that the Sudanese insurance sector is still underdeveloped but this sector has great potential of contributing to national development given that it is strengthened by policy changes, creation of awareness and capacity development of the institutions. The research ends by providing strategic suggestions on how insurance penetration, financial inclusion and sustainable development in the Sudanese environment can be improved.

Keywords: Insurance, Financial Inclusion, Policy Reform, Sustainable Growth, National Development.

Introduction

The insurance sector is central in ensuring that individuals, businesses, and societies are insured against uncertainties and any other risks that are not predictable. This sector in the setting of developing countries like Sudan acquires even more significance as it is not only a risk management tool but also an engine of financial stability, savings mobilization and capital formation (Abu Al-Haija & Houcine, 2023) [2]. The very concept of insurance that is, pooling and redistribution of risk allows the players in the economic activity to engage in productive activities with minimal risk of exposure to uncertainty. Insurance aids in a more stable and predictable economic setting through reducing the financial exposure of losses (Labini *et al.*, 2025) [9].

Insurance industry is both an opportunity and a challenge in Sudan. Even though it has been there over the decades, the sector is still undeveloped to its potential. It has been held back by the continued macroeconomic instability, the currency depreciation, lack of awareness among the citizens and infrastructural shortcomings that hamper access. The industry has also not penetrated due to the dominance of informal risk management practices (Brati & Braimllari, 2025) [7]. However, the current change processes in the financial system of Sudan and its regulatory system, along with the technological processes, are slowly shaping the environment to promote the growth of insurance in a more positive way (Lee, 2024) [10]. This transformation is in line with the bigger vision of a diversified, inclusive and

sustainable economy as planned by Sudan.

Insurance is significant as a financial protection, and more so in other ways. It acts as a tool of both social and economic development because it helps to mobilize the domestic savings, direct investments towards the long-term projects and assist households in case of financial distress (Atance *et al.*, 2025) [5]. Insurance is also a factor that helps in allowing credit to be extended because when borrowers are insured against default or loss of assets lenders feel more comfortable lending money to them. Therefore, insurance plays the role of a mediating variable between financial and economic development and therefore enhances the efficiency of financial intermediation in general (Abbas *et al.*, 2018) [1].

In Sudan, institutional development and citizen trust in the formal financial system has historically been sabotaged by economic and political instability. This has impacted business continuity because the country has had repeated instances of inflation, political unrest, and structural adjustment which undermines the investor confidence (Alsuyayfi *et al.*, 2023) [4]. However, it is in this difficult scenario that the insurance industry can be used to play a stabilizing role, and the mechanisms can offer solutions that ensure livelihoods, sustenance of entrepreneurship and recovery following negative events like floods, droughts or social unrest. Sudan's insurance sector encompasses both conventional and Takaful (Islamic) insurance systems, reflecting the country's dual economic and religious structure. Takaful, which operates on principles of cooperation and shared responsibility, resonates

deeply with Sudan's cultural and social norms (Aljehani *et al.*, 2024) [3]. Another study by (Barakat, 2024; Zhang *et al.*, 2025) [6, 18] the coexistence of these two models provides a unique platform for inclusive insurance coverage, allowing for both profit-oriented and socially-driven financial protection schemes. However, realizing this potential requires overcoming structural barriers such as weak regulatory enforcement, shortage of skilled professionals, and low consumer trust.

This paper will evaluate the current situation in the insurance sector in Sudan, its scale, issues, and economic value. The study is based on a 321-respondent, structured survey carried out in various parts of Sudan which gives the demographic data and the relationship between the perception of the insurance and the general indicators of economic development. Through evaluation of the correlations among economic stability, capital formation, job creation, and social welfare, the study will aim at explaining how the insurance industry will be a driver in economic change in Sudan. In addition, it also points out the avenues in which insurance is taken. Can enhance resilience, attract investment, and contribute to long-term national prosperity.

Literature Review

Theoretical and Conceptual Background

The insurance business is at the centre stage in the contemporary economy as a financial service and a socio-economic stabilizer. In theory, insurance is based on the concept of risk transfer where personal losses caused by uncertainties are spread amongst the people. This is a system that helps to convert uncertain risks into certain costs, which helps in instilling confidence and enables economic activity (Shi *et al.*, 2025; Yang *et al.*, 2024) [13, 17]. The literature is keen to emphasize the multi-dimensional aspect of insurance in enhancing growth by accumulating capital, financial intermediation, and risk diversification.

Insurance is a vital part of financial development in a macroeconomic environment. It supplements the banks and capital markets to mobilize long-term funds, which can be invested in other productive sectors like manufacturing, infrastructure and agriculture (Singh *et al.*, 2025) [14]. Well managed premium collections would help capital markets to be liquid and improve national savings. These funds, on their part, are reinvested back into investments that create jobs, spur industrial growth and enhance financial stability. Accordingly, the increase of the insurance coverage is directly proportional to the economic foundation of a country.

The insurance sector of developing nations such as Sudan does not only fulfill economic roles, but it has social and humanitarian aspects. Insurance also cushions the low-income populations against shock like illnesses, death or natural calamities, thus they are not pushed into poverty (Pozzo *et al.*, 2025; Staudt & Wagner, 2018) [12, 15]. It also supplements government welfare programs which provide an added financial security. In particular, micro-insurance and Takaful products have been successful in settings of a weak formal social protection regime. These tools are culturally feasible and economical since they are in tandem with the community-based culture of sharing risks (Jannadi, 1996) [8].

The idea behind the consideration of the role of insurance in economic growth could be considered through four big constructs that are economic stability, capital formation, job creation and social welfare.

Economic Stability: Insurance protects the economy against shocks in that it absorbs the losses and the consumption and

investment flows. In volatile economies, as is the case with Sudan, insurance increases resilience by decreasing the fiscal impact of disasters and encouraging recovery.

Capital Formation: Insurers are institutional investors where they invest premiums in productive assets. Their investments have helped infrastructures, energy and utility of the populace- areas that are vital in the process of reconstruction and modernization of Sudan post the conflict.

Job Creation: The insurance sector directly provides a large number of people with work as underwriters, salespersons, actuary analysts, and even customer service. It indirectly promotes other related industries which include healthcare, transport and real estate.

Social Welfare: Insurance enhances quality of life and vulnerability through life and health, as well as pension products. It also promotes financial inclusion in that it exposes people to formal financial systems.

These global functions are mirrored in the Sudanese insurance market but with the limitation of local realities. The contribution of the sector to GDP is still small but the potential is huge. The existence of several insurance firms both the state-owned and the privately-run indicates an emerging yet disastrous market structure (Abu Al-Haija & Houcine, 2023) [2]. The difficulty is how to enhance the institutional arrangements, broaden the reach and product diversification, which will serve different income brackets.

Moreover, there is a unique advantage with the introduction of Takaful insurance in Sudan. Basing on the Islamic finance, Takaful focuses on collaboration, moral investment, and mutual support. It is an alternative to traditional insurance, particularly to people who want Sharia-compliant financial products (Abu Al-Haija & Houcine, 2023; Alsuyayfi *et al.*, 2023; Labini *et al.*, 2025) [2, 4, 9]. The participatory aspect of the model promotes trust in addition to being compatible with the socio-religious aspect of Sudan, which makes it an effective instrument in improving financial inclusion.

Generally, the literature creates a definite relationship between a sound insurance system and a sustainable economic development. In the case of Sudan, insurance may be a protective measure, as well as a development tool (Shi *et al.*, 2025) [13]. The positive impact of strengthening this industry, in turn, can have a long-term positive effect - not only in the increase of the confidence of investing in the economy and the creation of workplaces but also in creating long-term financial stability and social equality.

The insurance industry in Sudan consists of life insurance, general insurance, health insurance, and Takaful insurance (Islamic). The long term financial security of life insurance, the general insurance, the health insurance and the Takaful work according to the Sharia principles based on mutual cooperation and shared responsibility (Singh *et al.*, 2025) [14]. The industry targets both individuals, companies and government agencies; the insurance penetration rate is low relative to the rest of the region and this is an indication of a potential that is not fully exploited (Opoku *et al.*, 2024; Sureka *et al.*, 2025) [11, 16].

Insurance companies have been limited to grow due to economic challenges which include inflation, depreciation of currency, and low foreign investment. Furthermore, the citizens are not well aware and financially literate, which is why they have low enrolment in formal insurance programs. However, the strategic geographical location, young population, and current digital revolution in Sudan allow the growth of inclusive financial products, such as micro-insurance and agricultural coverage, and make rural people

more resilient.

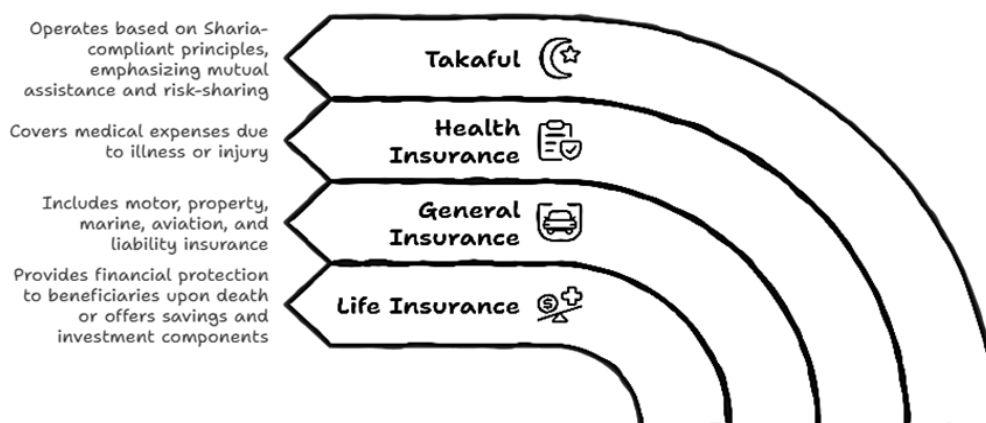


Fig 1: Overview of insurance types in Sudan

Significance of the Insurance Industry in Sudan

Despite its relatively small size, the insurance industry plays a crucial role in the Sudanese economy:

- **Risk Mitigation:** Insurance offers a system whereby individuals and businesses can spread risk, so that individuals and businesses can avoid financial losses caused by unexpected events.
- **Economic Stability:** By absorbing financial shocks, insurance contributes to economic stability and resilience, particularly in the face of natural disasters or economic downturns.
- **Investment and Capital Formation:** Insurance companies collect premiums, which can be invested in

various sectors of the economy, contributing to capital formation and economic growth.

- **Job Creation:** The insurance industry directly and indirectly creates employment opportunities in areas such as underwriting, claims management, sales, and administration.
- **Social Welfare:** Life and health insurance policies provide financial security and access to healthcare services, contributing to social welfare and improved living standards.

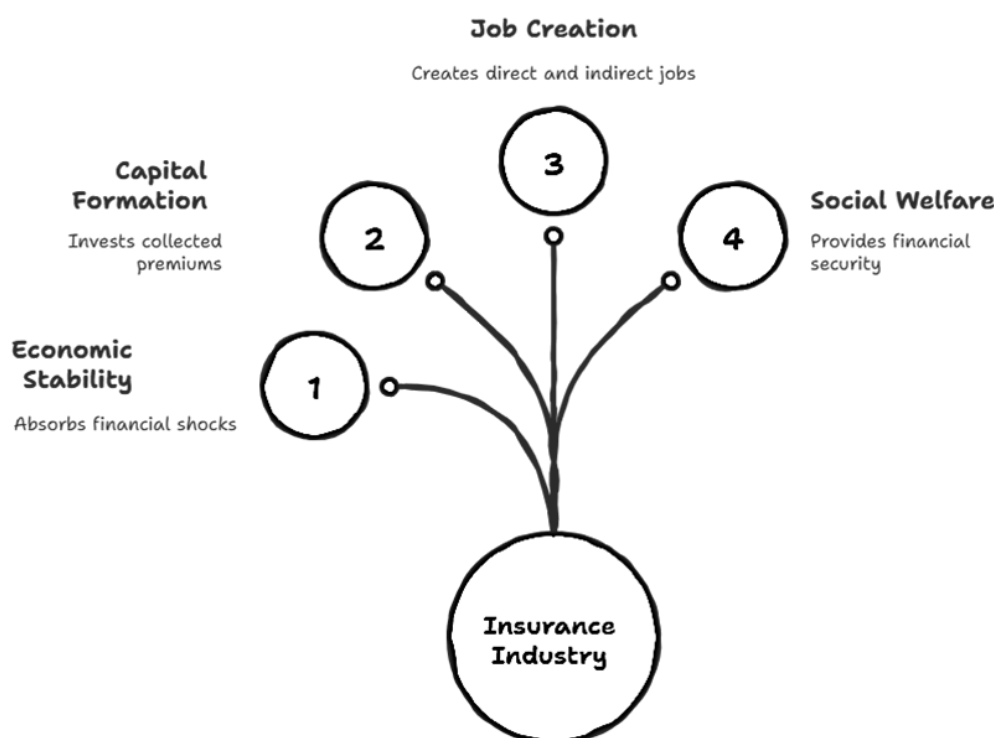


Fig 2: Insurance industry impacts Sudanese economy

Methodology

The research design of this research is quantitative analytical, and it was based on survey data on 5 point likert scale. The sample included 321 respondents in various regions across Sudan within N of 400. The instrument had two main parts: demographic characteristics and Likert-scale options based on Economic Stability, Capital Formation, Job Creation, and

Social Welfare. A five-point Likert scale was employed from 1 ("Strongly Disagree") to 5 ("Strongly Agree") to assess to what extent people support the economic role of insurance. The data was analysed by way of descriptive statistics, frequency distributions, and mean indices. Age, gender, education, employment, region, and income decided about comparative anti-profile the respondents actually, and it

further helped identify how their socioeconomic characteristics influenced the views on insurance in Sudan. The data were collected electronically since researcher is relocated outside of the country, ensuring reliability and representativeness across different geographical cities of Sudan including Khartoum, Darfur, Blue Nile, and Kordofan.

Demographic Analysis

The demographic analysis in the study of the sample shows that 61% of respondents were male and 39% female, indicating a higher participation rate of men in insurance-related discussions and financial decision-making. Educationally, the largest group (34%) held bachelor's degrees, followed by secondary education (29%) and diplomas (18%), showing that the sample is moderately educated. Employment distribution reveals a dominance of

private sector employees (30%), followed by public sector workers (20%) and self-employed individuals (19%), while unemployment and student participation accounted for smaller shares. Regionally, Khartoum dominated the sample (45%), reflecting its position as the economic and financial hub of Sudan. Other significant regions included Kordofan (12%), Darfur (11%), and Blue Nile (10%), with smaller contributions from White Nile, Kassala, and other areas. Income distribution was concentrated in the low to lower-middle brackets, with 34% identifying as low income and 30% as lower-middle income, which aligns with the overall economic condition of Sudanese households. The average age of respondents was approximately 33 years, suggesting a relatively young and economically active population.

Analysis of Insurance Impact on the Sudanese Economy

Table 1: Gender Distribution

Gender	Frequency	Percent	Cumulative %
Male	196	61.06	61.06
Female	125	38.94	100

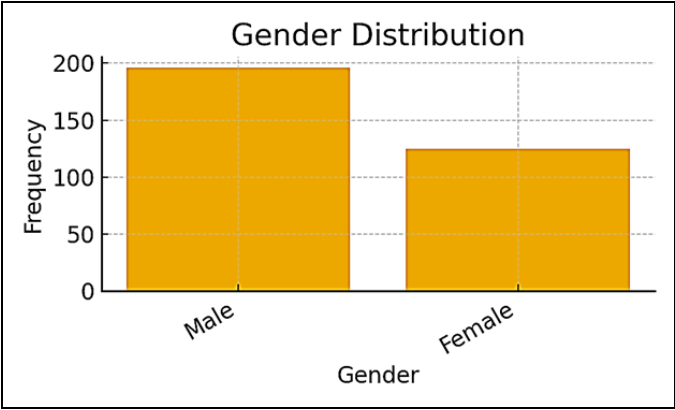


Fig 3: Gender Distribution

Table 2: Education Distribution

Education	Frequency	Percent	Cumulative %
Bachelor	109	33.96	33.96
Secondary	94	29.28	63.24
Diploma	59	18.38	81.62
Postgraduate	45	14.02	95.64
Primary	14	4.36	100

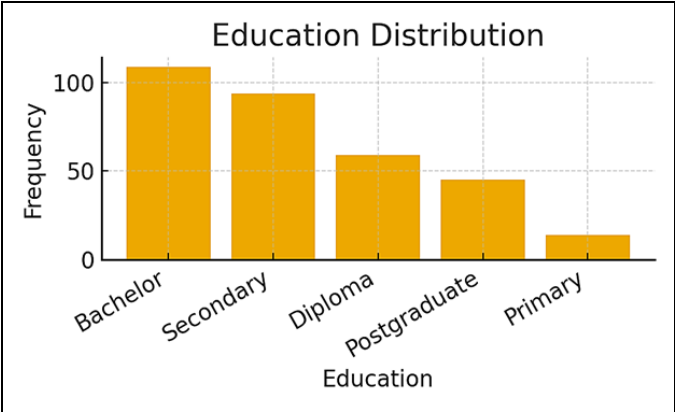
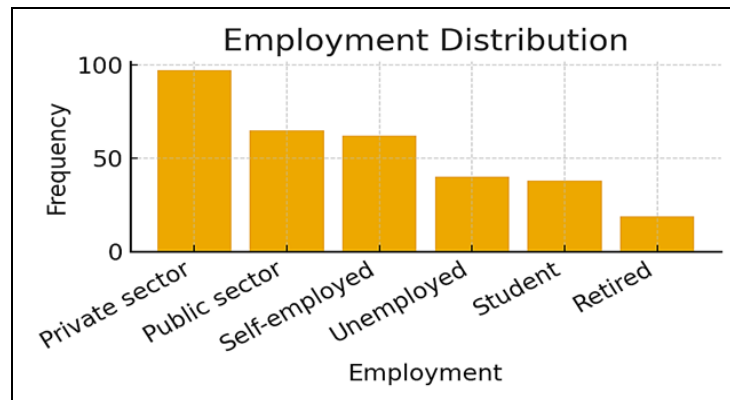


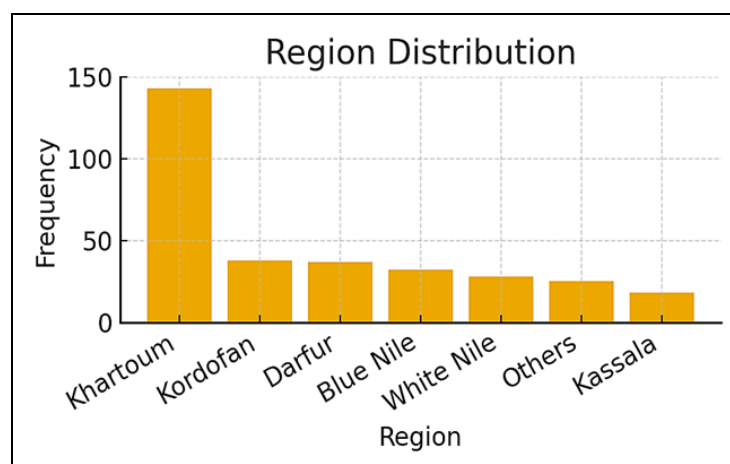
Fig 4: Education Distribution

Table 3: Employment Distribution

Employment	Frequency	Percent	Cumulative %
Private sector	97	30.22	30.22
Public sector	65	20.25	50.47
Self-employed	62	19.31	69.78
Unemployed	40	12.46	82.24
Student	38	11.84	94.08
Retired	19	5.92	100

**Fig 5:** Employment Distribution**Table 4:** Region Distribution

Region	Frequency	Percent	Cumulative %
Khartoum	143	44.55	44.55
Kordofan	38	11.84	56.39
Darfur	37	11.53	67.92
Blue Nile	32	9.97	77.89
White Nile	28	8.72	86.61
Others	25	7.79	94.4
Kassala	18	5.61	100.01

**Fig 6:** Region Distribution**Table 5:** Income Bracket Distribution

Income Bracket	Frequency	Percent	Cumulative %
Low	108	33.64	33.64
Lower-middle	95	29.6	63.24
Middle	73	22.74	85.98
Upper-middle	24	7.48	93.46
High	21	6.54	100

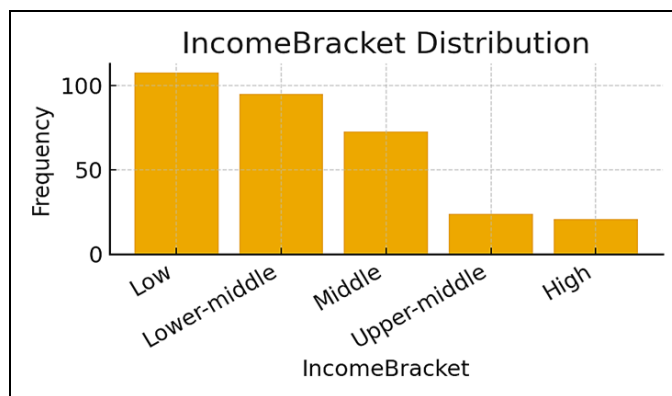


Fig 7: Income Bracket Distribution

Table 6: Age Distribution

Age	Frequency	Percent	Cumulative %
25	71	22.12	22.12
30	57	17.76	39.88
35	46	14.33	54.21
40	40	12.46	66.67
22	32	9.97	76.64
45	25	7.79	84.43
18	19	5.92	90.35
50	18	5.61	95.96
60	13	4.05	100.01

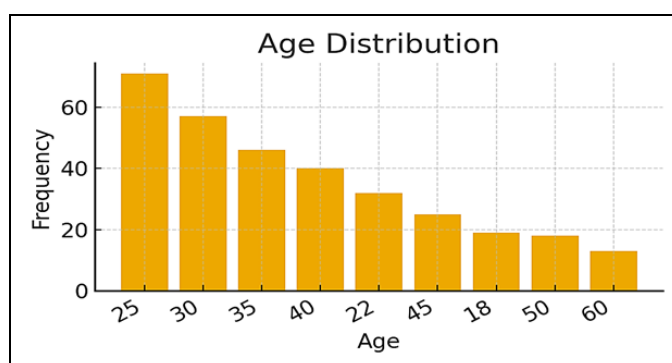


Fig 8: Age Distribution

Apart from demographic analysis as mentioned in above tables and figures from 1 to 6 the analysis of the Likert-scale data revealed a moderate to high positive perception of the insurance industry's contribution to Sudan's economic and social development. Respondents generally agreed that insurance supports economic stability (mean = 3.2–3.4), contributes to capital formation (mean = 3.3–3.5), facilitates job creation (mean = 3.4–3.6), and enhances social welfare (mean = 3.1–3.4). These results indicate growing recognition of insurance as a mechanism for financial security and national development.

Insurance acts as a shock absorber in Sudan's volatile economic environment. By pooling risks and providing compensation after loss events, it allows individuals and businesses to recover faster, thus maintaining economic activity. The capital accumulated through premiums also serves as a vital source of long-term investment for infrastructure, real estate, and industrial development. Although the sector's current penetration rate is low, it has the potential to significantly boost GDP growth once coverage expands across urban and rural populations.

The employment dimension is equally notable. Insurance

firms generate direct employment in underwriting, sales, customer service, and claims management. Indirectly, they stimulate jobs in related sectors such as healthcare, transport, and construction. As the survey suggests, nearly one-fifth of respondents believed that insurance encourages entrepreneurship by reducing uncertainty and enabling business continuity after disruptions.

Discussion: Challenges and Opportunities

This transitory outline proposes that the Sudanese insurance industry has promising opportunities, but at the same time, it has several structural and operational constraints. First and foremost, it is the high level of economic instability expressed in inflation, the depreciation of the national currency, and high levels of fiscal pressure. All these factors significantly reduce the real value of insurance premiums and give insurers low opportunities to invest money profitably. Secondly, there is a low level of public trust in insurance due to insufficient awareness, inefficient work with claims, and a lack of mechanisms for consumers' protection.

Another key issue is regulatory fragmentation. While the Central Bank of Sudan oversees insurance supervision,

enforcement and compliance mechanisms remain inadequate. Strengthening governance, enhancing data transparency, and promoting professional development among insurance practitioners are essential for the sector's maturity. In addition, the lack of skilled professionals in actuarial science, underwriting, and risk analysis hampers the growth of innovative products such as micro-insurance and agricultural coverage.

From a technological perspective, Sudan's insurance companies lag behind in digital transformation. Many still rely on manual processes, limiting efficiency and accessibility. Adopting digital platforms could expand outreach, especially in rural and conflict-affected regions. Takaful, Sudan's Sharia-compliant insurance system, presents unique opportunities for growth by aligning financial products with Islamic values and social solidarity principles. Expanding Takaful coverage could attract a larger customer base and foster social trust in financial institutions.

The Sudanese Economy and the Role of Insurance

Currently, the economy of Sudan is experiencing the most difficult juncture of the political transition, the inflations, and the lack of foreign investments and assistance. The removal of subsidies, the changes in the national currency value, and the global restraining policies, undermine the earning of households and the profitability of businesses. Yet, the insurance sector has the potential to lessen the adverse effects, by promoting savings and allowing protection and driving investments.

Insurers, by investing the premiums pooled, and developing the necessary infrastructures, and expanding the private sector, will enable the construction of the road, the hospitals, and the industries in the Sudan. Under the same macro-conditions, the investments of insurance in developing countries have facilitated the construction of similar infrastructures. For Sudan, this role foster has to be coupled with the stabilization of monetary policies, sound policies of government and private sector partnership, and effective constructive and liberal policies of government and private sector partnership. Finally, agricultural insurance has to be incorporated to safeguard farmers and promote investments.

The development of insurance also aligns with Sudan's vision for financial inclusion. Expanding coverage to low-income groups through affordable micro-insurance can strengthen social protection and reduce poverty. Integrating insurance with digital payment systems and mobile banking platforms would enhance access, transparency, and efficiency. A resilient insurance industry can thus serve as both a financial stabilizer and a catalyst for inclusive growth in Sudan's evolving economy.

Conclusion and Recommendations

This research distinguishes the challenges confronting the Sudanese insurance industry, but believes that it has the potential to add significant value to the economy, create jobs, and foster social cohesion. An inquiry into the perception of insurance as a vehicle for the growth of the economy and the advancement of social stability showed that the potential was acknowledged. To capture this potential, a number of measures have been proposed.

First, increasing public awareness through educational campaigns and community-based programs can enhance trust and participation. Second, regulatory reform is essential to ensure transparency, solvency, and consumer protection. Third, investing in technology and human capital will

improve operational efficiency and foster innovation in product design. Fourth, strengthening Takaful as a socially responsible model can expand inclusion and promote ethical finance. Lastly, macroeconomic stabilization remains fundamental to ensuring a conducive environment for insurance growth.

With adding the part of conclusion it can be said that insurance in Sudan stands at a crossroads. With deliberate policy actions, stakeholder collaboration, and economic stabilization, the sector can evolve from a marginal financial service to a pivotal driver of sustainable economic development and social resilience in Sudan.

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