



THE PERFORMANCE OF FINANCIAL RATIO ANALYSIS
TOWARDS ISLAMIC INSURANCE COMPANIES
PROFITABILITY IN MALAYSIA

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JANUARY 2014

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ACKNOWLEDGEMENT

Bismillahirrahmanirrahim

“In the name of Allah, the Merciful, the Beneficient. Praise be to Allah.”

Alhamdulillah, all praises to Allah SWT, the most Merciful for giving me the opportunity to complete this research paper. All praises to Allah who gave me the idea, knowledge and strength in completing this research.

First and foremost, I would like to show extent my deepest gratitude towards my advisor, PuanZuraidaBinti Mohammad and my second examiner, PuanNoorazlina Ahmad. They give a lot of guidance and enthusiastic effort in the completion of this research. They are always assists by giving the best ideas and correcting mistakes. The series of consultations with PuanZuraidaand PuanNoorazlinahad inspired to make a better research.

Besides that, gratefully acknowledged to the Library Resouces Center of UniversitiTeknologi Mara Dungun and all lecturers in Faculty of Business Administration. Last but not least, I want to wish a lot of thanks to my family and also my friends who have given endless support for me either directly or indirectly in my journey in completing this research paper.

Thank you.

ABSTRACT

Takaful (islamic insurance) is a financial transaction of a mutual cooperation between two parties towards providing a financial security for one of them against an unexpected material risk. Malaysia has pioneered the establishment of commercial takaful companies since 1984 that introduced from Sudan originally in 1979. This paper examines the relationship between the profitability of Islamic insurance company towards financial ratio analysis which is market ratio (Earnings per Share), asset management (Total Asset Turnover) and level of leverage (Debt Ratio) with Islamic insurance company profitability and to determine which of the financial ratio has most significant towards Islamic insurance company. The method used to analyze the data of this study is Random Effect GLS Regression analysis. This study was using panel data approach. All variables is gathered and investigated by using annual financial statement of Islamic insurance companies from year 2008 to 2012. Findings asset management has positive relationship towards the profitability of the company. While, market ratio and level of leverage have negative relationship towards the profitability of the Islamic insurance company. For future study, the researcher decides to enlarge the scope and increasing the years taken for the study duration either in Islamic country.

Key words: Insurance, Takaful, Mudharabah, Profitability