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

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ABSTRACT

Takaful (islamic insurance) is a financial transaction of a mutual cooperation between two parties towards providing afinancial 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 scopeand increasing the years taken for the study duration either in Islamic country.

Key words:Insurance, Takaful, Mudharabah, Profitability