

**Universiti Teknologi MARA**

**Measuring the Performance of Takaful Operators in  
Malaysia using DEA Method**

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## **STUDENT'S DECLARATION**

I certify that this report and the research to which it refers are the product of my own work and that any ideas or quotation from the work of other people, published or otherwise are fully acknowledged in accordance with the standard referring practices of the discipline.



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## ABSTRACT

The birth of the Takaful industry in Malaysia was due to the prevalent demand of the Muslim population for an Islamic alternative to conventional insurance. First launched in 1985, Takaful's presence in Malaysia has seen significant growth after more than three decades and has made an essential contribution to Malaysia's Islamic financial system. As of 2019, there are 15 registered Takaful operators in Malaysia providing general and family Takaful services. It is very important to measure the Takaful operators' performance as it will lead to a good management. The main objective of this research is to measure the overall performances of the Takaful operators as well as to measure their efficiency and rank them based on their performance. This paper analyses the performances of local and foreign Takaful operators in Malaysia which include seven selected local Takaful operators namely AMMetLife Takaful Berhad, Etiqa Family Takaful Berhad, FWD Takaful Berhad, Hong Leong MSIG Takaful Berhad, Prudential BSN Takaful Berhad, Sun Life Malaysia Takaful Berhad and Syarikat Takaful Malaysia while another three selected foreign Takaful operators are AIA PUBLIC Takaful Bhd, Great Eastern Takaful Berhad and Zurich Takaful Malaysia Berhad. The data used in this study are chosen from five subsequent years from 2014 to 2018. In this study, the two-stage Data Envelopment Analysis (DEA) is used to measure the performance of Takaful operators in Malaysia during 2014 to 2018. DEA is a method for measuring the relative efficiency of decision-making units (DMUs) with multiple inputs and outputs. Diagnosis of the deficiencies can be identified via DEA and possible ways can be introduced to improve the performance. The result of this study has stated that none of the Takaful operators exhibit best practices in both stages of the two-stage DEA. Furthermore, it is also stated that all of the Takaful operators are relatively stable in their overall performances. The result shows that the most efficient Takaful operators in Malaysia from 2014 to 2018 are Prudential BSN Takaful Berhad and Etiqa Family Takaful Berhad. In conclusion, the study will determine the performance of Takaful operators in Malaysia and the result of the study will provide the significant information regarding their efficiency.

**Keywords:** Data Envelopment Analysis, Takaful, Two-Stage DEA, Marketing, Investment

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