



**UNIVERSITI TEKNOLOGI MARA**

**MEASURING SUSTAINABILITY PERFORMANCE:  
THE CASE OF INSURANCE AND TAKAFUL  
COMPANIES IN MALAYSIA**

**SAZUL FARRAH NAJWA BINTI ZULKIFLI  
2019527825**

**Bachelor of Business Administration (Hons)  
Investment Management**

**October 2020**

## ABSTRACT

Insurance is a contract where an individual is entitled to receives financial protection against losses from the insurance company. Meanwhile, takaful is a repayment in case of loss which organized according to the Islamic and *shariah* compliant. However, in order to gain the financial protection, there are several obligations and policy that need to be followed such as payment of the premium from the individual. This aim of this research is to examine the performance of insurance and takaful companies in Malaysia with the independent variables which is liquidity of firm, equity return, leverage, size of firm, underwriting risk, gross domestic product (GDP) and inflation rate. Every investor takes seriously towards the return on asset (ROA) as it can show how well a company can manage its business. By looking through the return on asset (ROA) of a company, investor can determine the ability the firm's ability to generate, sustain and increase their profits. According to Diane (2005), higher ROA value indicates a better company performance because of the high return on investment. A study by Abduh (2012), the ROA of takaful industry in Malaysia is low because takaful companies have limited places to invest as they are only allowed to invest with the business in accordance with the shariah instruments. Additional research is necessary to test the relationship between the internal factors (liquidity, equity return, leverage, size of firm and underwriting risk) and external factors (gross domestic product (GDP) and inflation rate) with the performance of insurance and Takaful companies.

## ACKNOWLEDGMENT

Bismillanirahmannirahim. First of all, I would like to take this chance to express my appreciation to my supervisor, Madam Aidarohani Samsudin for her support, suggestion, patience and guidance for me to complete this research.

In addition, I would like to thank my family and friends for their help, encouragement and motivation throughout this research. Not to forget, appreciation for the others lecturer who give guidance and comments along the process in completing this research paper.

Last but not least, my sense of gratitude to one and all who directly or indirectly have lent their help along this research. Alhamdullilah.

## TABLE OF CONTENT

	Page
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>i</b>
<b>AUTHOR'S DECLARATION</b>	<b>ii</b>
<b>ABSTRACT</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT</b>	<b>iv</b>
<b>LIST OF TABLES</b>	<b>v</b>
<b>LIST OF FIGURES</b>	<b>vi</b>
<b>LIST OF SYMBOLS</b>	<b>ix</b>
<b>CHAPTER ONE: INTRODUCTION</b>	
1.1 Introduction	1-2
1.2 Background of Study	3-4
1.3 Problem Statement	4-5
1.4 Research Questions	5-6
1.5 Research Objective	6-7
1.6 Significance of Study	7
1.7 Scope of Study	8
1.8 Limitation of Study	8
1.8.1 Scope of Study	8
1.8.2 Limited Journal	8
1.9 Definition of Key Term	9
1.9.1 Return on Asset	9
1.9.2 Liquidity	9
1.9.3 Equity Return	9
1.9.4 Leverage	9
1.9.5 Size of Firm	9-10
1.9.6 Underwriting Risk	10
1.9.7 Gross Domestic Product (GDP)	10

## LIST OF TABLES

<b>Tables</b>	<b>Title</b>	<b>Page</b>
3.3.1	Data Collection and Sources	19-20
4.2.1	Descriptive Analysis for Takaful (T) and Conventional Insurance (CI) companies in Malaysia	28
4.2.2	Normality Test for Takaful (T) and Conventional Insurance (CI) companies in Malaysia	29-30
4.3.1	Correlation Analysis for Conventional Insurance (CI) companies in Malaysia	31
4.3.2	Correlation Analysis for Takaful (T) companies in Malaysia	32
4.4.1	Multicollinearity for Takaful (T) and Conventional Insurance (CI) companies in Malaysia	33
4.5.1	Regression Analysis for Takaful (T) companies in Malaysia	34
4.5.2	Regression Analysis for Conventional Insurance (CI) in Malaysia	36-37
4.6.1	Summary of table Heteroskedasticity for Takaful (T) companies in Malaysia	39
4.6.2	Summary of table Heteroskedasticity for Conventional Insurance (CI) companies in Malaysia	39-40
4.7.1	Table of Summary	40