



**UNIVERSITI TEKNOLOGI MARA**

**THE DETERMINANTS OF SELECTED TAKAFUL  
COMPANIES' PERFORMANCE IN MALAYSIA**

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## **ABSTRACT**

This paper was conducted to assess the performance of Takaful companies in Malaysia. The study attempts to examine the internal factors which are liquidity, equity return, leverage, size of firm on the performance of Takaful company which refer to return on assets. The data for this research were collected are five from the eleven local Takaful companies. Secondary data that was collected in this research comes from the annual financial report (balance sheet and income statements) of Takaful companies. This research found that there is a positive relationship between liquidity, equity return towards the performance of Takaful companies in Malaysia. It is expected that findings from this study will contribute to the existing literature to both theoretical and managerial approaches to better understand the pattern of performance for the selected local takaful companies in Malaysia.

**Keywords:** Takaful performance, Return on asset, local Takaful companies, Annual report Takaful companies, Panel data.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 INTRODUCTION**

The Islamic insurance, also known as takaful, is a Shariah-compliant mutual risks arrangement based on the concepts of taawun' (mutual protection) and shared responsibility. Then, a takaful agreement is a group of people agree to jointly insure each other against a specific danger or catastrophe affecting one's life, property, or other valuables (Mohd. Ma'sum Billah, 2007) and the members agree to contribute a certain amount as tabarru' (donation) to a pool of funds to fulfill their obligation of mutual aid and joint guarantee if one of them suffers a defined loss. Next, the takaful industry is one of the fastest-growing segments in the world and takaful companies in Malaysia was increased in the total assets of RM29.3 billion in 2017 and grow by 18% in 2019 which was RM34.6 billion (Husin, & Rahman, 2016). The takaful industry is poised to maintain its healthy growth momentum, given the ageing population, low penetration rate, rising medical costs, rising urbanisation, and high demand in the Islamic banking and finance sector.

Then, all the research majorly focuses on the selected takaful companies' performance which are involves 5 out of 15 takaful companies in Malaysia which are Prudential BSN Takaful Berhad, Takaful Ikhlas Family Berhad, Etiqa Family Takaful Berhad, Hong Leong MSIG Takaful Berhad, and FWD Takaful Berhad which will be used as our panel data. Those takaful companies are chosen based on local companies in Malaysia. According to, Malaysian Takaful Association (MTA) stated during the pandemic that the new business contribution for all family takaful certificates increased to RM6.59 billion in 2020 from RM6.16 billion in 2019 and the annual gross contribution of family takaful new business grew 14.8% to RM1.50 billion in 2020 compared with RM1.31 billion in 2019. Then, during this pandemic the takaful performance is stable and keep growing in Malaysia. This chapter will explain an overview about the importance of conducting the research. This chapter also examines the problem involved in this analysis, the objectives of conducting the research, the limitations of the study as well as the definition of the term being used. Then, it will assist Islamic finance policymakers, practitioners, and researchers, particularly in the takaful market.