

CHAPTER V: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This research aims to determine the financial-related factors that can impact the financial health of takaful operators in Malaysia. Thus, the first objective is to compute the claim ratio, RBC percentage in terms of CAR to predict the solvency of takaful operators and the VAIC scores obtained. The claim ratio in family takaful was found to have a higher proportion of claims than general takaful since the death or health status of a participant is much more likely to occur than casualty on property. For RBC, general takaful operators seemed to reach the supervisory target level of 130% required by BNM compared to family takaful operators. Meanwhile, for intellectual capital scores, family takaful operators performed better than general takaful operators, which means they utilized both the financial and knowledge assets wisely. Also, for the result of ROA and ROE, Syarikat Takaful Malaysia was found to have higher return ratios on both assets and stocks for both family and takaful businesses.

The second objective showed that both profitability ratios, ROA and ROE, showed a strong, positive relationship with each other. Meanwhile, all independent variables, CR, VAIC, and RBC, have positive correlations towards the financial performance of both takaful funds. The third objective has proven that both claim ratio and intellectual capital showed positive relationships in the profitability of family takaful operators. In general, risk-based capital showed highly influenced profitability of takaful operators.

In opposite, the claim ratio was found to be negatively insignificant towards the

profitability of general takaful operators. In addition to that, intellectual capital does not influence the profitability of general takaful operators that much.

It is crucial to keep updated with the performance of industries that results in big contributions to the nation's economic growth. As insurance also acts amongst industries that give vital impacts, it is important to assess the financial performance of both conventional and takaful insurance sectors. Furthermore, the practice of Shariah principles, especially in the Malaysian insurance sector, which is one of the Islamic countries, needs to improve. Therefore, it is necessary for existing takaful operators to have efficient management and stable financial performance to perform better than the conventional insurance sector. Several techniques can be used to analyze their performance, and it is preferable to observe the performance of takaful operators from various aspects, especially profitability and management aspects. Overall, the family takaful fund concluded to have better financial performance compared to the general takaful fund.

5.2 Recommendations

Different techniques will provide different assessments of the performance of takaful operators. Therefore, a combination of several techniques can better enhance the performance of takaful operators in the future. For insurance companies, it is good to keep assessing their claim ratio because they will be able to predict whether their business can maintain sufficient capital or not in the future to meet their customers' protection demand. RBC indicator is indeed a mandatory part for all insurance operators to meet in order to avoid any supervisory authorization by BNM. The intellectual capital technique must be incorporated by takaful operators and other industries in assessing their company's performance as the technique cover overall aspects of the company, not only on financial aspects. Overall, it is preferable to observe the performance of takaful operators from various aspects, such as profitability and management aspects. Further research is needed in many more diverse contexts, such as extending the study time to generate more precise results and incorporating additional financial ratios such as liquidity and leverage ratios or taking into consideration of other determinants such as the size of a takaful operator to evaluate takaful operators' operational and financial success in the short and long term.