



Innovative Nature of the Takaful Industry in Malaysia: Are We with The Conventional Insurance Industry?

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Abstract: Takaful has originated as an idea for preserving the care of people from financial damage. It can be employed as a risk management device to alleviate the hazards of regular life and trade activities. Furthermore, it gives significance to society's worldwide economic growth as a tool of assembling funds in the economy. Takaful supports organizations to decrease their monetary burden. Businesses can buy Takaful to claim casualties acquired due to the misfortunes of workers in the workplace. Takaful takes responsibility for the protection and welfare of workers. Takaful has numerous products such as Motor Takaful, Family Takaful, and so on. However, Takaful products' innovation is prolonged, causing the Takaful industry to lag behind the insurance industry, especially in marketing and pricing. Thus, this research aims to explore Shari'ah advisers' views towards the innovation of Takaful products in Malaysia. A mixture of convenient sampling and purposive sampling methods are employed for choosing the Shariah advisers as the interviewees. The data for the research is collected via interviews with 11 Shariah advisers. The findings of this research show that Shariah advisers believed that many potentials need to be explored. One way to discover the potential is through innovation. Among the Takaful industry segments that need to be improved are products, marketing, pricing, customer services, and distribution channels. Moreover, the lack of awareness among customers on Takaful gives rise to many problems. Nevertheless, Shariah advisers contributed many reasonable clarifications to the current condition, suggesting that several Takaful industry areas could be improved to become an innovative industry.

Keywords: *Takaful, innovation, Shariah advisers and Malaysia*

Received: 06 September 2020; **Accepted:** 16 December 2020; **Published:** 26 February 2021

INTRODUCTION

The history of Takaful can be tracked to the Prophet Muhammad (PBUH) (Htay & Salman, 2013; Salman, Ab Rashid, & Htay, 2017). The thought and idea of Takaful started from the concept of Aq̄b̄lah, which has existed since the time of the Prophet (PBUH) through to the present day. The concept of Aq̄b̄lah refers to the practice of Arab tribes in sharing the payment of compensation (fidyah) to the victims family in the case of murder committed by any member of the tribe (Billah, 2003; Salman et al., 2017). This cooperative device, which could be regarded as a method of social coverage, has been selected and sustained by the Prophet (PBUH) and his companions (Hassan, 2011). The second caliph of Islam, Sayyidana Umar (Rz) performed a diwan (board) of Mujahideen (receivers) in A.D 634 whereby a collection was invented for settling coverage for the household members of Muslim soldiers who died in the battle

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(Billah, 2003, 2007; Razalli & Hasnan, 2017; Salman, Rashid, Majdi, & Nu Nu Htay, 2015; Salman et al., 2017). Those activities indicate the Takaful system of shared commitment among the policyholders to consider the recipients of the Takaful scheme.

Takaful is based on the origin of Ta'awun (cooperation) and Tabarru' where the hazard is bestowed collectively by members of a policy (Alhabshi, Sharif, Shaikh Abdul Razak, & Ismail, 2012; Annuar, 2004; Annuar & Bakar, 2010; Arifin, Yazid, & Sulong, 2013; Billah, 2001; Yusof, Ismail, & Naaim, 2011; Faruk, Rahaman, et al., 2015; Kasim, Htay, & Salman, 2016, 2015; Kassar, 2008; Maysami & Williams, 2006; Muliadi & Feriyanto, 2018; Noor, 2009; Noordin, 2013; Salman, Rashid, et al., 2015; Salman, Nu Htay, et al., 2015; Usmani, 2007; Yazid, Arifin, Hussin, & Daud, 2012; Rahman & Redzuan, 2009).

According to Hassan, Kassim, Majdi, and Salman (2018), "Takaful is social and ethical insurance based on the principle of Ta'awun (cooperation) and Tabarru where the risk is shared collectively by members of a policy. The concept of Takaful is providing financial assistance to the participants on a basis for mutual assistance, brotherhood, and solidarity if the participants face misfortune. Takaful is an alternative to conventional insurance, and its primary objective is to protect the participants based on the ethical and moral foundations".

Alike to insurance, Takaful can afford monetary support while remaining free from the forbidden factors incorporated with traditional insurance systems. For this purpose, among others, Takaful is acknowledged as noble insurance (Kasim et al., 2016). It is based on the idea of joint help and assistance, and it encourages solidarity and friendship between the members. Takaful is not a religious product, but a financial product. It is proper for anyone, despite religion (Htay, Hamat, Ismail, & Salman, 2014). Its greatness and important role in the investment industry cannot be neglected. Takaful is more extra value-added than insurance and is a solution proper for anyone asking for financial security from possible anxiety.

The Takaful business honours the participation of its stakeholders, namely the Takaful operators, Shari'ah advisers, and the shareholders. Moreover, the constant guidelines from the regulators direct to continuous improvement in the Takaful industry. Nevertheless, the growth of the Takaful industry is not as strong as it could be. Various investigations required that doubtfulness in the Takaful industry remain. Thus, this research intends to explore Shari'ah advisers' opinion towards providing innovative Takaful products in Malaysia.

LITERATURE REVIEW

The fundamental focus of this literature review is a comprehensive study of Takaful in Malaysia. The info is obtained from the reliable study, and the study conclusions are fresh and appropriate to the topic at hand.

Arifin et al. (2013) developed a structured survey to discover the crucial determinants for family Takaful interest amongst Muslim consumers in Malaysia. The study was conducted on 243 Muslim consumers registered in family Takaful with chosen commencing Takaful firms. The data obtained from the questionnaires showed that religious adherence, reliability, and image were the important determinants that affected Muslim consumers in Malaysia to require Takaful. Stepwise regression analysis was employed to examine the data.

The impressive study was initiated by Hasan, Lings, Neale, and Mortimer (2014) to determine which determinants influenced consumer support in the Malaysian Takaful industry. The research concentrated on three primary determinants: consumer and administration relationship, consumer satisfaction, and consumer support. Shareholders were elected from eight Takaful firms in Malaysia for the example consisted of 100 respondents, and the data were examined utilizing Structural Equation Modelling (SEM). The investigation recognized that consumer and administration relations and consumer satisfaction were the important circumstances that influenced consumer loyalty.

Husin and Ab Rahman (2016) used planned behaviour theory in forecasting consumer purpose to participate in Takaful in Malaysia. They used the theory of planned behavior, and SEM was employed to examine 384 respondents. The outcomes reveal that awareness, knowledge, and exposure led to Takaful participation. Additionally, mass media and word of mouth can influence subjective norms, which can change people's purposes to engage in Islamic insurance.

N. A. A. Aziz, Ghani, and Shaari (2016) identified the causes adding to the ethical behavior of Takaful agents in Malaysia. They talked about branch managers, administrators, and Takaful agents employing semi-structured discussions. They discovered that meeting the businesses' goal is the absolute dominant determinant for the unethical behavior of Takaful agents.

Remli, Muda, and Rosman (n.d.) examined the recommended theoretical framework on family Takaful interest in Malaysia. They developed three hypotheses and observed that macroeconomic determinants and managerial

circumstances are the principal determinants for the demand of family Takaful in Malaysia. The independent variables are disposable income, saving rate, education level, efficiency, profitability, and the size of companies whereas family Takaful is the dependent variable.

Djafri and Noordin (2017) presented some empirical proof concerning workplace religiosity and its influence on employees' organizational commitment to Islamic insurance in Malaysia. The results showed a strong positive association between the dimensions of workplace spirituality and organizational commitment. This can suggest that applying spiritual practices in the workplace might lead to improving and sustaining human well-being, which will ultimately lead to maintain a high level of organizational commitment.

Ahmad and Lukman (2017) examined the impact on the Takaful industry in Malaysia of compensation for the late payment of Takaful benefit claims. The research concludes that despite the positive response from the Takaful industry on the requirement to compensate Takaful participants for late payment of Takaful benefits, some operational and Shariah issues require further deliberation.

Husin and Ab Rahman (2016) examined the factors that influence an individuals intention to participate in the family Takaful scheme based on the Decomposed Theory of Planned Behavior (DTPB). A total of 384 questionnaires was Distributed to the target respondents comprising Muslims in Klang Valley, Malaysia. The data were analyzed using Statistical Package for the Social Sciences and Smart PLS. The DTPB model is effective in predicting an individuals intention to participate in family Takaful schemes. Out of 15 hypotheses, 12 were found to be significant.

Wahab (2018) examined the level and relationship between the perception of the performance of Takaful operators and the customers intention to use medical Takaful cards among public sectors in Kedah, Malaysia. The review found that the level of customers perception of performance towards the customers intention to use the medical Takaful card was high. The findings concluded that a positive moderate relationship was observed between the perception of the performance of Takaful operators and the customers intention to use the medical Takaful card among public officers in Kedah.

Shukor (2018) explored the motives of Malaysian Muslims for participating in family Takaful. The qualitative approach was utilized with four focus groups involving 22 volunteer participants who owned family Takaful policies. The findings show five main motives of participating in a family Takaful policy as preparation for rainy days, for a child education plan, to meet rising medical costs, to meet debt payment, and for investment or saving purposes.

METHODOLOGY

The objective of this research is to examine the perception of Shariah advisers towards providing innovative Takaful products in Malaysia. Malaysia has positioned itself as a hub of Islamic finance. To support this, clear and in-depth research findings from different aspects ensure that Malaysian Takaful products become models globally. To achieve this objective, interviews have been conducted with Shari'ah advisers in Malaysia while the secondary data from the reading materials are used to know the prior studies and provide the relevant theoretical framework. This research uses in-depth and semi-structured interview techniques to collect data from the respondents. This is considered necessary to obtain in-depth views concerning the questions from the respondents. A combination of convenient sampling and purposive or judgemental sampling method is used for selecting Shariah finance experts. According to Tongco (2007), the purposive sampling technique is most effective to study a certain cultural domain with experts and is a non-random technique which does not require the underlying theories or a set number of informants. It allows the experts to discuss, in-depth, during the interviews and the researcher to select the respondents who are fit for the research. The analysis of the collected data is done based on thematic analysis. Approaches, such as coding and themes are used to organize the content of the collected data systematically. This is important to ensure the confidentiality of the collected data. The respondents are coded as SA1 which stands for Shariah adviser one. There are 11 respondents. Thus, the code begins with SA1 until SA11.

FINDINGS

As found from the pattern of the answers given by the respondents, there are three main themes. These three main themes are: (i) general perception and current status of the Takaful industry in Malaysia; (ii) innovation nature of the Takaful industry; (iii) issues and challenges of the Takaful industry in Malaysia.

Table 1 GENERAL PERCEPTION AND CURRENT STATUS OF THE TAKAFUL INDUSTRY IN MALAYSIA

Summary Answers	Respondents										
	SA1	SA2	SA3	SA4	SA5	SA6	SA7	SA8	SA9	SA10	SA11
The development of the Takaful industry is progressing.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customers rely on Agents.					✓				✓		
General Takaful and conventional insurance are the same.		✓	✓								
There is a need to split Family and General Takaful.				✓							

General Perception and Current Status of the Takaful Industry in Malaysia

Concerning the general perception and current status of the Takaful industry in Malaysia, all of the respondents agreed that the development of the Takaful industry is progressing. The summary of their answers is provided in Table 1. This same indication can be found in earlier research, such as [N. A. A. Aziz et al. \(2016\)](#) and [Nor, Zakhiri, Mohamad, and Yaacob \(2016\)](#).

Based on previous research, the experience and knowledge of the agents can increase the customers certainty and minimize the feeling of vulnerability towards the agents and products ([Guenzi & Georges, 2010](#); [Ishak et al., 2017](#); [Yu & Tseng, 2016](#)). Concerning the customers preferences of the agents, the system of agents needs to be managed properly to maximize the benefits for the involved parties ([Annuar, 2004](#)). The agents must also maintain their ethical behavior and professionalism and not focus solely on achieving the sales target [N. A. A. Aziz et al. \(2016\)](#). Two of the respondents (18%) considered the importance of having agents as a distribution channel for Takaful. They said:

SA5: As for the distribution channel, agent development must also be taken into consideration. Because most of the Takaful Operators (TOs) are subsidiary to their parent company who provides insurance products. Thus, their agents are promoting both products in the market. They need to be educated or trained on the features and importance of Takaful.

SA9: The customers rely heavily on the suggestion of the agent, without going to the Takaful operator.

There is still a tendency among the customers to treat general Takaful and conventional insurance as the same. Based on the opinions of SA2, this occurs because Takaful products are treated similarly to conventional insurance. Moreover, conventional insurance practices tend to be closely mimicked by the Takaful industry. They said:

SA2: The Takaful tends to be treated similarly with conventional insurance. It is necessary to go back and uphold the true philosophy of Takaful.

SA3: There have been some innovations, but it is not enough and still behind the insurance in terms of product. One of the examples, it is being first introduced by the insurance than being mimicked by Takaful.

According to Sections 16 (1) and 286 of the Islamic Financial Services Act 2013 or ([The Islamic Financial Services Board \(IFSB\), 2013](#)), Takaful operators are encouraged to undergo structural re-organization. Through the sections, the operations of family and general Takaful must be done under separate licenses ([The Islamic Financial Services Board \(IFSB\), 2013](#)). Such a step is important for providing Takaful operators with a focus and boost the growth in earnings. Two of the respondents (18%) believed that it is necessary to split between the Family and General Takaful into a separate business. This is considered necessary to develop Family and General Takaful. They said:

SA4: Takaful industrys performance is quite good. This is by comparing to the number of Takaful Operators and the years of Takaful operation in Malaysia. However, it still needs some improvements. The improvement is from the sense of competitiveness. Concentration should be given to one specific business.

SA6: ...the infrastructure provided by Bank Negara Malaysia (BNM) is managed to support the position of the industry in the current financial system. With the new requirement provided by ([The Islamic Financial Services Board \(IFSB\), 2013](#)) about the separation of Family and General Takaful, the Takaful industry is in the stage of adjusting their position with the requirement.

Since the introduction of Takaful in 1984, this alternative to conventional insurance has developed consistently through the years in Malaysia. Takaful has grown and continued to grow as a popular product in the Islamic financial

services industry. With the implementation of the Islamic Financial Services Act 2013 ([The Islamic Financial Services Board \(IFSB\), 2013](#)) and its counterpart ([Bank Negara Malaysia, 2013](#)), it brought about the co-existence of both Takaful and conventional insurance in Malaysia. Based on the concept of Taawun or mutual assistance, Takaful offers to their customers' interest-free coverage and encourages mutual help and cooperation among the Takaful participants in generating a common fund.

Innovative Nature of the Takaful Industry

Takaful itself is innovative in comparison to its counterpart, insurance. With an emphasis on the social welfare and cooperative form of insurance, Takaful stands as a viable alternative to conventional insurance ([Masud, 2010](#)). The innovative nature of the Takaful industry manifests in its customer-centric, innovative solutions, multi-distribution channel strategy, and technological leadership. However, this list is not exhaustive. This is due to the high potential of the Takaful industry to grow further.

Table 2 *INNOVATIVE NATURE OF THE TAKAFUL INDUSTRY*

Summary Answers	Respondents										
	SA1	SA2	SA3	SA4	SA5	SA6	SA7	SA8	SA9	SA10	SA11
Innovation is compulsory	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Innovation through social media				✓							✓
Improvement of existing products	✓	✓	✓	✓	✓	✓		✓		✓	
Cooperation and Tabarru		✓	✓								
Learn from conventional insurance, e.g., motorcycles insurance	✓									✓	
The needs of society	✓	✓		✓	✓						✓
Shariah Parameters	✓	✓	✓	✓	✓	✓	✓			✓	✓
Lack of innovativeness:	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
• Product	✓	✓	✓	✓	✓						✓
• Marketing	✓	✓	✓	✓	✓						✓
• Pricing	✓	✓	✓	✓	✓						✓
• Customer services	✓	✓	✓	✓	✓						✓
• Distribution channels	✓	✓	✓	✓	✓			✓			✓

The collected data reveals that all of the respondents agreed that innovation is a requirement for the continued growth of the Takaful industry in Malaysia. Based on Table 2, two of the respondents (18%) believed that innovation in the Takaful industry can be achieved through social media, especially from the aspects of marketing, promotion, and advertising. They said:

SA4: Innovative can be viewed from several perspectives such as (i) marketing, where we can use social media; (ii) the use of technology; (iii) products, where we need to have a variety of products; (iv) contracts, such as Mudarabah and Murabahah; (v) resources, such as human resource.

SA11: Innovation is frequently related to online services and the use of technology.

Based on the recent [MILLIMAN \(2017\)](#), innovative products are essential for the Takaful industry in Malaysia. Based on the collected responses, eight out of 11 respondents (72%) believed that it is necessary to improve the existing products. They also considered such to be innovation in the Takaful industry. They said:

SA1: "To explore and offer new products that are better than the insurance industry. At least, the Takaful industry must be able to offer essential products to the communities that have already been offered by the insurance industry.

SA2: Innovative in the context of Takaful means improvised management, innovative products; products must fill

the needs of society and serving the Ummah, proper risk management, uphold the main philosophy of Takaful in the modern market, and prevention of money laundering by Takaful Operator.

The core concept of cooperation and tabarru (donation) remains unchanged in Takaful operations (A. A. Aziz, 2017; Muhamat, Jaafar, & Alwi, 2017). This concept is important to ensure the Shariah-compliance of Takaful operations (A. A. Aziz, 2017). Three of the respondents (27%) believed that it is necessary to emphasize cooperation and tabarru which are the main philosophy of Takaful as derived from the Shariah.

SA2: ...uphold the main philosophy of Takaful in modern market The religious basis of Takaful must not be ignored...

Heralding more innovation than conventional insurance is a valuable aspect of the Takaful industry (Othman, 2017). According to Othman (2017), there is a positive trend in the Takaful industry with the participation of long-established conventional insurance conglomerates. With the strong regulations provided in (The Islamic Financial Services Board (IFSB), 2013), the Shariah-compliance of Takaful maintains undisturbed (A. A. Aziz, 2017). Two of the respondents (18%) said that the Takaful industry can learn from conventional insurance in practicing innovation, such as by having motorcycle insurance based on Takaful. They said:

SA1: ...Takaful industry must be able to offer essential products to the community that has already been offered by the insurance industry

SA10: There are a lot of products that are offered by the insurance, but not by the Takaful operators. For example, all Takaful companies do not cover certain types of vehicle such as LC for motorcycles. There is also no product for certain old vehicles.

According to Salman et al. (2017), the needs of the customers and society are better met through a customer-centric approach or customer engagement. Through customer engagement, their needs can be satisfied and fulfilled while increasing repurchase intentions (Roushdy & Ali, 2017). Five of the respondents (45%) agreed that it is essential for the Takaful industry to consider the needs of the society and customers. They said:

SA2: Innovative in the context of Takaful means improvised management, innovative products; products must fill the needs of society and serving the Ummah...

Nine out of 11 respondents (81%) said that it is necessary to have Shariah parameters to guide innovation. Some of them believe that such Shariah parameters could serve as a guideline in the Takaful industry. The respondents said:

SA5: "When innovating and fulfilling the needs of the community, Shariah-compliant must be the parameter". In other words, Innovations must be compliant with Shariah.

Shariah remains the primary framework structuring the industry and should be given preference over the legal and regulatory framework. We are not supposed to balance but we are supposed to adhere to the Shariah framework because balancing may subject Shariah to manipulation and unacceptable concessions.

All of the respondents (100%) agreed that there is a lack of Shariah-based innovativeness in the Takaful industry. This indicates that there is a lot of potentials to improve the industry. Six of the respondents (54%) agreed that six main segments could be improved, which includes products, marketing, pricing, and customer services. They said:

SA3: All of these should be improved. Each of them is important. The product should be more inclusive or linked to funding that yet to be tapped such as zakat, sadakah.

Some of the respondents believed that it is necessary to consider improvements in certain parts of the industry, such as marketing and products. According to Djafri and Noordin (2017), marketing systems for the sale of products in the insurance and Takaful industries in Malaysia have improved significantly. The use of an agency system as a marketing channel positively maintains the insurance and Takaful industry as a people-oriented business. Adversely, the sales of Takaful policy naturally depend on the proactive efforts of their agents Djafri and Noordin (2017).

Closely related to marketing (Haque, Shafiq, & Maulan, 2017), distribution channels are important in reaching the customers of the Takaful industry. Agents are still the prime distribution channel in both the Takaful and insurance industries (Djafri & Noordin, 2017; Ishak et al., 2017). They also have important roles in increasing knowledge about Takaful (Hariyadi & Triyanto, 2017). Seven respondents (63%) emphasized the distribution channels, especially the agents.

SA5: As for the distribution channel, agent development must also be taken into consideration... because most of the TOs are subsidiary to their parent company who provides insurance products. Thus, their agents are promoting both products in the market. They need to be educated or trained on the features and importance of Takaful.

The respondents agreed that Malaysia's Takaful industry has a lot of potentials. One of the ways to discover such potential is through innovation in products, marketing, pricing, customer services, and distribution channels, among others. The regulatory regime in Malaysia could also be improved, e.g., taxation, Shariah governance, and government incentives. Such consideration must be given to enhance the development of the Takaful industry.

Issues and Challenges of the Takaful Industry in Malaysia

There are three main categories derived from the issues and challenges. They are (i) legal or regulatory issues, (ii) operational issues, and (iii) customer issues. From the perspectives of Shariah advisers, customer issues are essential. Under the customer issues, they considered a lack of awareness of the most pressing need (82%). 27% of the Shariah Advisers considered innovation geared towards customers to be minimal. This is consistent with the data collected from the customers concerning innovation in Takaful and insurance products. Regarding legal or regulatory issues, the Shariah Advisers are concerned about underwriting (18%), regulatory framework (45%), and the implementation of new regulations (27%). Under operational issues, the Shariah Advisers are concerned about insufficient resources (18%), lack of talent (36%), competition (45%), lack of motivation (9%), benchmarking against industry (18%), and transparency and disclosure (9%).

When the respondents were asked about the issues and challenges in the Malaysian Takaful industry, nine expressed concerns that there is a low level of awareness concerning Takaful. For [Salman et al. \(2017\)](#), the awareness of customers towards certain products is related positively to their acceptance of the products. Therefore, the acceptance of Takaful products could be increased through improved customer awareness. Based on the collected responses, such awareness of Takaful is attributed to the public knowledge, the stakeholders of the Takaful industry, and their agents (Table 3).

Table 3 ISSUES AND CHALLENGES OF TAKAFUL IN MALAYSIA

Summary Answers	Respondents										
	SA1	SA2	SA3	SA4	SA5	SA6	SA7	SA8	SA9	SA10	SA11
Lack of Awareness (Takaful)		✓	✓		✓	✓	✓	✓	✓	✓	✓
The legal issue for underwriting					✓	✓					
Regulatory framework	✓		✓		✓	✓			✓		
Insufficient resources				✓		✓					
Lack of talents in the Takaful industry			✓	✓		✓			✓		
Competition	✓		✓	✓	✓	✓					
Implementation of new regulation		✓	✓	✓		✓					
Lack of motivation							✓				
Benchmarking against the insurance industry	✓				✓						
Transparency and disclosure issue for the Shariah advisers								✓			

Underwriting is the process that takes place when the Takaful operators consider and decide whether to accept the participation of cover made by a Takaful participant and the agreed terms ([A. A. Aziz, 2017](#)). It involves the examination of risks and charges of premiums. Two of the respondents (18%) highlighted that there are legal issues in underwriting. They said:

SA5: ...the requirements concerning underwriting and insurable interest are same for both Takaful and insurance industry.

SA6: ...most of the companies are strict in underwriting the product and the selection of the risk. Since it affects the pricing, they should be more flexible in this matter.

Malaysia has a robust regulatory framework for developing the Takaful industry ([MILLIMAN, 2017](#)). However,

strict legal requirements such as a high capital requirement for Takaful operators remain a challenge (MILLIMAN, 2017). Five of the respondents (45%) said that Malaysia has a supportive regulatory framework for the Takaful industry, yet the applicability of certain laws needs to be revised when concerning the Takaful industry, such as the implementation of goods and services tax or GST.

SA1: In terms of regulatory, it is at par with the regulatory framework for the insurance industry. Even though it is seeming fair, it might not be fair for the Takaful industry from the perspective of the practitioners because the Takaful industry is relatively small as compared to the insurance industry.

SA4: "Yes. We have supportive regulations. In terms of knowledge, Shari'ah committees need to have further training. The public needs to be educated. The operation of Takaful must not be about profit per se but it must be social-oriented also. Government and BNM need to look again at the taxation for the Takaful industry. Example: certain products are subjected to GST. The nature of Takaful must be considered since Takaful is based on donations. How can GST be imposed on donations? This needs to be changed".

The Global Takaful Report (2017) indicates that lack of resources, especially skilled human resources, remains a challenge for the Takaful industry in Malaysia. Four of the respondents (36%) are concerned that there is a lack of talent in the Takaful industry, which is a challenge. Two of the respondents (18%) believed that there are insufficient resources in the Takaful industry. They said:

SA6: ... Not sufficient because innovation requires innovators and the Takaful industry do not have enough professionals....

Closely related to the management of Takaful operators, talent is highly needed for cultivating an innovative culture. The respondents shared that:

SA4: We still do not have enough talent or expert in Takaful.

Healthy competition is important for the growth of the Takaful industry (Othman, 2017). Five of the respondents (45%) believed that the Takaful industry in Malaysia has healthy competition. Competition should be seen as a positive force to push the industry forward.

Three of the respondents (27%) viewed that the Takaful industry is lacking in innovations. They said:

S2: ...there are still a lot of things that needed to be done because the Takaful industry is still in the replication stage. The takaful industry is facing an obstacle to be innovative because the industry is operating within the conventional insurance environment.

Most of the Islamic financial products including Takaful are still in the stage of replication and bear a similar risk with conventional products. Takaful operators must also look into the needs of the people, especially those of Muslims. Takaful differs from insurance even though it has a similar element of coverage.

Four of the respondents (36%) viewed that certain new regulations need to be properly considered concerning its application in the Takaful industry. Such concerns arise from a desire to have a holistic legal framework governing the Takaful industry. They said:

SA2: The Takaful industry also needs to be careful with money laundering activities. There is a new trend by the money launders to use Takaful in cleaning their dirty money. This can be prevented by tightly following the anti-money laundering laws in Malaysia.

SA3: Single license requirement requires more funds to separate. But the regulator wants them to more focus on a product".

While learning from the conventional insurance industry, the Takaful industry must have unique benchmarks, and the industry should move away from using benchmarks from the insurance industry. Two of the respondents (18%) said:

SA1: The main challenge is when everything is benchmarked against the insurance industry. Even though Takaful has a very good selling point which is the principle of cooperation, it is not being marketed well in the market. The general public is still seeing Takaful as another form of insurance.

SA5: To be innovative, the Takaful industry must not only look at the insurance industry as a benchmark, but they must also look into the needs of the people, especially the Muslims needs. Takaful has distinctive differences from the insurance even though it has the same element of coverage".

With transparency and disclosure, the Shariah advisers believe it is necessary to provide full transparency and disclosure (A. A. Aziz, 2017). This is essential for them to provide informed advice to the Takaful operator. The respondent said:

SA7: On the issue of Shariah advisers, the question is whether the TOs are tabling all the material information to the Shariah advisers or not, which is not the current practice in some TOs. Sometimes, there is no full disclosure to the Shariah advisers.

To be innovative, the Takaful industry must not only be looking at the insurance industry as a benchmark, but there must also be product differentiation that provides them with an edge over conventional products. Moreover, the Takaful industry should lead to innovation in the industry. The current trend is that the Takaful industry waits for innovation from the insurance industry, which they would then try to replicate. Takaful operators must also consider the needs of the people, especially those of its Muslim client base. Furthermore, government support would assist in inculcating a culture of innovation among industry players. The success of any industry depends on the governing rules and regulations. The government plays a significant role in influencing the management and community. Creating or offering certain recognition, benefits, or incentives for the Takaful operators could also support innovation.

It is necessary to increase the knowledge of the industry players and consumers for healthy competition. Besides due to competition with the insurance industry, the awareness about the importance of coverage is lacking in the community in Malaysia. Many people are not covered by either Takaful or insurance. This segment could form a focus for the Takaful industry for market penetration.

CONCLUSION

The Shariah advisers believe that there is a lot of potentials that need to be explored to support the growth of the Takaful industry in Malaysia. One way to discover the potential is through innovation, particularly in products, marketing, pricing, customer services, and distribution channels. The lack of awareness of Takaful is among the leading challenges for the industry. BNM needs to improve awareness by promoting Takaful. If the promotion measures are taken to the next level, public knowledge and awareness of Takaful would grow. Furthermore, part of the regulatory regime in Malaysia regarding Takaful such as taxation, corporate and Shari'ah governance, and other government incentives should be revised. Such consideration must be given to facilitate and enhance the progress of the Takaful industry. Additionally, the Takaful practitioners, including Shariah advisers, must not confine their knowledge to Shariah related aspects but also ensure a good knowledge of operational aspects such as underwriting, and process and product development. On the other hand, the Takaful practitioners shall not compromise their Shariah knowledge. The operational gap between Shariah advisers and Takaful operators should be minimized. The Takaful industry has been operating on the push basis through promotion by agents. To be more innovative, the Takaful industry needs to be on a need basis. This means that Takaful can react to the current needs of their potential customers. Since agents and front office employees deal with the customer directly, they need to be trained not only on how to market the products successfully but also to persuade potential clients as to their ethicality. The factor with the most impact on the image of the company is the interaction that takes place between employees and customers. Marketing strategies used in the Takaful industry should aim to win the confidence and trust of customers by offering products that meet their specific needs and promote ethical codes of conduct that characterize Takaful products such as reliability and transparency, and no unfair or unjust activities. It is crucial for management to carefully choose a strategy that utilizes all these elements.

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