

Asset Growth on Sharia Insurance

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Abstract:

Examining the Premium Income Rate on Asset Growth in a Sharia Insurance Company registered with the Indonesian Financial Services Authority. The type of research used in this study is Comparative Causal, while the sample used in this study are 20 sharia insurance companies with the criteria of sharia insurance companies that are actively operating for the last three years. The results of this study indicate that the level of premium income positively and significantly affect the growth of asset Asuransi Syariah. This study is concerned with the level of premium income that affects the growth of Sharia Insurance assets in Indonesia.

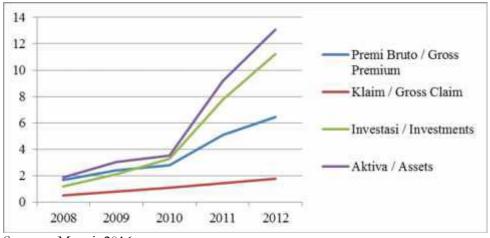
Keywords:

takaful; premium income rate; asset growth

I. Introduction

Indonesia is a country with a large population and with a growing rate of income is a positive environment for the life and non-life insurance market (Karim, 2017). In addition, the large population and the acceleration of high market expansion of middle-class society become more value for Indonesia to become insurance industry pioneer. Indonesia is one of the countries in Asia that has the highest growth in developing the Takaful industry. Takaful (Islamic Insurance) indicates to be alternative way for society in the competition among conventional insurance industry in the middle of competition in a cross-insurance industry conventionally (Murni, 2016). Takaful insurance in Asia The large market share in Indonesia currently provides an opportunity for an industry to grow, including the insurance industry (Ainul, 2016).

Based on research conducted by Murni (2016), it shows that there is a rapid increase of Insurance sharia premium and assets, which can be seen on the graph as follows:



Source: Murni, 2016

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The study was continued by Mutmainah (2016) which showed that the Takaful premium rate increased to 42% in 2013. However, with a population of more than 300 million people the market of sharia insurance in Indonesia is only 3% of the total insurance policy (2017) though experiencing an increase as has been reviewed by Murni (2016). The growth of Sharia Insurance premium will certainly increase the assets owned by Asuransi Syariah in Indonesia. Increased asset growth is expected to reach the insurance market in Indonesia which is still not covered by the insurance of Sharia Indonesia.

This paper is more specific than previous research and contributes to the literature on how premium income rates have a significant impact on asset growth on sharia insurance. First, this study concentrates on premium income rate. Previous studies such as Ismail (2013), Malik (2011) directly focus on the performance of the insurance business and its determinants such as size of companies; leverage ratio, loss ratio and volume of capital assets. Second, this study provides simple linear regression analysis that is easy to practice, understand and conventional. The research conducted by Malik (2011) found that in Pakistan the volume of capital has a positive and significant effect on the profitability of sharia insurance companies. Based on Ainun et al (2017) research on sharia life insurance companies in Indonesia, there is no significant relationship between premium and asset growth, but claims show significant result to asset growth.

The study was conducted to support the development of sharia insurance in Indonesia, DSN in 2001 issued a fatwa No.21 / DSN-MUI / X / 2001 on General Guidelines of Sharia Insurance, which became the reference in the implementation of Takaful activities in Indonesia. In terms of quantity, the number of Islamic insurance companies spelled out a lot, but seen from the comparison with conventional insurance (market share), classified as low. In 2006, the ratio of sharia insurance assets was only 0.87% of conventional insurance for life insurance (Ainul, et al, 2017). As for insurance losses and reinsurance only 1.41%. This number is clearly not proportional to the number of Muslims who are majority in Indonesia.

II. Review of Literature

2.1 Overview of Takaful Sharia Perspective

For Muslims, conventional insurance is not consistent with their religion of Islam. Firstly, the contract between the insurer (e.g. insurance company) and the insured contains some degree of avoidable uncertainty (gharar), Secondly, the insurance contract per se is riba since the investment made by the insurance companies involves the element of riba. Thirdly, the excessive element of gharar can lead to the issue of maysir or gambling (Rahim and Amin, 2013). Takaful is an Islamic insurance system based on Islamic rules (Wahab, 2006), Takaful is derived from takafala which means literally translates to "looking after one another" (Rahim and Amin, 2011). Takaful is a financial transaction based on the principles of co-operation, mudarabah, and tabarru whereby the takaful operator and participants or the beneficiaries share profits made on the contribution accordingly (Billah in Rahim, 2011). Islamic insurance is an innovative modern approach to dealing with demand for an instrument that can reduce one's exposure to certain types of risk (Masud, 2011) Takaful is a system of Islamic insurance based on the principle of mutual cooperation (ta'awun) and donation (tabarru'), where the risk is shared collectively and voluntarily by the group of participants (Redzuan, Rahman, Aidid, 2009). Sharia insurance which is based on helping each other for good things and taqwa, requires all the participants in a big family to protect each other and bear the economic risk among them (Muthmainah, 2016). Both takaful and insurance have a common primary objective of reducing the burden of financial loss to individuals or firms (Ismail, 2013).

Relationship Rate of Income Premium to asset growth

Revenue is all income received by the bank, both income received in cash and non-cash income (Ismail, 2010). Financial Accounting Standarts Bord Statements of Financial Accounting Concept Nomor 6 (Par. 15) stated that Revenue at inflows of other additions to the assets of an entity or settlement of its obligations or a combination of both derived from the delivery or production of goods, the provision of services or other activities constituting the core operations. In Takaful premium insurance is called contribution (Ali, 2014). Contributions are the amount of funds paid by participants as a sign of membership, in conventional insurance known as premium (Taghizadeh and Nilli, 2011). Increase in Premium Income is Increase of Premium Income compared to current period with period of previous year (Fitriah and Hanudin, 2011).

Asset growth is a change (increase or decrease) in total assets owned by the company (Badhuri, 2002). Asset growth is calculated as the percentage change in total assets in a given year against the previous year (Karim, 2017). With the increasing number of Sharia insurance in Indonesia, the total assets of the sharia insurance industry also increases. Recorded total assets of Sharia insurance Indonesia at the end of 2015 amounted to 26.5 trillion and assets as of July 2016 amounted to 31.7 trillion (Karim, 2017).

Insurance growth indicator could be seen from the increment of total asset and the development of gross premium contribution of the insurance industry (Muthmainah, 2016). The increasing growth in premium income will improve financial performance (Muthmainah, 2016) Based on the background and theory, the hypothesis of this study is as follows: H1: the level of premium income has a positive and significant impact on asset growth

III. Research Method

The data of this research are 20 companies of Sharia Insurance registered in Indonesia Financial Services Authority in 2012 - 2016, which consists of general insurance, life, Reinsurance Company with sharia principles as of December 31, 2015. The research sample is chosen based on criteria: 1) Insurance Company has been sharia actively operating in 2014 - 2016, 2) A sharia insurance company that publishes consistent and complete annual financial statements from 2014 to 2016.

The data in the table below is the result of the recapitulation of the calculation of the level of premium income and asset growth processed from the Indonesian Financial Services Authority.

Table 1. Calculation of Premium Rate and Asset Growth

Company	Year	*TPP %	*PA %
PT Asuransi	2014	34	25
Jasa Indonesia	2015	12	5
	2016	12	6
PT Maskapai	2014	26	16
Reasuransi Indonesia	2015	16	15
	2016	19	27
PT Prudential	2014	44	34
Life Assurance	2015	13	40

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	2016	4	12
PT asuransi	2014	45	24
Adira Dinamika	2015	16	22
	2016	41	44
	2014	2	10
Asuransi Bintang	2015	34	12
C	2016	15	6
	2014	44	19
Asuransi Ramayana	2015	21	3
,	2016	15	1
PT Asuransi Jiwa	2014	14	18
Manulife Indonesia	2015	3	3
	2016	11	4
PT Asuransi	2014	18	10
Sinar Mas	2015	21	35
	2016	30	17
PT Asuransi Umum	2014	6	3
Bumiputera Muda 1967	2015	0	1
-	2016	6	13
PT Asuransi	2014	12	23
Astra Buana	2015	1	16
	2016	4	6
PT AJS Amanahjiwa	2014	29	3
Giri Artha	2015	6	0
	2016	14	24
PT Tugu Pratama	2014	12	5
Indonesia	2015	5	6
	2016	13	15
PT Jaya Proteksi	2014	33	6
Takaful	2015	22	25
	2016	2	3
PT Pan Pacific	2014	4	28
Insurance	2015	56	33
	2016	83	16
PT Asuransi Jiwa syariah	2014	25	37
Al- Amin	2015	69	29
	2016	7	3
PT Asuransi Bangun	2014	17	28
Askrida	2015	44	15
	2016	8	38
PT AIA Financial	2014	44	93
	2015	6	53
	2016	1	36

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PT BNI	2014	13	10
Life Insurance	2015	92	23
	2016	43	32
Asuransi	2014	16	1
Central Asia	2015	10	4
	2016	0	6
PT Asuransi	2014	2	24
Allianz Life Indonesia	2015	2	3
	2016	3	10

Source: Data processed by author, 2018

This study is an experimental study that analyzes the impact of increasing premium income on asset growth of sharia insurance companies in Indonesia, using regression analysis.

IV. Discussion

The result of hypothesis testing shows that the coefficient of determination is 11.2, where the influence of premium income to asset growth is only 11.2%, while the value of significance equal to 0.009 with t-count value of 2.707, with the result hence the hypothesis stating that premium income influence positive and significant to asset growth is acceptable.

Table 2. Coeffients a

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Madal		Unstandardized Coefficients		.	c:
Model	В	Std. Error	Beta	ι	Sig.
(Constant)	12,491	2,841		4,397	0
Premium	0,27	0,1	0,335	2,707	0,009
a. Dependent Varial	ole: Asset grow	th			

Source: Primary data processed, 2018

Based on the results of research, the increasing premium income will significantly increase the asset growth of sharia insurance companies in Indonesia. This is in line with the fact that the growth of sharia insurance in Indonesia has increased, although not yet able to compete with conventional insurance.

V. Conclusion

Sharia insurance should focus more on how to increase premium income through affordable insurance products for lower middle class people, so reaching larger markets will increase premium income and impact on asset improvements. From the results of this study it is advisable for further researchers to add other variables that affect the growth of assets not listed in this study, such as capital, solvency, and operating expenses. And using the approach with different test analysis, where independent variables in the test year tested with the dependent variable in the year to come.

^{*} TPP: Premium Income Rate (%), PA: Asset Growth (%)

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However, this study has several limitations, the first is the variable used to predict the asset growth is only the premium rate variable, which would require further study on other variables that increase asset growth in Indonesian Sharia Insurance. Secondly, the time span in the study is only three years, which has not been able to fully describe the correlation of premium rate to asset growth, given that macro and micro economic factors affect the ability of the community to pay the premium.

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