Economica: Jurnal Ekomomi Islam
Vol 14, No 1 (2023): 25–45
DOI: 10.21580/economica.2023.14.1.12617

economica
Jurnal Ekonomi Islam

# The Resilience of Sharia Insurance in MENA During the COVID-19 Pandemic: An Analysis of Financial Performance

**Titis Miranti[1]*, Kurniawati Meylianingrum[1]**
[1] Universitas Islam Negeri Maulana Malik Ibrahim Malang, Malang/Indonesia

## Abstract
The COVID-19 pandemic affects financial institutions worldwide, including Islamic financial institutions such as sharia insurance. This research focuses on sharia insurance in the Middle East and North Africa (MENA) that provide governance mechanisms and audit quality. The value of sharia insurance income in the MENA did not show a certain trend during the study period, although there were some extreme values during this COVID-19 pandemic. This study aims to examine the effect of the COVID-19 pandemic on sharia insurance earned in MENA. The quarterly data from 2010 to 2020 is used with panel regression as an analytical tool. As a result, the COVID-19 pandemic had no significant effect on sharia insurance earned in MENA. On the other hand, net income, long-term investment, assets have a significant effect. It shows that most sharia insurance in the MENA can survive during the COVID-19 pandemic. This study also confirms that Islamic financial institutions are still the best in their ability to stay during the COVID-19 pandemic. Moreover, sharia insurance is an alternative for welfare protection for residents in the MENA.

**Keywords:** Sharia Insurance; Takaful; COVID-19 Pandemic; MENA

**Citation (APA):**
Miranti, T., & Meylianingrum, K. (2023). The Resilience of Sharia Insurance in MENA During the COVID-19 Pandemic: An Analysis of Financial Performance. Economica: Jurnal Ekonomi Islam, 14(1). https://doi.org/10.21580/economica.2023.14.1.12617

Submitted: 13 Jan 2023
Revised: 27 Mar 2023
Accepted: 2 Jun 2023
Published: 30 Jun 2023



*Corresponding Author. Email: titis@uin-malang.ac.id

## Introduction

The ongoing COVID-19 pandemic has had a profound impact on the global community, with the number of confirmed cases continuing to rise. As of December 2019, only three individuals worldwide had tested positive for the virus. However, by January 30, 2022, this figure had surged to 23.4 million, reaching its peak in January 2023. This data reflects the rapid global spread of the virus (Khairi et al., 2020; Meyer et al., 2020). Amid the worsening pandemic, governments worldwide have imposed restrictions to curb its spread. As a result, many public activities, including business operations, have been suspended, leading to significant economic contraction and adversely affecting financial stability and employment.

The Sharia insurance industry has faced considerable challenges due to the COVID-19 pandemic, as reported by Ali (2020). Revenue contributions are expected to decline, accompanied by an increase in the volume of claims for certain types of insurance. This, in turn, may result in liquidity and solvency issues (Ali, 2020). According to the Allianz Insurance Report 2020, global premium income was projected to decrease significantly, with an estimated decline of 3.8% (Ali, 2020). The growth rate of life insurance premiums in developed countries declined substantially between 2019 and 2021 due to the pandemic. In contrast, the non-life insurance sector demonstrated relatively better resilience, with developed countries experiencing a 5% growth rate, while developing countries recorded an 8% growth rate (Lutfullaevich, 2022).

The MENA region holds strategic importance as it serves as a bridge between Europe, Africa, and Asia, facilitating key international trade channels (Haque & Brown, 2017; Shaddady, 2022). The insurance industry in MENA has experienced notable growth over the past decade, although it remains in its early stages compared to developed markets. It is characterized by intense competition among insurance companies and substantial declines in premiums (Shaddady, 2022; Sherif & Hussnain, 2017). Despite these challenges, the MENA insurance market presents significant opportunities due to the large segment of the population lacking insurance coverage. Insurance and reinsurance companies must collaborate to develop innovative microinsurance products and distribute them through non-conventional channels. In 2016, the MENA region emerged as the fourth-largest insurance market, with Islamic insurance premiums accounting for 1.7% of the region's GDP (Shaddady, 2022).

According to Nuhanović (2020), the Islamic finance industry serves as a stabilizing force during global economic crises, such as the one triggered by the COVID-19 pandemic. Although Islamic banks and financial institutions manage fewer assets than conventional financial markets, the Islamic finance sector has demonstrated notable growth, attracting increased global interest and expanding its market share. The industry's resilience and ethical approach highlight its potential for long-term success, positioning it as an attractive alternative within the global financial landscape.

The concept of Islamic finance with foreign insurance markets forms a different system, such in Western Europe, America, Japan, and Muslim countries (Lutfullaevich, 2022). In Western Europe and America, conventional insurance systems focus on profit generation and risk transfer, incorporating Islamic finance through hybrid products that comply with Sharia principles. Japan's insurance industry blends traditional and modern products, gradually introducing Islamic finance to cater to the growing Muslim population and investors. In Muslim countries, the insurance system relies heavily on Takaful, a Sharia-compliant alternative emphasizing cooperation, shared responsibility, and profit-sharing. Takaful offers financial aid without incorporating any of the objectionable aspects present in conventional insurance. Despite not being a religious product, it is a commercial venture. Its ethical principles and wide-ranging appeal draw in a diverse clientele, including those who prioritize transparency, mutual collaboration, and ethical investments. This makes Takaful a desirable choice for individuals and businesses in search of responsible and socially conscious financial alternatives (Salman et al., 2019).

The fluctuations in Sharia insurance income in the MENA region during the study period—particularly during the COVID-19 pandemic—did not exhibit a consistent trend. Despite this, it is evident that the pandemic had a significant impact on the financial sector, including the insurance industry in the region. A comprehensive understanding of the factors influencing these fluctuations in the Sharia insurance market is essential. Further research is needed to identify the underlying economic, social, and political factors contributing to these income inconsistencies. Additionally, a thorough analysis of the Sharia insurance market in MENA is required to assess the determinants affecting Sharia insurance income and to develop strategies that mitigate the industry's financial vulnerabilities.

Moreover, a comparative study of Sharia insurance in different MENA countries is crucial to identify best practices and formulate recommendations for industry

growth and sustainability. The insights derived from this research will benefit insurance companies, regulators, and policymakers in crafting effective strategies to enhance the resilience and competitiveness of the Sharia insurance market. Furthermore, the findings of this study can contribute to the development of new financial products and services that cater to the unique needs of Sharia insurance consumers, thereby strengthening the market's competitiveness and appeal.

## Literature Review

Insurance provides financial protection against disasters by offering compensation or promises of compensation for potential future losses in exchange for periodic payments. From an Islamic perspective, insurance does not inherently contradict Shariah principles, as it operates on a mutual aid system, requiring the pooling of resources to support those in need. Islamic insurance (Takaful) prioritizes fairness, transparency, and adherence to Islamic law, distinguishing it from conventional insurance, which primarily focuses on profitability and investment flexibility. Unlike conventional insurance, Islamic insurance is designed to comply with Shariah law, ensuring equitable risk management for all participants.

Takaful differs from conventional insurance in five key aspects: contract structure, rights and obligations of the parties, risk ownership, operational framework, and nominee status (Ben Dhiab, 2021; Sherif & Azlina Shaairi, 2013). Moreover, Shariah-compliant insurance is guided by nine fundamental principles, namely monotheism *(tawhid)*, justice *(adl)*, mutual assistance *(ta'awun)*, cooperation *(takaful)*, trust *(amanah)*, willingness *(ridha)*, prohibition of usury *(riba)*, prohibition of gambling *(maysir)*, and prohibition of excessive uncertainty *(gharar)* (Lestari & Mukhibad, 2020).

In Islamic finance, gharar refers to unjustifiable uncertainty in contracts, which can result in ambiguous risks or unclear outcomes for one or more parties. To avoid gharar, financial agreements must be transparent and clearly defined. Additionally, riba (usury or interest) is strictly prohibited in Islamic finance as it is considered unfair and exploitative. Financial transactions must therefore be free of interest, with profits earned through permissible (halal) means, such as transparent risk-sharing and profit-sharing mechanisms. The primary objective of the Islamic insurance system is not financial gain but rather the promotion of cooperation and mutual support among policyholders. By contributing to a collective fund through donations (tabarru'), policyholders provide assistance to those in need while also benefiting from community-driven financial protection (Nor & Kamil, 2014).

As a financial institution, a Shariah-compliant insurance company must maintain financial stability to achieve its objectives. The goals of Islamic insurance companies include providing risk protection, ensuring Shariah compliance, enhancing participants' welfare, ensuring long-term sustainability, delivering high-quality services, and making ethical investments. The financial performance of Islamic insurance companies is a key factor in their stability and growth. Biener et al., (2016) suggest that revenue approximations can serve as a measure of an insurance company's financial performance. Using revenue-based metrics assists in financial planning, performance evaluation, operational efficiency assessment, decision-making, and enhancing transparency and investor confidence. Consequently, Islamic insurance companies with strong revenue performance are more likely to achieve financial stability and long-term sustainability. Furthermore, having substantial assets enhances financial performance (Puspit et al., 2013). A larger asset base benefits insurance companies more than smaller asset holdings, as total assets—including fixed and current assets—contribute to financial stability and growth (Afifah & Hasymi, 2020).

### Capital Structure and Debt in Islamic Insurance

Debt is a crucial component of a company's capital structure. When the capital structure reaches its optimal level, additional debt may reduce company value due to increased financial risk. The impact of debt on company value involves a trade-off between the tax advantages and managerial discipline it provides versus the increased financial distress and agency costs. Striking the right balance is essential for maximizing company value. If debt levels remain below the optimal threshold, they can contribute to value creation. This aligns with the trade-off theory, which establishes a positive relationship between capital structure and financial performance (Apriada & Suardika, 2016; Sri et al., 2013).

In the context of Islamic insurance, the trade-off theory suggests that companies can achieve an optimal capital structure without relying on interest-bearing debt. Instead, Islamic insurance companies balance costs and benefits through participant contributions and Shariah-compliant investments, thereby avoiding riba (Haron & Ibrahim, 2012; Zamri et al., 2021).

### Net Income, Comprehensive Income, and Financial Performance

Net income serves as a key financial indicator, reflecting a company's performance over a given financial reporting period. In addition to net income,

comprehensive income provides a broader view of a company's financial health by incorporating non-operating gains and losses. These include changes in revaluation surplus, gains and losses on defined benefit plans, foreign currency exchange gains/losses, remeasurement of available-for-sale financial assets, and effective hedging transactions (Rusdiyanto & Narsa, 2019; Susanto et al., 2021).

Information on a company's performance is particularly relevant if it correlates with stock price movements and returns on stock investments. Comprehensive income is a measure of risk exposure, representing a company's overall financial performance. Total income has risk relevance when it can explain market stock return rates. Although comprehensive income and total income both influence stock returns, they do so through different mechanisms. Comprehensive income captures broader financial risks and opportunities, whereas total income reflects core operational performance. A company demonstrating strong financial performance across these metrics typically experiences higher stock prices and positive returns, as investors value firms with stable financial prospects. Understanding these relationships is essential for investors and analysts in making strategic investment decisions.

### Long-Term Value Creation and Sustainable Economic Models in Shariah Insurance

The financial and corporate sectors play a crucial role in fostering long-term value creation by aligning financial goals with sustainable development principles. Long-term investment strategies prioritize financial, social, and environmental value creation, positioning companies for sustainable economic growth (Dyllick & Muff, 2016; Schoenmaker, 2018). Shariah-compliant insurance contributes to sustainable economic models through its risk-sharing mechanisms, ethical investments, financial transparency, economic stability, and financial inclusion. Additionally, Shariah-compliant finance supports corporate social responsibility (CSR), ethical business practices, and financial innovation, aligning with broader sustainable development objectives.

Despite these advantages, modern business practices often emphasize short-term financial returns, limiting the potential for inclusive capitalism. Over the past few decades, profit maximization has been the dominant objective in corporate finance, sometimes at the expense of social and environmental considerations. Shariah finance, however, offers an alternative model that balances profitability with ethical responsibility, fostering a more inclusive and resilient economic system.

## Methods

Data is sourced from the financial statements of Islamic insurance companies in MENA countries. The objects of this research are ten sharia insurance companies (Table 1). The data is sourced from each company's balance sheet and income statement. The data used in this study was obtained from Refinitiv, which is a restricted service. Access to such data requires a subscription or special permission, so it is not freely available to the public.

**Table 1.** List of Sharia Insurance Companies

| Sharia Insurance | Country |
|---|---|
| First Takaful Insurance Company KPSC | Kuwait |
| Al-Takaful Palestinian Insurance PLC | Palestine |
| Qatar Islamic Insurance Company QPSC | Qatar |
| Salama Cooperative Insurance Company SJSC | Saudi Arabia |
| Saudi Arabia | Saudi Arabia |
| Al-Aqeelah Takaful Insurance Company SA | Syria |
| Dar Al Takaful PJSC | United Arab Emirates |
| Islamic Arab Insurance Co PSC | United Arab Emirates |
| Methaq Takaful Insurance Co PSC | United Arab Emirates |
| Takaful Emarat Insurance PJSC | United Arab Emirates |

**Source:** Authors Analysis (2022)

**Table 2.** Resource Variable

| Variable | Type | Source |
|---|---|---|
| Total Premiums Earned (TPM) | Ratio | Income Statement |
| Net Income (NI) | Ratio | Income Statement |
| Long Term Investment (LTI) | Ratio | Balance Sheet |
| Total Equity (TE) | Ratio | Balance Sheet |
| Total Debt (TD) | Ratio | Balance Sheet |
| Total Assets (TA) | Ratio | Balance Sheet |
| COVID-19 | Nominal (Cat) | |

**Source:** Authors Analysis (2022)

The data is quarterly data from 2010 to 2020. The COVID-19 pandemic began in late 2019, with the first case detected in Wuhan, China, in December 2019. The World Health Organization (WHO) declared COVID-19 a pandemic on March 2020.

The researcher uses financial ratios such as total premiums earned, assets, debt, equity, net income, and long investment. These variables are ratio data (Table 2). Moreover, the researchers considered the Covid-19 pandemic period to show its effect on several Islamic insurance financial ratios in the MENA country. The COVID-19 pandemic variable is categorical data, which will be worth 1 in its time and 0 when there is no Covid-19 pandemic.

The analysis employs correlation analysis and panel data regression to examine relationships between variables (Mukaka, 2012; Veličković, 2015). The Spearman rank correlation assesses associations with the COVID-19 pandemic variable, while the Pearson correlation measures relationships among other variables, reflecting their differing data types. To evaluate the impact of independent variables on the dependent variable, panel data regression analysis is applied.

Model selection within panel data regression involves conducting the Chow test, Hausman test, and Lagrange multiplier test to determine the most appropriate model (Cheng & Ai, 2020; Oaxaca & Dickinson, 2016). The Common Effect Model assumes a uniform intercept across units, the Fixed Effect Model accounts for unit-specific differences through fixed intercepts, and the Random Effect Model treats unit-specific effects as random and uncorrelated with independent variables. The Chow test distinguishes between the Common Effect and Fixed Effect models. If the Common Effect Model is chosen, the Lagrange multiplier test is conducted to compare it with the Random Effect Model. If the Fixed Effect Model is selected, the Hausman test determines whether the Fixed or Random Effect Model is preferable. Additionally, residual diagnostics include the Jarque-Bera test for normality and Levene's test for homogeneity.

## Result and Discussions

### Univariate Statistics

Table 3 presents the descriptive statistics for the dependent and independent variables. The Total Premiums Earned is zero in some cases, such as in Kuwait, while countries like Qatar and Syria experienced deficit values in multiple periods. A similar trend is observed for net income, with most MENA countries facing deficits in several quarters, particularly in Q3 and Q4 of 2019. Overall, the net income of Islamic financial institutions in MENA remains relatively low. However, certain companies, such as Islamic Arab Insurance Co PSC and Takaful Emarat Insurance

PJSC, recorded surpluses from Q1 to Q4 of 2020. Figure 1 illustrates the variations in these values.

**Table 3.** Descriptive Data

| | TPM | NI | LTI | TE | TD | TA |
|---|---|---|---|---|---|---|
| Mean | 15.82205 | 0.102227 | 106.3510 | 64.27375 | 3.680227 | 216.7896 |
| Median | 8.575000 | 0.360000 | 43.60000 | 33.44500 | 0.000000 | 99.70000 |
| Maximum | 140.0000 | 23.90000 | 837.9000 | 437.0000 | 116.7000 | 1402.500 |
| Minimum | -41.14000 | -74.20000 | 0.000000 | 3.260000 | -0.210000 | 7.520000 |
| Std. Dev. | 21.98249 | 5.728758 | 158.8816 | 85.07182 | 11.96227 | 308.3035 |
| Observations | 440 | 440 | 440 | 440 | 440 | 440 |

**Source:** Authors Analysis (2022)

**Table 4.** Correlation Variable

| | Total Premiums Earned | Net Income | Long-Term Investment | Total Equity | Total Debt | Total Assets | COVID 19 |
|---|---|---|---|---|---|---|---|
| Total Premiums Earned | 1.000000 | | | | | | |
| Net Income | 0.115750 | 1.000000 | | | | | |
| | 2.438859 | | | | | | |
| | (0.0151)* | | | | | | |
| Long-Term Investment | -0.733101 | 0.071941 | 1.000000 | | | | |
| | -22.55877 | 1.509520 | | | | | |
| | (0.0000)* | 0.1319 | | | | | |
| Total Equity | 0.827797 | -0.111081 | 0.884140 | 1.000000 | | | |
| | 30.88001 | -2.339223 | 39.60354 | | | | |
| | (0.0000)* | (0.0198)* | (0.0000)* | | | | |
| Total Debt | 0.654720 | -0.122526 | 0.503667 | 0.673114 | 1.000000 | | |
| | 18.12778 | -2.583736 | 12.20164 | 19.04869 | | | |
| | (0.0000)* | (0.0101)* | (0.0000)* | (0.0000)* | | | |
| Total Assets | 0.832474 | -0.135962 | 0.965247 | 0.933551 | 0.612612 | 1.000000 | |
| | 31.44469 | -2.872138 | 77.29870 | 54.50701 | 16.22125 | | |
| | (0.0000)* | (0.0043)* | (0.0000)* | (0.0000)* | (0.0000)* | | |
| COVID19 | 0.107 | 0.063785 | 0.081 | 0,059 | 0.102 | 0.115 | 1.000000 |
| | 2,2812 | 1,2720 | 1,73178 | 1,2498 | 2,177 | 3,3123 | |
| | (0.023)* | 0.204 | (0.084)** | 0.212 | (0.030)* | (0.001)* | |

Note: * sig in alpha 5%, ** sig in alpha 10%

**Source:** Authors Analysis (2022)

Table 4 displays the correlation between research variables. Net income, long-term investment, total equity, total debt, and total assets show a significant correlation with Total Premiums Earned, though not all relationships are positive. Notably, long-term investment exhibits a negative correlation with Total Premiums Earned. Meanwhile, the COVID-19 pandemic correlates weakly (10%) only with long-term investments.

### Multivariate Regression

Panel data regression analysis employs various models based on research data structure (Ferson & Wang, 2020; Zhang et al., 2022). Table 5 presents the Common Effect Model estimation, revealing that all independent variables, except COVID-19, have a significant effect (5% level) on Total Premiums Earned. Net income, total equity, total debt, and total assets positively impact Total Premiums Earned, indicating that an increase in these variables leads to higher premium earnings. However, long-term investment has a significant negative effect, suggesting that higher long-term investments reduce Total Premiums Earned.

**Table 5.** Common Effect Model

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| NET_INCOME | 0.207064 | 0.090550 | 2.286736 | 0.0227 |
| LONG_TERM_INVESTMENT | -0.129450 | 0.013576 | -9.535029 | 0.0000 |
| TOTAL_EQUITY | 0.052597 | 0.018168 | 2.895056 | 0.0040 |
| TOTAL_DEBT | 0.130571 | 0.061588 | 2.120072 | 0.0346 |
| TOTAL_ASSET | 0.107655 | 0.008908 | 12.08590 | 0.0000 |
| COVID19_PANDEMIC | -0.457333 | 1.633745 | -0.279929 | 0.7797 |
| C | 2.420307 | 0.672593 | 3.598470 | 0.0004 |

**Source:** Authors Analysis (2022)

The R-squared value is 77.9%, meaning that net income, total equity, total debt, total assets, and the COVID-19 pandemic collectively explain 77.9% of the variation in Total Premiums Earned, while the remaining 22.1% is attributed to factors not included in the study. Given this, considering additional explanatory variables is recommended to enhance the model's robustness.

Following the Common Effect Model estimation, the Lagrange Multiplier (LM) Test (Table 6) was conducted to determine whether the Pooled Model or the Random Effect Model is more appropriate. Table 7 presents the Breusch-Pagan test

results, indicating that the random cross-section and period effects are significant ($p < 0.05$). This suggests that the Random Effect Model is the preferable specification. The study adopts cross-section effects as the random factor, given the consistent variance in the research period across cross-sectional data.

**Table 6.** LM Test

| Null (no rand. effect) | Cross-section | Period | Both |
|---|---|---|---|
| Alternative | One-sided | One-sided | |
| Breusch-Pagan | 438.7862 | 4.229645 | 443.0158 |
| | (0.0000) | (0.0397) | (0.0000) |

**Source:** Authors Analysis (2022)

**Table 7.** Random Effect Model

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| NET_INCOME | 0.182322 | 0.076311 | 2.389191 | 0.0173 |
| LONG_TERM_INVESTMENT | -0.096297 | 0.014058 | -6.849971 | 0.0000 |
| TOTAL_EQUITY | 0.110317 | 0.018592 | 5.933695 | 0.0000 |
| TOTAL_DEBT | 0.084229 | 0.052656 | 1.599620 | 0.1104 |
| TOTAL_ASSET | 0.089004 | 0.009858 | 9.028467 | 0.0000 |
| C | -0.643803 | 1.452173 | -0.443338 | 0.6577 |

**Source:** Authors Analysis (2022)

Table 7 presents the Random Effects Model estimation, showing that net income, long-term investment, total equity, and total assets significantly impact Total Premiums Earned at the 5% level. All significant independent variables have a positive effect, meaning a one-unit increase in any of these variables leads to a corresponding rise in Total Premiums Earned based on the model coefficients. In contrast, total debt and the COVID-19 pandemic have no significant effect, though their inclusion remains relevant given the model's complexity. The R-squared value of 58.3% indicates that the independent variables explain 58.3% of the variance in Total Premiums Earned, while the remaining 41.7% is attributed to other factors.

To determine the best model, the Random Effects Model is compared with the Fixed Effects Model using the Hausman test (Table 8). The Chi-square probability value of 0.06592 exceeds 5%, confirming that the Random Effects Model is the preferred choice. This model assumes that entity-specific error terms are

uncorrelated with predictors, allowing time-invariant variables to act as explanatory factors while maintaining homogeneous residual variance.

**Table 8.** Hausman Test

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 11.82790 | 6 | 0.06592 |

**Source:** Authors Analysis (2022)

**Table 9.** Normality Test for Residual

| | Value |
|---|---|
| Jarque-BEra | 0,2469 |
| Probability | 0,8838 |

**Source:** Authors Analysis (2022)

Residual normality was tested using the Jarque-Bera test (Table 9), which confirms normal distribution (p = 0.8838, exceeding the 5% threshold).

Figure 1 illustrates data movements over the research period. Although no clear trend is observed, significant value spikes occur, particularly from Q3 2019 onward. Islamic Arab Insurance Co. PSC (Saudi Arabia) recorded the highest Total Premiums Earned, Long-Term Investment, Total Assets, Total Debt, and Total Equity among MENA countries, followed by SABB Takaful Company SJSC (Saudi Arabia) and Qatar Islamic Insurance Company QPSC (Qatar). However, Islamic Arab Insurance Co. PSC had lower net income than other Islamic insurance companies.

The Saudi financial technology (Fintech) ecosystem is expanding, which supports the growth of insurance companies (Albarrak & Alokley (2021); Hassan et al., 2020). Long-term investment plays a crucial role in Shariah-compliant insurance funding.

Islamic finance is recognized as a stable financing system that promotes financial stability, growth, and inclusion, while also fostering long-term employment (Kabir Hassan & Soumaré, 2015). It plays a vital role in the economic development of the MENA region, addressing key challenges such as financial inclusion, income inequality, and job creation (Chowdhury & Shumon, 2020). Given its emphasis on equitable distribution and risk-sharing, Islamic finance offers a viable solution to these issues (Kim et al., 2018).

## Discussion

Sharia insurance operates on the principles of mutual protection and assistance, achieved through investment and asset management. Unlike conventional insurance, it incorporates Shariah values such as fairness, transparency, and risk-sharing, making it distinct from traditional models (Jannah & Nugroho, 2019; Akhter & Hussain, 2012; Echchabi et al., 2014). As a financial institution, its objectives include growth, stability, and development (Rizki et al., 2019; Syarofi, 2022).

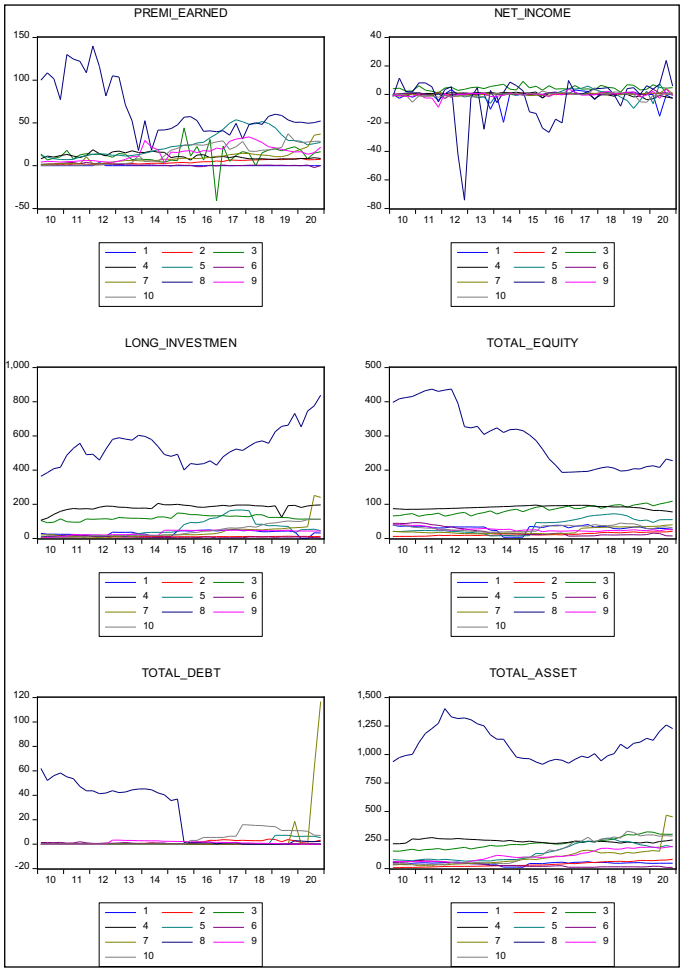
Empirical results indicate that net income significantly influences Total Premiums Earned, demonstrating a strong relationship. Net income in Shariah-compliant insurance represents profits after deducting liabilities (Hidayat et al., 2021). While not the primary revenue source, net income remains an essential component of overall earnings, aligning with findings by Hidayat et al. (2021). Islamic insurance companies also consider non-material income, emphasizing ethical and Shariah-compliant financial returns (Faoziyyah & Laila, 2020; Lilavira & Zulaikha, 2020; Nainggolan & Soemitra, 2020).

A long-term investment is part of the investment that is paid regularly and can be withdrawn within a certain period (Hayati, 2016). Empirical results show that long-term investment has a significant effect on total premiums earned. However, the effect is negative. It means that the more sharia investment funds, the lower the total premiums earned. It can be seen in the research data that a decrease in total premiums earned accompanies an increase in long-term investment funds. A long-term investment is widely used in the health sector. Since the COVID-19 pandemic, many customers have used their insurance funds (Yudhira, 2021). This resulted in increased spending by Islamic insurance companies. This expenditure certainly reduces the income from sharia insurance (Yudhira, 2021). Even so, the principle of mutual assistance in sharia insurance can still secure sharia insurance finances.

Capital in sharia insurance is useful for company operations. Like other financial institutions, Islamic insurance companies use several capital schemes, either from internal sources or third parties (premiums, loans). Islamic insurance companies with high capital will be able to carry out financial activities more freely (Puspitasari, 2016), allowing the company to increase its income (Puspitasari, 2016). Empirical results of research data show that capital significantly affects the total premiums earned of Islamic insurance companies. The capital increase will also increase the income of Islamic insurance companies. The results of this study are in line with Triana & Dewi (2020) which states that capital growth positively and significantly affect the growth of assets. Management and investors will get signals to later be

used as deciding policies such as making a schedule for profit allowances or raising capital with the aim of competing with other insurance companies.

**Figure 1.** Note:1) Insurance Company KPSC (Kuwait); 2)Al-Takaful Palestinian Insurance PLC (Palestine); 3)Qatar Islamic Insurance Company QPSC (Qatar); 4) Salama Cooperative Insurance Company SJSC (Saudi Arabia); 5)SABB Takaful Company SJSC (Saudi Arabia); 6) Al-Aqeelah Takaful Insurance Company SA (Syria); 7)Dar Al Takaful PJSC (United Arab Emirates); 8) Islamic Arab Insurance Co PSC (United Arab Emirates); 9) Methaq Takaful Insurance Co PSC (United Arab Emirates); 10) Takaful Emarat Insurance PJSC (United Arab Emirates).




**Source:** Authors Analysis (2022)

The value of debt has no significant effect on the total premiums earned of Islamic insurance companies. Debt in the financial system is divided into two: long-term debt and short-term debt (Pakekong et al., 2019). One of the efforts made by the company to increase capital is to increase debt (Pakekong et al., 2019). In Islamic financial industry does not know the meaning of debt, but a company needs additional capital derived from debt. Therefore, sharia insurance institutions need financing as an additional capital of the company. Debt borrowed by the company will burden the company's finances. Of course, this will impact income, although it is not significant.

Sharia insurance companies need assets in carrying out their business activities, and assets are assets owned by the company with the intention that the company can guarantee the continuity of its operational activities. Without assets, a business unit cannot carry out its business operations (SW & Susanti, 2017). Total assets whose value increases will increase income (Meilinda & Mahmud, 2020; Midesia, 2022). According to Hassan et al., (2021) shows that the existence of the Islamic financial industry is very important during and after the 2008 crisis in MENA, with stable Islamic financial performance in the crisis, Islamic finance will also play the same role in recovery from economic shocks caused by the pandemic. However, Bahrain became the country with the largest Islamic financial assets followed by Kuwait, Saudi Arabia, the United Arab Emirates, and Qatar.

## Conclusion

Sharia insurance income in MENA countries is influenced by total assets, debt, long-term investment, and net income. However, the COVID-19 pandemic had no significant impact on Islamic insurance revenue, highlighting its resilience amid economic shocks. This reinforces Sharia insurance as a stable financial institution for customers.

Despite this stability, long-term investment in Islamic insurance remains closely linked to the COVID-19 pandemic, underscoring the need for strong regulatory oversight and financial policies to ensure sustainability. Future research should explore the optimal balance of long-term investments, maximizing benefits without compromising revenue. Further analysis of the mechanisms driving revenue changes can enhance operational efficiency and strategic financial management.

## BIBLIOGRAPHY

Afifah, M. D., & Hasymi, M. (2020). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Intensitas Aset Tetap dan Fasilitas Terhadap Manajemen Pajak dengan Indikator Tarif Pajak Efektif. *Journal of Accounting Science*, *4*(1), 29–42. https://doi.org/10.21070/jas.v4i1.398

Akhter, W., & Hussain, T. (2012). Takāful standards and customer perceptions affecting takāful practices in Pakistan: a survey. *International Journal of Islamic and Middle Eastern Finance and Management*, *5*(3), 229–240. https://doi.org/10.1108/17538391211255214

Albarrak, M. S., & Alokley, S. A. (2021). FinTech: Ecosystem, Opportunities and Challenges in Saudi Arabia. *Journal of Risk and Financial Management*, *14*(10), 460. https://doi.org/10.3390/jrfm14100460

Ali, M. M. (2020). COVID-19: Reshaping the Future Direction of Islamic Finance. *ICR Journal*, *11*(2), 341–344. https://doi.org/10.52282/icr.v11i2.788

Apriada, K., & Suardika, Ma. S. (2016). Pengaruh Struktur Kepemilikan Saham, Struktur Modal Dan Profitabilitas Pada Nilai Perusahaan. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, *20*(3), 201–218. https://doi.org/10.35808/ersj/699

Ben Dhiab, L. (2021). Determinants of Insurance Firms' Profitability: An Empirical Study of Saudi Insurance Market. *The Journal of Asian Finance, Economics and Business*, *8*(6), 235–243. https://doi.org/10.13106/jafeb.2021.vol8.no6.0235

Biener, C., Eling, M., & Wirfs, J. H. (2016). The determinants of efficiency and productivity in the Swiss insurance industry. *European Journal of Operational Research*, *248*(2), 703–714. https://doi.org/10.1016/j.ejor.2015.07.055

Cheng, J., & Ai, M. (2020). Optimal designs for panel data linear regressions. *Statistics & Probability Letters*, *163*, 108769. https://doi.org/10.1016/j.spl.2020.108769

Chowdhury, P., & Shumon, R. (2020). Minimizing the Gap between Expectation and Ability: Strategies for SMEs to Implement Social Sustainability Practices. *Sustainability*, *12*(16), 6408. https://doi.org/10.3390/su12166408

Dyllick, T., & Muff, K. (2016). Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainability. *Organization and Environment*, *29*(2), 156–174. https://doi.org/10.1177/1086026615575176

Echchabi, A., Ayinde Olorogun, L., & Azouzi, D. (2014). Islamic insurance prospects in Tunisia in the wake of the Jasmine revolution. *Journal of Islamic Accounting*

*and Business Research*, *5*(1), 15–28. https://doi.org/10.1108/JIABR-06-2012-0032

Faoziyyah, A. A., & Laila, N. (2020). FAKTOR INTERNAL DAN FAKTOR MAKROEKONOMI YANG MEMPENGARUHI PROFITABILITAS ASURANSI SYARIAH DI INDONESIA PERIODE 2016-2018. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *7*(6), 1146. https://doi.org/10.20473/vol7iss20206pp1146-1163

Ferson, W., & Wang, J. L. (2020). A Panel Regression Approach to Holdings-Based Fund Performance Measures. *SSRN Electronic Journal*, *0*(March), 1–40. https://doi.org/10.2139/ssrn.3753148

Haque, F., & Brown, K. (2017). Bank ownership, regulation and efficiency: Perspectives from the Middle East and North Africa (MENA) Region. *International Review of Economics & Finance*, *47*(September 2017), 273–293. https://doi.org/10.1016/j.iref.2016.10.015

Haron, R., & Ibrahim, K. (2012). Target capital structure and speed of adjustment: Panel data evidence on Malaysia Shariah compliant securities. *International Journal of Economics, Management and Accounting*, *20*(2), 87–107.

Hassan, M. K., Rabbani, M. R., & Abdulla, Y. (2021). Socioeconomic Impact of COVID-19 in MENA region and the Role of Islamic Finance. *International Journal of Islamic Economics and Finance (IJIEF)*, *4*(1), 51–78. https://doi.org/10.18196/ijief.v4i1.10466

Hassan, M. K., Rabbani, M. R., & Mahmood, M. A. (2020). Challenges for the islamic finance and banking in post COVID era and the role of Fintech. *Journal of Economic Cooperation and Development*, *41*(3), 93–116. https://jecd.sesric.org/pdf.php?file=ART20062603-2.pdf

Hayati, M. (2016). Investasi Menurut Perspektif Ekonomi Islam. *Ikonomika : Jurnal Ekonomi Dan Bisnis Islam*, *1*(1), 66–78. https://doi.org/10.24042/febi.v1i1.143

Hidayat, N. I. A., Susanti, S., & Zulaihati, S. (2021). Pengaruh Premi, Hasil Investasi dan Risk Based Capital terhadap Laba Perusahaan Asuransi Syariah Indonesia 2019. *Jurnal Akuntansi, Keuangan, Dan Manajemen*, *2*(4), 327–344. https://doi.org/10.35912/jakman.v2i4.552

Jannah, D. M., & Nugroho, L. (2019). Strategi Meningkatkan Eksistensi Asuransi Syariah di Indonesia. *Jurnal Maneksi*, *8*(1), 169–176.

Kabir Hassan, M., & Soumaré, I. (2015). Guarantees and Profit-Sharing Contracts in Project Financing. *Journal of Business Ethics*, *130*(1), 231–249. https://doi.org/10.1007/s10551-014-2201-0

Khairi, K. F., Laili, N. H., & Kamarubahrin, A. F. (2020). Market thoughts: Potential implications of COVID-19 on takaful scheme for mental health disorders. *The Journal of Muamalat and Islamic Finance Research*, *17*, 49–58. https://doi.org/10.33102/jmifr.v17i3.283

Kim, D. W., Yu, J. S., & Hassan, M. K. (2018). Financial inclusion and economic growth in OIC countries. *Research in International Business and Finance*, *43*(October 2016), 1–14. https://doi.org/10.1016/j.ribaf.2017.07.178

Lestari, I. I., & Mukhibad, H. (2020). Determinan Solvabilitas Dana Tabarru' Pada Perusahaan Asuransi Syariah Di Indonesia. *El Dinar*, *8*(1), 52. https://doi.org/10.18860/ed.v8i1.8033

Lilavira, A., & Zulaikha, S. (2020). ANALISIS FAKTOR-FAKTOR YANG MEMPENGARUHI PERTUMBUHAN ASET PADA PERUSAHAAN ASURANSI SYARIAH PERIODE 2013 – 2017. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *7*(2), 305. https://doi.org/10.20473/vol7iss20202pp305-318

Lutfullaevich, M. T. (2022). WORLD INSURANCE MARKET: CURRENT OPPORTUNITIES OF THE WEST AND MUSLIM COUNTRIES. *Modern Journal of Social Sciences and Humanities*, *4*, 473–476. https://doi.org/10.51699/mjssh.v1i4.172

Meilinda, D., & Mahmud, A. (2020). Pengaruh Kredit Usaha Rakyat (KUR), Total Aset, Jumlah Tenaga Kerja, Biaya Pemasaran Dan Lokasi Usaha Terhadap Pendapatan Usaha Mikro Kecil dan Menengah (UMKM) Berbasis Ekonomi Kreatif di Kota Semarang. *Business and Accounting Education Journal*, *1*(3), 247–257. https://doi.org/10.15294/baej.v1i3.45659

Meyer, R. D., Ratitch, B., Wolbers, M., Marchenko, O., Quan, H., Li, D., Fletcher, C., Li, X., Wright, D., Shentu, Y., Englert, S., Shen, W., Dey, J., Liu, T., Zhou, M., Bohidar, N., Zhao, P.-L., & Hale, M. (2020). Statistical Issues and Recommendations for Clinical Trials Conducted During the COVID-19 Pandemic. *Statistics in Biopharmaceutical Research*, *12*(4), 399–411. https://doi.org/10.1080/19466315.2020.1779122

Midesia, S. (2022). DAN TOTAL ASET TERHADAP PENDAPATAN DI KECAMATAN LANGSA KOTA THE EFFECT OF THE AMOUNT OF LABOR AND TOTAL ASSETS ON THE INCOME OF MICRO , SMALL AND MEDIUM ENTERPRISES IN LANGSA KOTA SUBDISTRICT. *J-ISCAN: Journal of Islamic Accounting Research*, *4*(1), 65–74. https://doi.org/https://doi.org/10.52490/jiscan.v4i1.419

Mukaka, M. M. (2012). Statistics corner: A guide to appropriate use of correlation coefficient in medical research. *Malawi Medical Journal : The Journal of Medical Association of Malawi*, *24*(3), 69–71. http://www.ncbi.nlm.nih.gov/pubmed/23638278

Nainggolan, L. M., & Soemitra, A. (2020). THE CONTRIBUTION INCOME, INVESTMENT RESULTS, AND CLAIM EXPENSES ON SHARIA LIFE INSURANCE INCOME. *Jurnal Ekonomi Dan Bisnis Islam (Journal of Islamic Economics and Business)*, *6*(2), 201. https://doi.org/10.20473/jebis.v6i2.21734

Nor, N. B. M., & Kamil, N. M. (2014). Factors Influencing the Choice of Takaful over Conventional Insurance : The Case of Malaysia. *Journal of Islamic Finance*, *3*(2), 1–14. https://doi.org/10.12816/0025101

Nuhanović, A. (2020). Identification of the Strengths and Weaknesses of the Conventional and Islamic Financial System during the COVID-19 Pandemic. *Asian Journal of Business and Management*, *8*(5).

Oaxaca, R. L., & Dickinson, D. L. (2016). Symmetric experimental designs: conditions for equivalence of panel data estimators. *Journal of the Economic Science Association*, *2*(1), 85–95. https://doi.org/10.1007/s40881-016-0022-x

Pakekong, M. I., Murni, S., & Rate, P. V. (2019). the Effect of Ownership Structure, Dividend Policy and Debt Policy on Firm Value in Incurance Companies Listed on Idx in the Period of 2012-2016. *Jurnal EMBA*, *7*(1), 611–620.

Puspit, L. A., Mehari, D., & Aemiro, T. (2013). Firm Specific Factors That Determine Insurance Companies' Performance in Ethiopia. *European Scientific Journal*, *9*(10), 1857–7881.

Puspitasari, N. (2016). DETERMINAN PROPORSI DANA TABARRU' PADA LEMBAGA KEUANGAN ASURANSI UMUM SYARIAH. *Jurnal Akuntansi Dan Keuangan Indonesia*, *13*(2), 160–173. https://doi.org/10.21002/jaki.2016.09

Rizki, M. K., Agriyanto, R., & Farida, D. N. (2019). The Effect of Sustainability Report and Profitability on Company Value: Evidence from Indonesian Sharia Shares. *Economica: Jurnal Ekonomi Islam*, *10*(1), 117. https://doi.org/10.21580/economica.2019.10.1.3747

Rusdiyanto, R., & Narsa, I. M. (2019). the Effects of Earnigs Volatility, Net Income and Comprehensive Income on Stock Prices on Banking Companies on the Indonesia Stock Exchange. *International Review of Management and Marketing*, *9*(6), 18–24. https://doi.org/10.32479/irmm.8640

Salman, S. A., Hassan, R., & Tahniyath, M. (2019). Takaful an Innovation to Contemporary Insurance. *Journal Homepage: International Journal of Research in Social Sciences International Journal of Research in Social Sciences*, *9*(8), 2249–2496.

Schoenmaker, D. (2018). A Framework for Sustainable Finance. *SSRN Electronic Journal*, *January*. https://doi.org/10.2139/ssrn.3125351

Shaddady, A. (2022). Business environment, political risk, governance, Shariah compliance and efficiency in insurance companies in the MENA region. *The Geneva Papers on Risk and Insurance - Issues and Practice*, *47*(4), 861–904. https://doi.org/10.1057/s41288-021-00232-8

Sherif, M., & Azlina Shaairi, N. (2013). Determinants of demand on family Takaful in Malaysia. *Journal of Islamic Accounting and Business Research*, *4*(1), 26–50. https://doi.org/10.1108/17590811311314276

Sherif, M., & Hussnain, S. (2017). Family Takaful in developing countries: the case of Middle East and North Africa (MENA). *International Journal of Islamic and Middle Eastern Finance and Management*, *10*(3), 371–399. https://doi.org/10.1108/IMEFM-01-2016-0016

Sri, A., Dewi, M., & Wirajaya, A. (2013). Pengaruh Struktur Modal, Profitabilitas Dan Ukuran Perusahaan Pada Nilai Perusahaan. *E-Jurnal Akuntansi*, *4*(2), 358–372.

Susanto, H., Prasetyo, I., Indrawati, T., Aliyyah, N., Rusdiyanto, Tjaraka, H., Kalbuana, N., Syafi'ur Rochman, A., Gazali, & Zainurrafiqi. (2021). The impacts of earnings volatility, net income and comprehensive income on share price: evidence from Indonesia stock exchange. *Accounting*, *7*(5), 1009–1016. https://doi.org/10.5267/j.ac.2021.3.008

SW, S., & Susanti, R. (2017). PENGARUH MODAL KERJA, ASET, DAN OMZET PENJUALAN TERHADAP LABA UKM CATERING DI WILAYAH SURAKARTA. *EKSPLORASI*, *29*(2). https://ejurnal.unisri.ac.id/index.php/Exsplorasi/article/view/1586

Syarofi, M. (2022). IMPLEMENTASI MANAJEMEN RISIKO PADA LEMBAGA KEUANGAN NON-BANK SYARIAH (STUDI ANALISIS UNIT SIMPAN PINJAM POLA SYARIAH AUSATH BANYUWANGI). *Ribhuna*, *1*, 1–13. https://ejournal.iaiibrahimy.ac.id/index.php/ribhuna/article/view/1248

Triana, N. K. R., & Dewi, G. A. K. R. S. (2020). Pengaruh Pendapatan Premi, Hasil Investasi, Pertumbuhan Modal dan Hasil Underwriting terhadap Pertumbuhan Aset Perusahaan Asuransi. *Jurnal Ilmiah Akuntansi Dan Humanika*, *1*(2), 1–11. https://doi.org/10.23887/jiah.v10i3.26056

Veličković, V. (2015). What Everyone Should Know about Statistical Correlation. A common analytical error hinders biomedical research and misleads the public. *American Scientist*, *103*(1), 26–30.

Yudhira, A. (2021). ANALISIS PERKEMBANGAN FINANCIAL TECHNOLOGY (FINTECH) SYARIAH PADA MASA PANDEMI COVID-19 DI INDONESIA. *VALUE*, *2*(1), 13–28. https://doi.org/10.36490/value.v2i1.118

Zamri, W., Ismail, W., Faiz, M., Yusof, M., & Ahmad, I. (2021). Capital Management for Takaful Business: Issues and Challenges. *Journal of Advanced Research in Business and Management Studies*, *22*(1), 8–19.

Zhang, H., Hong, H., Guo, Y., & Yang, C. (2022). Information spillover effects from media coverage to the crude oil, gold, and Bitcoin markets during the COVID-19 pandemic: Evidence from the time and frequency domains. *International Review of Economics & Finance*, *78*(December 2021), 267–285. https://doi.org/10.1016/j.iref.2021.12.005