MALAYSIAN TAKAFUL REPORTING FROM A MAQASID SHARIAH PERSPECTIVE

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INTRODUCTION

Takaful and conventional insurance have the same principles; integrity and indemnity. However, takaful is bounded by the concept of mutual help, responsibility and protection that is free from prohibited items such as *riba* (interest), *maisir* (gambling) and *gharar* (excessive uncertainty). Takaful is an alternative...
to wealth protection mechanism which is Shariah compliant. It aims to assist the unfortunate participants through mutual financial aid and assistance in all its economics activities that comply with the Shariah including the principal contracts of takaful, the content of the contract, the participants and takaful operator. Takaful provides life protection and as a tool to ensure smooth circulation of wealth; inculcating social responsibility spirit and promoting mutual cooperation within society and facilitating ethical dealings. The notion and goals of takaful are developed by maqasid Shariah that is concerned on preserving the religion, life, intellect, ancestry, and wealth. This concept is important in Muslims’ life and the application of takaful is significant towards the maqasid Shariah achievement (S. Abdullah, 2015).

Takaful is significant in Islamic financial system, thus maqasid Shariah should be employed to achieve its aims, purposes, values and direction by realising the maslahah (benefits) and avoiding mafsadah (harms) in every aspect of human life (Abdul Aziz & Mohamad, 2013). The purposes of maqasid Shariah are to achieve or gain benefits, welfare and advantages to the Ummah at the same time banishing evil, greed, loss and disadvantages from the individual beings. Therefore, there should be no injury, damage or difficulties to individuals or the public in the implementation of Shariah in the takaful practice. Maqasid Shariah establishes some values, measures and standards to be sustained in the operation as well several elements to be avoided which will disqualify the Shariah objectives. Takaful objectives meet the objectives of Shariah through support by the ta’awun (mutual cooperation) concept, brotherhood and social equality and social justice, just and fair management of the participants’ fund and achievement of maslahah of the ummah (public interest). Shariah and takaful share the same objectives, therefore, it is crucial for the takaful industry to comply comprehensively with Shariah principles in its concept and operations to accomplish the Islamic goals.

Explanation on activities that are permissibility, non-permissibility or prohibited, or encouraged together with the essence of ethical spirit incorporated to enable a good understanding of the rulings set in the Al-Quran and Hadith for the mankind. The contracts, products or any activity carried out in Islam have to be Shariah compliant to achieve maqasid Shariah (S. Abdullah & Furgani, 2012). The purpose of “maqasid Shariah” or the objective of Shariah is to benefit and protect the Ummah and to discipline and structure the living of the Ummah according to the Islamic teachings guided by the Quran and Hadith. In this view, takaful should be structured in line with the goals, objectives, values and direction defined by the Shariah. In order to promote the well-being of all mankind, Imam Abu Hamid Al-Ghazali (as cited in Chapra (2008)) narrowing the objective of the Shari’ah (maqasid Shariah) into five main classifications or dimensions; preservation of faith (din), preservation of human self (nafs), preservation of knowledge (`aql), preservation of posterity (nasl) and preservation of wealth (mal). Whatever ensures the safeguarding of these five serves public interest (maslahah) and is desirable. These five fundamentals must be preserved in order to maintain the first maslahah category of essentials (daruriyat).

Literally, maslahah is defined by Imam Abu Hamid Al-Ghazali as seeking benefit and repelling harm and preservation agent of the Shariah’s objectives (maqasid al-Shariah). According to al-Ghazali and later al-Shatibi, (in Dusuki & Abdullah (2007)), the theory of maqasid Shariah classified the maslahah through a three-level hierarchy of activities which comprise of essentials (daruriyat), general needs or conveniences (hajiya) and refinements or embellishments (tahsiniyat). Maslahah represents the core of the theory of Maqasid Al-Shariah which is very significant in maqasid framework. (Aminuddin, Ahmad Bustaman, & Abd Wahab, 2014). Understanding the Shariah needs and objectives (Maqasid Shariah) is vital to support the advancement of Ummah in all aspects especially in Muamalat (commercial and civil acts or dealings under Shariah). There is no direct and specific permission either in the Quran or the Sunnah which allows the practice of Takaful. The basis is developed on Ijtihad (or reasoning and interpretation). Ijtihad is developed by Muslim scholars in order to understand and apply the message of the Qur’an to varying societal needs and conditions. Maqasid Shariah acts as a general guideline and parameter which leads scholars to issue the right resolution in ijtihad. (Suhaimi & Ahmad Hazim, 2008; Abdul Jalil & Abdul Rahman, 2012; Lahsasna, 2013).
LITERATURE REVIEW

Takaful Reporting

Islamic companies should be more transparent in reporting their corporate activities as they operate within the boundary of Islamic principles. Transparency means that all important facts concerning the transactions to the affected parties must be clearly stated and is considered as one of the main objectives of Shariah in financial transactions activities (S. Abdullah & Furqani, 2012). Lahsasna (2013) highlighted that one of the important maqasid Shariah is to prevent disagreement among people in social activities or in business community. In order to achieve a transparent market that is free from fraud and manipulation, Shariah focuses more on the transparency in business and finance. Transparency will avoid dispute, reduce corruptions and ensure that business operations will run according to the mutual consent of the related parties. Accounting or Islamic Financial Reporting is one of the tools to achieve the transparency in finance. In her research on Islamic banking risk reporting, As for takaful industry, Ayabe (2009) stated that due to the elimination of usury, gambling and uncertain elements, takaful is perceived by the public as a more fair and transparent insurance system than conventional insurance. Bank Negara Malaysia (2013) highlighted that takaful operators, as part of good governance, shall be transparent in undertaking activities and to promote better understanding of takaful. Takaful operators must be consistent in disclosing information among all audiences, including the authorities, shareholders, the media, users, and employees. More importantly, participants (users) should be adequately informed of the changes and the impact of these changes. If any modifications or changes made to its operational model or to the terms and conditions of the products, the participants must be duly informed. The importance of transparency and clarity on agreements/contracts are highlighted in several verses in the (Al-Quran, 2:282, 17:35, 11:84, 26:181-182, 55:9, 83:1-3). Transparency and disclosure provisions is important as it enables comparisons of product and services as well as facilitate informed choices of consumers. It also helps consumers to be better informed on functioning and systematic qualities of takaful business models (Archer, Abdel Karim, & Nienhaus, 2009).

Mandatory Disclosure, Voluntary Disclosure and Maqasid Shariah

The disclosure of reports produced by companies is divided into two categories: mandatory disclosure and voluntary disclosure. According to Owusu-ansah, (2018) voluntary disclosure refers to any disclosure made by a company that is not required by law or self-regulatory authorities. Companies choose to disclose more information than is required because they believe it would benefit them. Managers should carefully prepare their disclosure strategy since the benefits include improved market reputation, fewer political and regulatory intervention, and enhanced stock liquidity (Entwistle, 1997). The quality and level of information on voluntary disclosure of the firms is a result of the rational decision of the managers based on the perceived, direct and indirect, costs and benefits of doing so (S. J. Gray, Radebaugh, & Robert, 1990).

On the other hand, mandatory disclosure is the minimal level of financial or non-financial information required by international accounting standards or other national standards from a reporting institution. Normally, regulatory bodies require corporations to disclose certain elements of information. However, if enforcement is inefficient, the levels of mandatory disclosures provided are mainly dependent on managers’ decisions, similar to voluntary disclosures.

One of the reasons for mandatory disclosure regulation is the regulatory authorities’ commitment to protect the interests of ordinary investors. Furthermore, the existence of disclosure regulation, which also assures firms’ compliance with regulatory requirements, positively influences the credibility of information in capital markets. (Watts & Zimmerman, 1986; Taplin, R., Tower, & Hancock, 2002; Al-Htaybat & Napier, 2006). By establishing a minimum level of mandatory disclosure, regulators aim to redistribute wealth between informed and uniformed investors, as the information gap between them is expected to decrease (Healy, P. M., Hutton, & Palepu, 1999). However, mandatory disclosure may not always be adequate to meet investors' expectations. Thus, managers employ voluntary disclosure to communicate to investors their best information about the company's performance (Healy & Palepu,
2001; Graham, Harvey, & Rajgopal, 2005). The theory of maqasid Shariah classified the maslahah through a three-level hierarchy of activities which comprise of essentials (daruriyat), general needs or conveniences (hajiya) and refinements or embellishments (tahsiniyat).

From reporting perspective, mandatory disclosure consists of important information that firms must disclose to the users. Therefore, this information is categorised as essentials (daruriyat) under maqasid Shariah concept. As for voluntary disclosure, it is an additional information based on company’s discretion, relevant legislation and external pressures from consulting firms, financial analysts, capital markets, and cultural factors which are categorised as general needs or conveniences (hajiya) or refinements or embellishments (tahsiniyat).

**METHODOLOGY**

**Research Framework**

In order to identify the level of mandatory and voluntary disclosure, the research begins with the development of the disclosure index based on the pillars of Islamic accountability (Shariah, social and financial) (El-Halaby, Hussainey, Mohamed, & Hussien, 2018) and related information specific to the takaful industry. The checklist items were taken from various standards and guidelines such as the Islamic Financial Services Act (IFSA) 2013, the takaful operational framework and guidelines on financial reporting for Takaful operators by Bank Negara Malaysia (BNM), standards issued by Islamic Financial Services Board (IFSB), pronouncements on Islamic financial transactions by Malaysian Accounting Standard Board (MASB) and related Malaysian Financial Reporting Standards (MFRS). Based on the disclosure index, content analysis was conducted to examine mandatory and voluntary disclosure level of annual reports and websites of takaful operators. All eleven (11) takaful operators’ website and annual report were be evaluated using the weighted disclosure index. This study employs ordinal scale index as it suits the purpose of the study to examine meaningful disclosure annual reports and websites of takaful operators. Categories for each item based on the following scoring system:

- 0 – Non-disclosure
- 1 – Simple narrative disclosure
- 2 – Details qualitative or quantitative disclosure

Greater weight (2) were awarded for details qualitative and quantitative disclosures than simple narrative disclosures (1) because details and quantified information is more accurate, comparable and has higher potential value in decision-making by various stakeholders (Kamal, 2012; Kamala, 2014). The allocated categories represent the level of information disclosed in the annual reports and websites. The index indicates any differences in the quality of reporting of each item. In order to analyse the results, the category of each item in the disclosure index was evaluated. All eleven (11) takaful operators’ website and annual report were evaluated using the weighted disclosure index. Annual reports or director’s reports or audited financial statements and websites of all eleven (11) takaful operators were assessed from 8th July 2019 – 31st July 2019. The second round of content analysis was conducted from 1st August 2019 – 19th August 2019 to ensure stability and reliability of the data collected. The overall meaningful disclosure index for each takaful operator was then computed as an arithmetic mean of the eight sub-meaningful indices in percentages. The takaful operators were ranked from high to low based on the overall meaningful disclosure index. The overall meaningful disclosure index (MD Index) of each takaful operator was computed using the following formula:

\[
MD Index = \frac{[MD \text{ financial} + MD \text{ shari’ah} + MD \text{ CG} + MD \text{ policy} + MD \text{ family} + MD \text{ solvency} + MD \text{ risks} + MD \text{ ERM}]}{8}
\]

Where:
- MD Index = Meaningful Disclosure Quality Index
- MD financial = Meaningful Disclosure Financial Reporting Index
- MD Shariah = Meaningful Disclosure Shariah Compliance and Governance Index
- MD CG = Meaningful Disclosure Corporate Governance Index
- MD policy = Meaningful Disclosure Takaful Policy Requirements Index
MD family = Meaningful Disclosure Family Takaful Index
MD solvency = Meaningful Disclosure Solvency Requirements Index
MD risks = Meaningful Disclosure Risks Index
MD ERM = Meaningful Disclosure Enterprise Risk Management Index

Mandatory Disclosure Requirements

The mandatory disclosure requirements were developed based on Malaysian Financial Reporting Standards (MFRS) and requirements of Bank Negara Malaysia (BNM). Two standards from MFRS (MFRS 4 and MFRS 7) while three requirements of BNM (Financial reporting for Takaful Operators and Internal Capital Adequacy Assessment Process (ICAAP). The summary of mandatory disclosure items is presented in Table 1.

Table 1. Number of mandatory items according to standards/requirements.

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Number of Mandatory Disclosure items</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFRS 4 (insurance contract)</td>
<td>12 items</td>
</tr>
<tr>
<td>MFRS 7 (financial instruments: disclosures)</td>
<td>13 items</td>
</tr>
<tr>
<td>Financial Reporting for Takaful Operator (FRTO)</td>
<td>38 items</td>
</tr>
<tr>
<td>Internal Capital Adequacy Assessment Process (ICAAP)</td>
<td>4 items</td>
</tr>
<tr>
<td>Total</td>
<td>67 items</td>
</tr>
</tbody>
</table>

MFRS 4 is a standard for insurance contract. As there is no standard issued specifically for takaful, takaful operators had to adhere to the MFRS 4 requirements. MFRS 7 is a standard on financial instruments: disclosures. Even though MFRS 7 is on the disclosure for financial instruments, since takaful operators are involved in investment activity, this financial investment becomes part of the financial instruments.

Financial reporting for takaful operators (FRTO) is issued to clarify and sets minimum requirements for a takaful operator in MFRS application. It ensures adequate disclosures in the financial statements by a takaful operator to enhance comparability for users of financial statements and to promote better analysis of the financial position and performance of a takaful operator. The policy documents outline the specific criteria on MFRS implementation, information to be reported in the financial statements, requirements to authorize a dividend payment and requirements on submission and publication of the financial statements. Takaful operator is expected to fulfil the requirements in this policy document when preparing and publishing separate financial statements and consolidated financial statements.

On the other hand, The Internal Capital Adequacy Assessment Process (ICAAP) for takaful operators is the overall process to be performed by a licensed individual to ensure that the operator has sufficient capital to satisfy on an ongoing basis their capital requirements. Only four mandatory items based on general requirements on board oversight and senior management responsibilities; comprehensive risk assessment; individual target capital level (ITCL) and sound capital management.

Voluntary Disclosure Requirements

The voluntary disclosure requirements were developed based on requirements of Bank Negara Malaysia (BNM) and Islamic Financial Services Board (IFSB). A requirement of BNM (Takaful Operational Framework (TOF)) and four requirements of IFSB (IFSB 8, IFSB 9, IFSB 10 and IFSB 14). As for BNM requirements, Takaful Operational Framework (TOF) draws the parameters governing the operational requirements for the management of takaful funds and shareholders ' funds. TOF aims to achieve the takaful sector's operational efficiency and the sustainability of takaful funds, thus safeguarding the best interests of the takaful participants. The summary of the voluntary disclosure items is presented in table 2.
Table 2. Number of voluntary items according to standards/requirements.

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Number of Voluntary Disclosure items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takaful Operational Framework (TOF)</td>
<td>21</td>
</tr>
<tr>
<td>IFSB 8 – Guiding Principles on Governance for Takaful Undertakings</td>
<td>20</td>
</tr>
<tr>
<td>IFSB 9 - Guiding Principles on Conduct of Business for Institutions Offering Islamic Financial Services</td>
<td>1</td>
</tr>
<tr>
<td>IFSB 10 - Guiding Principles on Shari`ah Governance Systems for Institutions Offering Islamic Financial Services</td>
<td>2</td>
</tr>
<tr>
<td>IFSB 14 - Standard on Risk Management for Takaful Undertakings</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57</td>
</tr>
</tbody>
</table>

RESULTS AND DISCUSSION

There are only eleven takaful operators in Malaysia (before IFSA requirement for composite takaful operators to split their general and Family Takaful businesses into two separate entities in 2018). Three of the takaful operators were owned by foreign countries (Zurich Takaful Malaysia Berhad, AIA AFG Takaful Berhad and Great Eastern Takaful). The oldest takaful operator is Syarikat Takaful Malaysia Berhad which was formed in 1985 using Mudarabah model. As for the content analysis, all voluntary and mandatory items were classified into 8 themes consistent with studies by El-Halaby et al (2018), Archer et al (2009), IFSB and IAIS (2006), IFSB (2009), Abdul Aris et al (2012) and Akhter (2010). The 8 themes are 1) financial reporting (El-Halaby, 2018); 2) Shariah Compliance and Governance (El-Halaby, 2018); 3) Corporate Governance (IFSB & IAIS, 2006); 4) Takaful Policy Requirements (Archer et al, 2009); 5) Family Takaful (IFSB, 2009); 6) Solvency Requirements of Takaful Undertakings (Archer et al, 2009); 7) Risks (Abdul Aris et al, 2012; Akhter, 2010) and 8) Enterprise Risk Management (Abdul Aris et al, 2012; Akhter, 2010). All eleven (11) takaful operators’ website and annual report were evaluated using the weighted disclosure index. The summary of the content analysis was as follows:

Table 3. Overall mandatory disclosure according to total quality disclosure and average disclosure

<table>
<thead>
<tr>
<th></th>
<th>Takaful operator 1</th>
<th>Takaful operator 2</th>
<th>Takaful operator 3</th>
<th>Takaful operator 4</th>
<th>Takaful operator 5</th>
<th>Takaful operator 6</th>
<th>Takaful operator 7</th>
<th>Takaful operator 8</th>
<th>Takaful operator 9</th>
<th>Takaful operator 10</th>
<th>Takaful operator 11</th>
<th>Average Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Shariah Compliance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>100%</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>75%</td>
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<td>83%</td>
<td>83%</td>
<td>83%</td>
<td>79%</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>75%</td>
<td>50%</td>
<td>100%</td>
<td>50%</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>100%</td>
<td>79%</td>
</tr>
<tr>
<td>Risks</td>
<td>100%</td>
<td>100%</td>
<td>98%</td>
<td>98%</td>
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<td>100%</td>
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<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Enterprise Risk Management</td>
<td>100%</td>
<td>100%</td>
<td>67%</td>
<td>67%</td>
<td>100%</td>
<td>67%</td>
<td>67%</td>
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<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>85%</td>
</tr>
<tr>
<td><strong>TOTAL DISCLOSURE</strong></td>
<td>96%</td>
<td>94%</td>
<td>96%</td>
<td>92%</td>
<td>96%</td>
<td>94%</td>
<td>93%</td>
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<td>96%</td>
<td>96%</td>
<td>96%</td>
<td>95%</td>
</tr>
</tbody>
</table>
Table 4. Overall voluntary disclosure according to total quality disclosure and average disclosure

<table>
<thead>
<tr>
<th></th>
<th>Takaful Operator 1</th>
<th>Takaful Operator 2</th>
<th>Takaful Operator 3</th>
<th>Takaful Operator 4</th>
<th>Takaful Operator 5</th>
<th>Takaful Operator 6</th>
<th>Takaful Operator 7</th>
<th>Takaful Operator 8</th>
<th>Takaful Operator 9</th>
<th>Takaful Operator 10</th>
<th>Takaful Operator 11</th>
<th>Average Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shariah Compliance</td>
<td>70%</td>
<td>30%</td>
<td>40%</td>
<td>40%</td>
<td>60%</td>
<td>30%</td>
<td>40%</td>
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<td>40%</td>
<td>70%</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>67%</td>
<td>58%</td>
<td>67%</td>
<td>67%</td>
<td>58%</td>
<td>50%</td>
<td>42%</td>
<td>42%</td>
<td>33%</td>
<td>42%</td>
<td>42%</td>
<td>52%</td>
</tr>
<tr>
<td>Takaful Policy Requirements</td>
<td>45%</td>
<td>65%</td>
<td>53%</td>
<td>53%</td>
<td>63%</td>
<td>43%</td>
<td>43%</td>
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<td>55%</td>
<td>80%</td>
<td>43%</td>
<td>55%</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>0%</td>
<td>50%</td>
<td>30%</td>
<td>80%</td>
<td>40%</td>
<td>20%</td>
<td>0%</td>
<td>60%</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
<td>36%</td>
</tr>
<tr>
<td>Solvency Requirements</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Risks</td>
<td>57%</td>
<td>36%</td>
<td>43%</td>
<td>57%</td>
<td>79%</td>
<td>43%</td>
<td>14%</td>
<td>50%</td>
<td>36%</td>
<td>57%</td>
<td>43%</td>
<td>47%</td>
</tr>
<tr>
<td>Enterprise Risk Management</td>
<td>50%</td>
<td>71%</td>
<td>64%</td>
<td>79%</td>
<td>86%</td>
<td>43%</td>
<td>43%</td>
<td>71%</td>
<td>86%</td>
<td>89%</td>
<td>71%</td>
<td>68%</td>
</tr>
<tr>
<td>TOTAL DISCLOSURE</td>
<td>36%</td>
<td>39%</td>
<td>37%</td>
<td>47%</td>
<td>48%</td>
<td>29%</td>
<td>23%</td>
<td>41%</td>
<td>39%</td>
<td>47%</td>
<td>32%</td>
<td>38%</td>
</tr>
</tbody>
</table>

The objective of the research is to examine the level of Takaful reporting by examining the annual reports and websites of takaful operators. The content analysis was conducted to fulfill the objective of the study. All takaful operators disclosed 100% of information on financial reporting, Shariah compliance and governance, risks and enterprise risk management have the lowest level of average disclosure level on corporate governance. All mandatory items are fundamental/ essential (daruriyat) therefore it is expected that they have high level of total meaningful disclosure. Consistently, the findings show that the disclosure level is high that is, between 92% and 96% of total disclosure.

In institutional theory, coercive pressures present as a result of a government mandate that organisations are required to exercise (DiMaggio & Powell, 1983). In Malaysia, takaful operators are required to mandatorily disclosed information based on MFRS and Bank Negara requirements under MFRS 4, MFRS 7, TOF and ICAAP. High penalty was imposed if did not comply with the Bank Negara requirements. As for Takaful Operational Framework, the requirements in this policy document are specified pursuant to sections 29(2), 57, 90, 93, 94, 95 and 155 of the IFSA (2013), in which, the maximum penalty is imprisonment for a term not exceeding eight years or a fine not exceeding twenty-five million Malaysian Ringgit. Consistent with the theory, the average disclosure level is 95% which is at high level of disclosure.

On the other hand, the result on voluntary information disclosed by takaful operators is mixed. The disclosure level is between 23% and 48% of total disclosure. None of the takaful operators disclose information on solvency requirements theme. There is only 36% disclosure level on family takaful theme. The highest disclosure level is 68% which is on enterprise risk management theme. Further analysis shows that more than 6 takaful operators did not disclose information from 19 items required by IFSB and 9 items required by TOF.

Higher non-disclosure items on IFSB requirements are because it is just a guideline and best practice, not mandatory (hajiyat/tahsiniyyat). No penalty imposed on non-disclosure and IFSB is not one of the regulators in takaful industry in Malaysia. The findings show that the average voluntary disclosure level is 38% of total disclosure, which is considered as at moderately low level. Mimetic isomorphism explains the voluntary disclosure made by takaful operators. One takaful operators might imitate another...
CONCLUSION

Takaful operators disclosed with an average of 95% of the total mandatory information. As for voluntary disclosure, takaful operators disclosed with an average of 38% of total voluntary information. None of the takaful operators disclose information on solvency requirements because the IFSB requirements on solvency requirement is just a guideline and best practice. Given that this is not mandatory and that the IFSB is not one of the regulators of the takaful industry in Malaysia, takaful operators tend not to disclose. All mandatory items are fundamental or essential (daruriyat) and takaful operators are expected to have a high-level disclosure. Thus, the disclosure level is consistent amongst takaful operators that is between 92% and 96% of total mandatory disclosure.

From a disclosure perspectives, essentials or fundamental information (daruriyat) are disseminated in detail in the annual report as mandatory disclosure. As for general needs information (hajiyat) and information related to refinements (tahsiniyat), these are classified as voluntary disclosure. Voluntary disclosure includes sharing of nonfinancial information such as ethical, environmental, and social issues, by firms with users without any legal obligation. Given the time and cost constraints, this study is unable to explore these concepts thoroughly. Therefore, it is suggested for future researchers to do a thorough study on the meaningful disclosure level based on the three-level hierarchy of maqasid Shariah. Future studies may want to focus on the classifications of voluntary disclosure items into general needs information (hajiyat) and information related to refinements (tahsiniyat).

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