

Compose

Messages Photos Documents

- Inbox 999+
- Unread
- Starred
- Drafts 306
- Sent
- Archive
- Spam
- Trash
- ^ Less
- Views Hide
 - Photos
 - Documents
 - Subscriptions
 - Travel
- Folders Hide
 - + New Folder
 - Unwanted

- 2019
- Journal of Islami... 7/18/2019
 - ☆ Self-archiving Instructions ...policy; To deposit your A...
 - Journal of Islami... 7/18/2019
 - ☆ Journal of Islamic Marketing - ... Dear Mrs. Nugraheni, It is a pl...
 - Journal of Islami... 7/9/2019
 - ☆ Journal of Islamic Marketing -that your manuscript titled I...
 - Yunice Karina Tu... 5/10/2019
 - ☆ Permintaan Review Paper ... Yth,Rifqi Muhammad, Ph...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -Central site has been modifi...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -site for online submission an...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -you that your manuscript titl...
- 2018
- Journal of Islami... 8/30/2018
 - ☆ Journal of Islamic Marketing -you that your manuscript titl...

Journal of Islamic Marketing - Author update Yahoo/Inbox ☆

Journal of Islamic Marketing <onbehalf@manuscriptcentral.com>
To: peninugraheni@yahoo.com, rifqimuhammad@yahoo.com


30-Aug-2018

Dear Author(s),


It is a pleasure to inform you that your manuscript titled Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia (JIMA-08-2018-0143) has passed initial screening and is now awaiting reviewer selection. The manuscript was submitted by Mrs. Peni Nugraheni with you listed as a co-author. As you are listed as a co-author please log in to <https://mc.manuscriptcentral.com/jima> and check that your account details are complete and correct, these details will be used should the paper be accepted for publication.

Yours sincerely,
Jonathan Wilson
Editorial Assistant, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

BLACK FRIDAY



UP TO 80% OFF



KALESAFE SHOP NOW

Compose

Messages Photos Documents

- Inbox 999+
- Unread
- Starred
- Drafts 306
- Sent
- Archive
- Spam
- Trash
- Less
- Views Hide
- Photos
- Documents
- Subscriptions
- Travel
- Folders Hide
- + New Folder
- Unwanted

Sort

Archive Move Delete Spam

- 2019
- Journal of Islami... 7/18/2019
 - ☆ Self-archiving Instructions ...policy; To deposit your A...
 - Journal of Islami... 7/18/2019
 - ☆ Journal of Islamic Marketing - ... Dear Mrs. Nugraheni, It is a pl...
 - Journal of Islami... 7/9/2019
 - ☆ Journal of Islamic Marketing -that your manuscript titled I...
 - Yunice Karina Tu... 5/10/2019
 - ☆ Permintaan Review Paper ... Yth,Rifqi Muhammad, Ph...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -Central site has been modifi...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -site for online submission an...
 - Journal of Islami... 2/2/2019
 - ☆ Journal of Islamic Marketing -you that your manuscript titl...
- 2018
- Journal of Islami... 8/30/2018
 - ☆ Journal of Islamic Marketing -you that your manuscript titl...

Journal of Islamic Marketing - Author update

Yahoo/Inbox

Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com> Sat, Feb 2, 2019 at 8:24 AM

To: peninugraheni@yahoo.com, rifqimuhammad@yahoo.com

02-Feb-2019

Dear Author(s),

It is a pleasure to inform you that your manuscript titled Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia (JIMA-08-2018-0143.R1) has passed initial screening and is now awaiting reviewer invitation.

The manuscript was submitted by Mrs. Peni Nugraheni with you listed as a co-author.

As you are listed as a co-author, if you have not already done so please log in to <https://mc.manuscriptcentral.com/jima> and check that your account details are complete and correct, these details will be used should the paper be accepted for publication.

Yours sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing

BLACK FRIDAY

UP TO 80% OFF

KALESAFE SHOP NOW

mail.yahoo.com

HOME MAIL NEWS FINANCE SPORTS ENTERTAINMENT LIFE SEARCH SHOPPING YAHOO PLUS MORE... yahoo/mail Upgrade Now

yahoo/mail JIMA 00 Advanced Home rifqi

Compose Messages Photos Documents

Inbox 999+ Unread Starred Drafts 306 Sent Archive Spam Trash ^ Less Views Hide Photos Documents Subscriptions Travel Folders Hide + New Folder Unwanted

2020

2019

- Journal of Islami... 9/13/2019
☆ Journal of Islamic Marketing - ...
Dear Assoc. Prof. Muhammad...
- Journal of Islami... 9/13/2019
☆ Journal of Islamic Marketing - JIM...
...is presently being given full ...
- Rifqi Muhamma... 9/1/2019
☆ **tip file karya ilmiah**
...Revised 9 July 2019 Acc...
- Journal of Islami... 7/18/2019
☆ Self-archiving Instructions
...policy; To deposit your A...
- Journal of Islami... 7/18/2019
☆ Journal of Islamic Marketing - ...
Dear Mrs. Nugraheni, It is a pl...
- Journal of Isla... 7/9/2019
☆ **Journal of Islamic Marketing...**
...that your manuscript titled I...
- Yunice Karina Tu... 5/10/2019
☆ Permintaan Review Paper ...
Yth,Rifqi Muhammad, Ph...
- Journal of Islami... 2/2/20...
☆ Journal of Islamic Marketing - ...
Central site has been modif

Journal of Islamic Marketing - Decision on JIMA-08-2018-0143.R2 Yahoo/Inbox ☆

J Journal of Islamic Marketing <onbehalf@manuscriptcentral.com>
To: peninugraheni@yahoo.com, rifqimuhammad@yahoo.com

Thu, Jul 18, 2019 at 6:51 AM ☆

Dear Mrs. Nugraheni,

It is a pleasure to accept your manuscript entitled "Innovation in the Takaful Industry: A Strategy to Expand the Takaful Market in Indonesia" in its current form for publication in Journal of Islamic Marketing.

By publishing in this journal, your work will benefit from Emerald EarlyCite. This is a pre-publication service which allows your paper to be published online earlier, and so read by users and, potentially, cited earlier. Please note, EarlyCite is not a proofing service.

Please go to your Author Centre on ScholarOne Manuscripts (Manuscripts with Decisions or Manuscripts I have co-authored) to complete the copyright assignment form. We cannot publish your paper without the copyright form. If any of the information is incorrect please contact the journal Content Editor immediately.

If you would like more information about Emerald's copyright policy please visit the Instructions & Forms section (top right of the screen) in your Author Centre.

Thank you for your contribution. On behalf of the Editors of Journal of Islamic Marketing, we look forward to your continued contributions to the Journal.

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Ads by Google

Send feedback

Why this ad? ⓘ

- Compose
- Inbox 999+
- Unread
- Starred
- Drafts 306
- Sent
- Archive
- Spam
- Trash
- Less
- Views Hide
- Photos
- Documents
- Subscriptions
- Travel
- Folders Hide
- + New Folder
- Unwanted

- Messages Photos Documents
- Sort
- 2020
- 2019
- Journal of Islami... 9/13/2019
☆ Journal of Islamic Marketing - ...
Dear Assoc. Prof. Muhammad...
 - Journal of Islami... 9/13/2019
☆ Journal of Islamic Marketing - JIM...
...is presently being given full ...
 - Rifqi Muhamma... 9/1/2019
☆ **titip file karya ilmiah**
...Revised 9 July 2019 Acc...
 - Journal of Islami... 7/18/2019
☆ Self-archiving Instructions
...policy; To deposit your A...
 - Journal of Islami... 7/18/2019
☆ Journal of Islamic Marketing - ...
Dear Mrs. Nugraheni, It is a pl...
 - Journal of Islami... 7/9/2019
☆ Journal of Islamic Marketing - ...
...that your manuscript titled I...
 - Yunice Karina Tu... 5/10/2019
☆ Permintaan Review Paper ...
Yth,Rifqi Muhammad, Ph...
 - Journal of Islami... 2/2/20...
☆ Journal of Islamic Marketing - ...
Central site has been modifi

Journal of Islamic Marketing - Author update Yahoo/Inbox ☆

J Journal of Islamic Marketing <onbehalfof@manuscriptcentral.com>
To: peninugraheni@yahoo.com, rifqimuhammad@yahoo.com Tue, Jul 9, 2019 at 8:06 AM ☆

09-Jul-2019

Dear Author(s),

It is a pleasure to inform you that your manuscript titled Innovation in the Takaful Industry: A Strategy to Expand the Takaful Market in Indonesia (JIMA-08-2018-0143.R2) has passed initial screening and is now awaiting reviewer invitation.

The manuscript was submitted by Mrs. Peni Nugraheni with you listed as a co-author.

As you are listed as a co-author, if you have not already done so please log in to <https://mc.manuscriptcentral.com/jima> and check that your account details are complete and correct, these details will be used should the paper be accepted for publication.

Yours sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing

← ← → →

yahoo!mail

**ORGANIZED
CUSTOMIZED
AWESOMIZED**

Get the app

Journal of Islamic Marketing

Decision Letter (JIMA-08-2018-0143)

From: jw@islamicmarketing.co.uk

To: peninugraheni@yahoo.com

CC:

Subject: Journal of Islamic Marketing - Decision on Manuscript ID JIMA-08-2018-0143

Body: Dear Mrs. Nugraheni:

Manuscript ID JIMA-08-2018-0143 entitled "Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia" which you submitted to the Journal of Islamic Marketing, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

The reviewer(s) have recommended publication, but also suggest some minor revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jima> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text.

Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Islamic Marketing, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Islamic Marketing and I look forward to receiving your revision.

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Reviewer(s)' Comments to Author:
Reviewer: 1

Recommendation: Minor Revision

Comments:
thank you for giving me the opportunity to review papers for JIM

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes, the way the information and ideas are organized can contribute to building a model by applying grounded theory methodology for the future researches.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: The literature review was comprehensive, adequate, updated and related to the topic.

your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text.

Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Islamic Marketing, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Islamic Marketing and I look forward to receiving your revision.

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Reviewer(s)' Comments to Author:
Reviewer: 1

Recommendation: Minor Revision

Comments:
thank you for giving me the opportunity to review papers for JIM

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes, the way the information and ideas are organized can contribute to building a model by applying grounded theory methodology for the future researches.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: The literature review was comprehensive, adequate, updated and related to the topic.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: The paper is well designed and based on the methodology. But the section (3) which discuss the methodology, need some more literature about the methodology and cite some previous works about the usefulness of the current methodology. Furthermore, why this method is appropriate for the current work.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: Yes.

5. Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent with the findings and conclusions of the paper?: The last section (5) summarized the general implication of the paper and future direction of the research. And the more detailed implications were stated in each section of the paper as the paper was discussing the innovation of the Takaful market, product and process.

6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: The paper writing style is clear, and the language is related to the field of Takaful market. But in the introduction (1) a brief definition for the innovation is needed. Section 2.2 need a conclusion in no more than 2 sentences to relate the upcoming section.

Date Sent: 17-Jan-2019

Close Window

Journal of Islamic Marketing

Decision Letter (JIMA-08-2018-0143.R1)

From: jw@islamicmarketing.co.uk
To: peningraheni@yahoo.com
CC:
Subject: Journal of Islamic Marketing - Decision on Manuscript ID JIMA-08-2018-0143.R1

Body:

Dear Mrs. Nugraheni:

Manuscript ID JIMA-08-2018-0143.R1 entitled "Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia" which you submitted to the Journal of Islamic Marketing, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

The reviewer(s) have recommended publication, but also suggest some revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jima> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Islamic Marketing, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Islamic Marketing and I look forward to receiving your revision.


Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Reviewer(s)' Comments to Author:
Reviewer: 1

Recommendation: Major Revision

Comments:
To Author

Many thanks for considering this journal for publishing your research works, which displayed a good degree of publication potential. However, please pay close attention to the comments provided - the chief among others is your English usage (grammars and choice of words), which rendered understanding your article difficult and unpleasant. At times, the reviewer just couldn't make sense of your sentences. Please read and re-read your works, place yourself in the readers' shoe, and try to make a sense of your sentences during your revision works. I wish you the very best in your revision works. Cheers.



mc.manuscriptcentral.com

The reviewer(s) have recommended publication, but also suggest some revisions to your manuscript. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jima> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Instead, revise your manuscript using a word processing program and save it on your computer. Please also highlight the changes to your manuscript within the document by using the track changes mode in MS Word or by using bold or coloured text. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Because we are trying to facilitate timely publication of manuscripts submitted to the Journal of Islamic Marketing, your revised manuscript should be uploaded as soon as possible. If it is not possible for you to submit your revision in a reasonable amount of time, we may have to consider your paper as a new submission.

Once again, thank you for submitting your manuscript to the Journal of Islamic Marketing and I look forward to receiving your revision.

Sincerely,
Prof. Jonathan Wilson
Editor, Journal of Islamic Marketing
jw@islamicmarketing.co.uk

Reviewer(s)' Comments to Author:
Reviewer: 1

Recommendation: Major Revision

Comments:
To Author

Many thanks for considering this journal for publishing your research works, which displayed a good degree of publication potential. However, please pay close attention to the comments provided - the chief among others is your English usage (grammars and choice of words), which rendered understanding your article difficult and unpleasant. At times, the reviewer just couldn't make sense of your sentences. Please read and re-read your works, place yourself in the readers' shoe, and try to make a sense of your sentences during your revision works. I wish you the very best in your revision works. Cheers.

Additional Questions:

1. Originality: Does the paper contain new and significant information adequate to justify publication?: Yes.

2. Relationship to Literature: Does the paper demonstrate an adequate understanding of the relevant literature in the field and cite an appropriate range of literature sources? Is any significant work ignored?: Average.

3. Methodology: Is the paper's argument built on an appropriate base of theory, concepts, or other ideas? Has the research or equivalent intellectual work on which the paper is based been well designed? Are the methods employed appropriate?: Yes.

4. Results: Are results presented clearly and analysed appropriately? Do the conclusions adequately tie together the other elements of the paper?: Undecided.

5. Implications for research, practice and/or society: Does the paper identify clearly any implications for research, practice and/or society? Does the paper bridge the gap between theory and practice? How can the research be used in practice (economic and commercial impact), in teaching, to influence public policy, in research (contributing to the body of knowledge)? What is the impact upon society (influencing public attitudes, affecting quality of life)? Are these implications consistent with the findings and conclusions of the paper?: Not necessarily.


6. Quality of Communication: Does the paper clearly express its case, measured against the technical language of the field and the expected knowledge of the journal's readership? Has attention been paid to the clarity of expression and readability, such as sentence structure, jargon use, acronyms, etc.: No. The paper does exhibit a certain degree of potential but the amount of grammatical errors and unclear wordings took away my interest in an instant; a condition that the journal's reader will likely encounter.

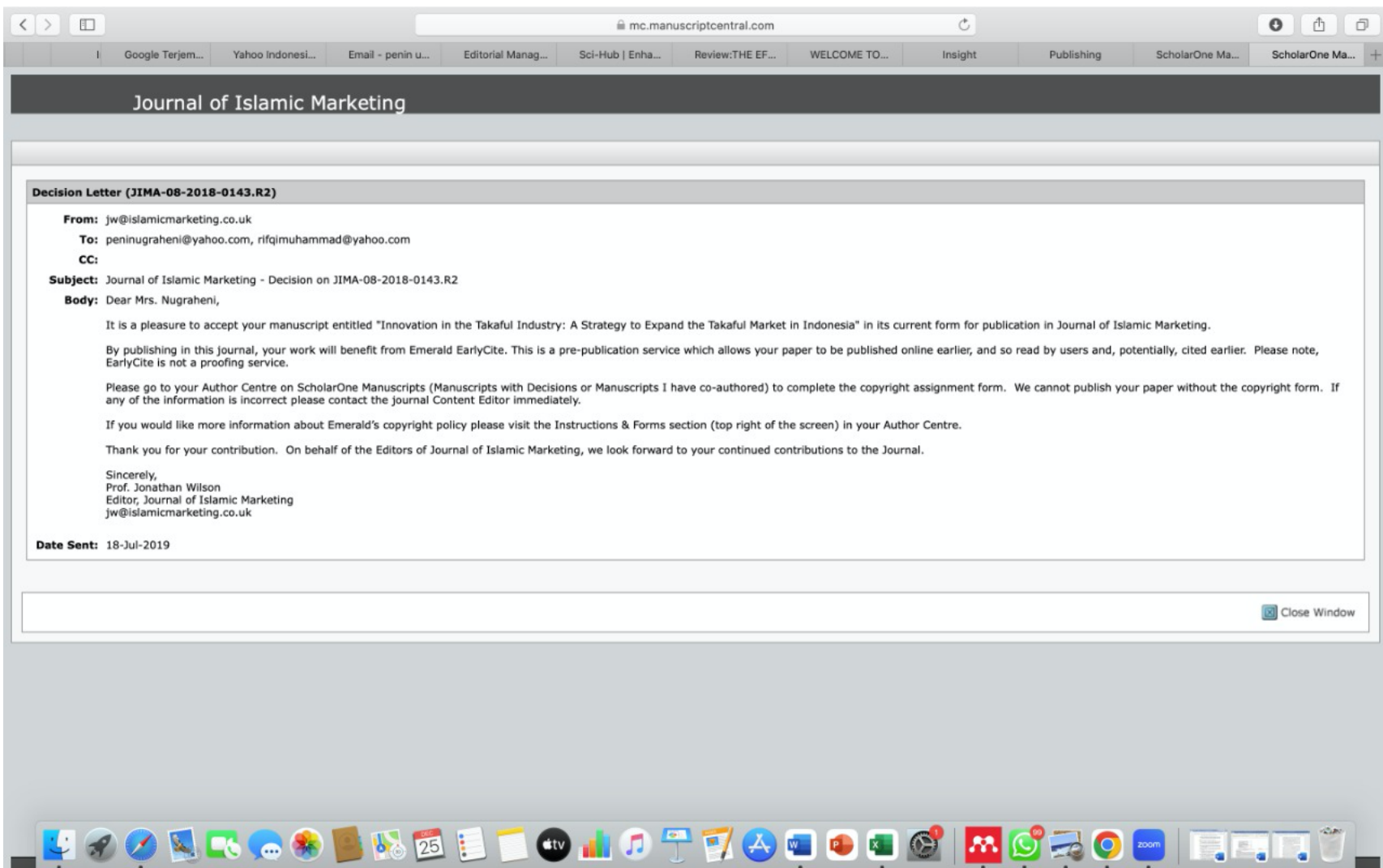
Date Sent: 20-Jun-2019

File 1: [_system_appendPDF_proof_hi.pdf](#)

Files attached

_system_appendPDF_proof_hi.pdf







Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia

Journal:	<i>Journal of Islamic Marketing</i>
Manuscript ID	JIMA-08-2018-0143
Manuscript Type:	Article Review
Keywords:	Takaful, Market Development, Innovation, Demographic Characteristics

SCHOLARONE™
Manuscripts

Innovation of Takaful Industry: A Strategy to Expand Takaful Market in Indonesia

Abstract:

Purpose - This study aims to identify and describe innovations that can be chosen by Takaful industry in Indonesia with understanding the demographic characteristics in Indonesia.

Design/Methodology/Approach - This study uses qualitative descriptive method to discuss the strategies in doing innovation of Takaful industry using literature-based method. The method is useful to review a certain condition or phenomenon based on existing facts and analyse based on existing literature.

Findings - This study describes the type of innovation that can be done by the Takaful industry in Indonesia. Market, product and process innovation can be chosen as a strategy to expand Takaful market and influence the community to participate in Takaful.

Research limitations/implications - The strategy of innovations described are adapted to demographic characteristics in Indonesia, so that they may not be generalized in other countries with different environments.

Practical implications - Takaful Industry can choose the type of innovation that will be carried out to suit the characteristics of the community and environmental conditions in Indonesia, by considering customer demographic and geographical conditions.

Originality/value - The study specifically discusses innovation strategy in Takaful industry with describing the demographic characteristics of Indonesia. Takaful industry can determine the type of innovation based on the customer demographic and geographical conditions faced

Keywords - Takaful, Market Development, Innovation, Demographic Characteristics

Paper type - General review

1. Introduction

Insurance is a financial instrument which is dealing with risks that may affect business continuity (Ichsan, 2015). There are some important roles of insurance. First, insurance contributes positively in a country's economic life (Brainard, 2008). The positive contributions are attributed as financial intermediation channel and long-term investment. Insurance can be used as a quite large fund collection tool for economic activities of community and for extensive economic development, as well as for resolving risks faced in the development of a country (Ichsan, 2015). Second, the insurance sector, as part of the financial service sector in a country, has a strategic role in creating country's economic stability

through the aspect of risk management in an economic activity (Setiawan, 2008).

Muslim awareness of economic activity in accordance with Islamic principles contributes to the growth of Islamic insurance (Takaful) industry. As per December 2017, there are 13 full fledged Takaful companies, 50 Takaful business units since the establishment of first Takaful companies on 1994. Indonesia is one of the Asia Pacific countries with fastest growth in insurance industry supported by "...the gradual expansion of the middle classes, growing income levels and development of more affordable insurance products including microinsurance..." (BMI cite in Karim Consulting, 2017, p. 11). Nevertheless, the market share of Takaful in Indonesia is still relatively low. The data from Financial Service Authority (FSA) of Indonesia (OJK) shows that the penetration rate is 0.104% from total population of 262 million people in the end of 2017.

Takaful industry is expected to continue growing in the future to be an alternative investment for community with risk-sharing basis. Introducing and marketing Takaful products in certain countries need the understanding of the characteristics and environment of those countries. Indonesia has predominantly Muslim population and thus has a potential Takaful market. Many challenges are found in Takaful industry when trying to market its products in Indonesia (Deloitte, 2013; Redhika and Mahalli, 2014; Ichsan, 2015). One of the challenges is innovation. Innovation in Takaful industry should be considered in order to come up with alternative steps to encourage public interest to participate in Takaful. Having innovation should consider the conditions around the industry such as economic, financial and demographic factors should be considered in penetrating Takaful market (Sherif and Shaairi, 2013). According to Husin & Rahman (2013), demographic characteristics can influence the marketing strategies for Takaful because it can measure the intention behaviour of customers to identify their needs.

This study aims to identify and describe innovations that can be done by Takaful companies in Indonesia. Research on the innovation in the Takaful industry is important because of three reasons. First, Takaful is developed to fulfil the Muslims' demand related to insurance in accordance to Islamic principles, specifically in Indonesia as a country with Muslim as the largest population. Second, previous researches discuss more on the challenges faced

by Takaful industry in general, while this study will specifically describe aspects of innovation that Takaful companies can do. Third, Takaful industry may face different challenges depending on the situation of the country where it is located. This study specifically discusses about Takaful industry in Indonesia. Many efforts that will be explained might be taken as alternative solutions by Takaful to increase their market share. It is expected that the understanding towards characteristics and environment in Indonesia can better encourage the participation in Islamic economic activity.

This study is divided into several sections. The second section discusses about literature review related to Takaful and innovation. The third section provides methodology research and forth section discusses on type of innovations in the Takaful industry. Finally, the last section gives implication and limitation of the study.

2. Literature Review

2.1. An overview of Takaful and Takaful development in Indonesia

In the Arabic context, the term "Takaful" is derived from the word "Kafala" which means to guarantee, guard and protect. Takaful's concept is mutual cooperation between groups of participant for guaranteeing each other by contributing tabarru' in the Takaful funds (Sherif & Shaairi, 2013). Takaful products exist to maintain the commitment to the Islamic principles and also to meet the market demands. Therefore, insurance industries are required to be more innovative to suit with the needs development of society (Johne & Davies, 2000).

Takaful has characteristics which are different with conventional insurance (Sherif & Shaairi, 2013). First, Takaful is based on tabarru' contract while insurance is based on sale and purchase contract. Second, the insurer must pay the premium and conventional insurance must pay compensation to insurer when the disaster occurs. In Takaful, the participants pay contribution and Takaful operator plays the role as fund manager. Third, conventional insurance company bears the risk while risk in Takaful is borne by all participants. Fourth, Takaful must operate based on sharia principles in all activities.

Ismail et al. (2012) state that the importance of Takaful system is its socio

economic principle which accordance to Islamic value for the benefit of individual and society. According to Matsawali et al. (2012), the concept of Takaful which is based on mutual cooperation will encourage trade and commercial activity to flourish, contribute to poverty reduction, and establish self-reliant society. Participation in Takaful is one way of Muslim to contribute in the development of Islamic economy (Husin & Rahman, 2016).

The development of Takaful in Indonesia started in the year of 1994 with the establishment of the first Takaful company, PT. Syarikat Takaful Indonesia. The establishment was subject to Law No. 2/1992 concerning the Insurance Business although it does not mention about Takaful. Recently, the regulation about insurance included Takaful is regulated in the Law No. 40/2014 concerning Insurance. According to this law, Islamic insurance (Takaful) is a collection of agreements, which comprise on an agreement between Takaful company and the policyholder and between the policyholders in term of the management of contributions based on sharia principle to help and protect one another.

Takaful performs good development every year even though it remains under conventional insurance's growth. Table 1 shows the comparison of assets and gross contribution between Takaful and conventional insurance in Indonesia. Total asset for Takaful industry was IDR 40,52 trillion as per December 2017. The amount grew 18% over the same period of 2016 amounting to IDR 33,224 trillion. Meanwhile, conventional insurance assets increased from IDR 534,57 trillion in 2016 becoming IDR 628,65 trillion (17.6%). The difference in asset as of December 2017 between Takaful and conventional insurance is IDR 588,13 trillion or 93.5%.

Total gross contribution of Takaful is IDR 14 trillion in 2017. It has increased by IDR 1.97 trillion from 2016 which is IDR 12.03 trillion or increased by about 16.33%. In 2017, the share of gross contribution of Takaful is 5.04% from the total premium of insurance company or having a decrease when compared with the previous period (5.35%).

Table 1. Comparison of asset and gross contribution between Takaful and gross Contribution

Explanation	Takaful		Conventional Insurance	
	2016	2017	2016	2017
Asset (IDR trillion)	33.24	40.52	534.57	628.65
Share of Takaful's asset from conventional insurance	4.83%	5.79%		
Gross contribution (IDR trillion)	12.03	14	224.75	277.49
Share of Takaful's gross contribution from conventional insurance	5.35%	5.04%		

Source: FSA (2018)

Indonesia has characteristics and environments that may be different from other countries. A very wide area with different geographic typologies, different levels of education, and level of income may affect people's preference for Takaful service offerings. Understanding the challenges in accordance with Indonesia's environmental conditions will be very useful in creating strategies to promote Takaful products and get wider market.

2.2. Takaful and Its Challenges

Takaful companies, especially those in the Southeast Asia, have been developing significantly, including Indonesia (Ismail et al., 2017). Takaful insurance has being the choice of community to share risks in the possibility of facing an accident or disaster. According to Husin and Rahman (2016), Takaful has important role in a country dominated by Muslim because Takaful is designed to meet Muslim demand toward sharia compliant and develop Muslim community. Takaful is an alternative solution for people who need the insurance which accordance to Islamic principle. Unfortunately, the development of Takaful market has not met with the desired expectations. Some studies mention the challenges that must be faced by Takaful industry, including in Indonesia.

Surveys by Deloitte (2013) shows some challenges currently faced by Takaful companies in Indonesia. The challenges are compliance to regulations and corporate governance, an improvement on human resource capacity, risk management and internal control, a strategy in managing product and corporate

business activity. Redhika and Mahalli (2014) do interview with manager of Takaful companies in Medan, Indonesia to investigate the constraints of Takaful development. They identify some constrains such as limited human resource quality, similar products to conventional insurance, lack of promotion and limited agent to market Takaful. Ichsan (2015) discusses some of the causes of the low penetration of the Takaful market in Indonesia. During the last ten years, some problems are faced by Takaful companies such as ineffective promotions and market education, the absence of innovative products and services, limited knowledge about Takaful business by human resources of Takaful companies, and limited marketing and distributive channel compared to conventional patterns. Based on the interview of Takaful expert, Effendi (2018) finds four internal problems of Takaful which are lack of promotion and socialisation, lack of human resources, utilization of information technology and lack of development of products and services. While Amron et al (2017) find that satisfaction and trust has significant effect on word of mouth of the customers of sharia life insurance in the Moslem society in Indonesia.

Many researchers also do studies about Takaful and factors that must be considered in penetrating Takaful around the world. Janjua and Akmal (2014) analyse customer satisfaction for the services of conventional and Islamic insurance companies in Pakistan. The research found that the customers of conventional insurance companies prefer company to target on young people, private employees and lower income groups. Meanwhile for Takaful companies, the customers prefer to focus in improving Sharia compliance and attracting self-employed and higher income groups. Insurance as a service provider industry needs to put more effort on management of funds such as effective risk management, and services to consumers such as low cost of insurance, easy procedures to do claims and easy access to insurance services (Janjua & Akmal, 2014).

Sherif and Shaairi (2013) investigate the significance of the economics and demographic factors in determining the consumption of family Takaful in Malaysia. Economic factors (income, inflation, and Islamic banking deposit) and demographic factors (education, dependency ratio and Muslim population) have significant and positive relationship with family Takaful demand. The

relationship between Islamic banking deposit and Takaful demand shows the inter-dependency between IFIs and well-performing of IBs will increase the confidence of customers to other IFIs including Takaful (Sherif and Shaairi, 2013). Mohamed and Alhabshi (2015) do survey to the Takaful managers in Malaysia and find that the innovation will improve the Takaful market penetration. A study conducted by Arifin and Yazid (2018) describe the factors that influence of innovation attributes on loyalty in family Takaful in Malaysia. Five elements of innovation namely relative advantages, compatibility, simplicity, trial ability and observability are important determinant of participants' loyalty in family Takaful.

2.2. Innovation

According to Rogers (1995, cite in Arifin & Yazid, 2018), innovation has meaning as "an idea, practice, or object that is perceived as new by an individual or another unit of adoption". Innovation is necessity for a company to be survival, more profitable and more competitive compared to other companies (Mills & Tubiana, 2013). There are some important roles of innovation related to Islamic products and services ((Haron & Nursofiza, 2008): first, innovation may improve the existence of products and services provided. Second, innovation might lead to a new activity that giving benefit to the business because it can reduce operating costs. Third, innovation can expand markets and even create new markets for Islamic products and services. Many experts distinguish types of innovation into different groups. Johne & Davies (2000) divide innovation into three categories, market, product and process innovation. Market innovation refers to entering the new market segment, product innovation directs the company to develop new products and process innovation improve the internal capabilities.

According to Mills & Tubiana (2013), there are three types of innovation, empowering, sustaining and efficient innovation. Empowering innovation create mass products that are available to more people from expensive products which only be owned by certain people. Sustaining innovation refers to the development of products with better quality but still having similar basic characteristics. Efficiency innovations will affect in the reduction of production

and distribution costs.

3. Research Methodology

Based on the challenges mentioned in the previous literatures above, this study will discuss innovation as a strategy that is expected to solve those challenges. The three categories of innovation mentioned by John and Davies (2000), namely market, product and process innovation will be used as a basis for discussing the strategies.

This study uses qualitative descriptive method to discuss the strategies in doing innovation of Takaful industry using literature-based method. The method is useful to review a certain condition or phenomenon based on existing facts and analyse based on existing literature. The method is similar with Hidayat (2015) who discussing the awareness enhancement of Takaful. The data sources used in this research are previous literatures or documentations related to development of Takaful in Indonesia and innovation as a strategy to expand Takaful market.

4. Discussion

In general, companies implemented sharia principles need to reinforce its position as a company that complies with Islamic principles by providing information to perform that they are sharia compliant (Nugraheni & Wijayanti, 2017). However, as a new industry, Takaful companies not only have to compete with conventional insurance, but also evaluate their internal condition. The improvement of performance in any aspects must be prioritized to compete with existing conventional insurance which having larger market.

Takaful companies become one of the main components in the development of Islamic financial industry. The ability in acknowledging and responding environmental changes will be an important factor for the company to anticipate, adjust, and adapt to the advancement of technology and business competition in financial industry. Basic understanding of environmental conditions that may influence community's interest towards Takaful should be understood such as political, economic, social and culture, technology advancement and environmental factors (Wheelen and Hunge in Miao, 2012).

Takaful industry needs to improve its operational and business strategy (Deloitte, 2013). As a service industry, the satisfaction in enjoying products and services becomes a primary concern for community to choose the Takaful products. Innovation is one of success key to increase the community's interest towards insurance and compete in financial industry (Johnes & Davies, 2000). Takaful companies should be able to identify the customers' needs in order to provide products which are suitable for them. Below are innovations that can be done by Takaful according to categories by Johnes & Davies (2000).

4.1. Market innovation

Innovation regarding choices to serve certain market is getting vary (Johnes dan Davies, 2000). According to Husin & Rahman (2013), income is one of factors that influence participating in insurance. During the time, insurance market is more offered to high-class communities as they are capable financially. According to data from World Bank and Indonesia Bureau of Statistic (cite in Deloitte, 2015), the composition of Indonesian citizen in 2014 is as follows:

Table 2. Composition of Indonesian citizen based on income level

Name of Group	Income (per year)		Percentage (%)
	IDR (million)	USD	
High income class	> 120	> 8,000	25%
Upper middle class	60 -120	4,000 – 8,000	42%
Lower middle class	36 - 60	2,500 – 4,000	26%
Low income class	< 36	< 2,500	7%

In the year 2014, Indonesian citizens are 250 million and can be classified into four classes based on income: high income class is 25% (more than IDR 120 million or USD 8,000 per year), upper-middle class is around 42% (income between IDR 60-120 million or USD 4,000-8,000 per year), lower-middle class is around 26% (income between IDR 36-60 million or USD 2,500-4,000 per year) and low-income class is around 7% (less than IDR 36 million or USD 2,500 per year). The data shows that the majority of Indonesia's citizens belong to middle class as much as 68 % or reaching 170 million people.

Setiawan (2008) quoting a report from Asian Development Bank (ADB) states that the number of middle class consists of professional people in service sector and industry, lives in city and has an orientation in term of good quality education and health care. It gives good opportunity for insurance companies to target this class. The middle class is prospective to be targeted as a potential new customer.

Takaful industry can also target low class to be its customers. There is 7% of Indonesian population who are in the low-income category. Although relatively small, but this is also in accordance with the role of Takaful as poverty reduction (Matsawali et al., 2012). Due to a limited income, the insurance products must be adjusted to their financial ability. Low premium that focuses on protection and simple procedures are suitable for customer from this class (Miao, 2012).

4.2. Product innovation.

Targeting different markets requires different products, which are tailored to their needs. Different characteristics of communities need different Takaful products that are suitable with their ability. (Haron & Nursofiza, 2008) assert that product innovation is a part of market development process and a key to keep competitive advantage. Takaful operators should do better effort to expand Takaful market and stimulate demand towards Takaful products (Husin and Rahman, 2016).

Product innovation is a development of new product to increase variety of products being offered (Johne & Davies, 2000). Based on differences in income level among the Indonesian population, various types of Takaful products and the price/premium/contribution that are adjusted to available targeted markets should be considered. The price offered is adjusted to a product's features so that customers get a fair price. The principle in determining a fair price of a product is to avoid selling inappropriate product, making fair regulations and giving freedom to customers in choosing the desired product (Remli et al., 2013). This is important as it can build trust with community and attract their interest towards Islamic financial system.

The emergence of micro insurance (micro Takaful) becomes a step forward towards obtaining a wider market. Micro insurance is an insurance product designed to provide protection over financial risk that may be experienced by low-income community (FSA, 2017). Related to its characteristics that are simple, easy, economic, and immediate, micro insurance is expected better in reaching the targeted customers.

Other product innovation is developing an insurance product specifically for women. Some previous researches mention that women are less interested in participating in insurance (Husin & Rahman, 2013). However, more women are working to meet their household needs and even nowadays, it is common case that woman being the backbone of the family in Indonesia. According to data from Central Bureau of Statistics (BPS) in 2013 (cite in Setiyoko, 2016). There is about 65 million of family in Indonesia and it is estimated that around 14% or 9 million of family are headed by women aged 20-60 years old. The women are responsible for their family life for various reasons. Many cases such as a daughter being responsible for her younger siblings because of the parents' inability to sustain the family, a wife replaces her husband role as a single parent or because her husband is unable to work anymore because of his illness are the examples why women are in charge of earning money for their families.

From that number, 38.8% are illiterate because they do not have education in elementary school. Those women have to feed 1-6 dependents, working as agricultural or informal labor with the low average income is less than IDR 10.000 (USD 1) per day (Setiyoko, 2016). Takaful company may try to develop products which giving protection to those women regarding financial impact or other financial impacts arising from unpredictable accident (sickness, totally disabled, or death).

Choosing a type of Takaful product to be released must consider a market's interest towards the product. It is important because it may affect the company's profitability. According to Abdullah et al. (2015), product specification and design that accordance with Islamic values are the factors that will be considered by Muslim customers. In addition, the products and services of Takaful must have compatible and simple characteristics (Arifin & Yazid, 2018). Arifin & Yazid (2018) mention that compatibility refers to "extent of the product that is

consistent and compatible with customers' need, believes, values, experiences and habits", while simplicity is "easy to understand to the features of Takaful products". In Addition, Effendi (2018) suggests that the development of more innovative products is important point to solve internal problem of Takaful.

4.3. Process innovation

Process innovation is how a company repair and improve efficiency and capability of internal operation (John & Davies, 2000). The aspects are improving the human resource capacity, corporate management and promotional activity.

4.3.1. Improving human resource quality

Human resources held an important role in the success of a company to exist in a business competition. Takaful as service businesses rely on the skill of human resource to offer the products to customer, and then keep them in using the products. However, human resources in the field of Takaful is very limited (Redhika and Mahalli, 2014) . Strategies to improve the human resources quality of Takaful company can be conducted by several ways below:

4.3.1.1. Training Program for Takaful Employees

The standard quality of human resources can be determined from the recruitment process, and then followed by training and educational programs conforming to company regulations (Deloitte, 2013). In maintaining and improving human resource quality, companies are required to conduct training for the employees (Karim Consulting, 2017). Three capabilities that should be developed by Takaful operators are professional competence (skill assessment and gap analysis), personal competence (knowledge and skill identification) and technical competence (specialized skills in area of underwriting, risk management and product development (Deloitte, 2013).

Sufficient knowledge will be useful as they are able to explain insurance products correctly and appropriately to prospective customers, especially for marketing employees. This can avoid misunderstanding between the company and the customers in choosing insurance products because customer will choose the suitable product with their financial investment purpose (Miao, 2012). Moreover, the employees of Takaful can explain about Islamic characteristic of

the product especially for customers who focusing on the halal product. Human resources need to always be upgraded in their knowledge and skills, including marketing employees that are the frontline in introducing and marketing insurance products.

4.3.1.2. Cooperation with higher education institutions

Cooperation between Takaful and higher education institutions can be done to improve the human resource quality. Subject regarding Islamic financial institutions (i.e. Takaful) that are taught for students in higher education can be practiced directly by students in Takaful company. Higher education institutions and Takaful companies can create an agreement to allow students getting internship in Takaful companies. Inviting a practitioner from Takaful industry as a guest lecturer can also be done to give insights to students about the working environment in Takaful and attract the interest of students to joint in the Takaful industry in the future.

4.3.2. Corporate Management

A company is required to learn characteristics of business possessed in order to understand its core advantages, business model and strategies taken (Miao, 2012). There are several aspects that must be considered to improve corporate management:

4.3.2.1. Service Quality

Insurance as a service provider company should consider service quality to enhance customer satisfaction (Janjua & Akmal, 2014). Service quality for Takaful includes responsiveness (readiness to help its customers and provide quick service), reliability (company's ability to perform the service perfectly), convenience (the ease of using services) and compliance (implementation of Shari'ah principles in business activities) (Janjua & Akmal, 2014).

According to Razak et al (2013), service quality is the most significant factor to influence the Malaysian people in choosing Takaful products. In addition, the quality innovation can influence the loyalty of customers (Arifin & Yazid, 2018), while Amron et al (2017) mention that the satisfaction will influence the customers of Takaful to inform the other people about Takaful products. Therefore, clear regulations on business operation, financial management and service standard need to be created. A monitoring system should also have been done to avoid

activities which not according to procedures.

4.3.2.2. Technology capabilities

Utilization of technology will contribute in influencing an insurance company performance to compete with other companies. Takaful companies should involve technology in all operational, sales and marketing strategy (Deloitte, 2013). Innovation in utilizing technology in insurance company can be through social media and an application of information technology.

Community's expectation on service providers is that they are able to interact online to discuss a product or receiving a feedback from the company (Hagen *et al.*, 2012). For Takaful company, the effect of social media can be seen from the product development, marketing, product sales, claim handling and customer relationship. Information technology application can be used to suit company's needs, for example, to integrate customer database that can be distributed to all business units, decision making, as well as to support daily operation (Hagen *et al.*, 2012).

In addition, the survey by Indonesian Internet Service Providers Association (APJII, cite in FSA, 2018) reveals that more than half of Indonesian population is connected to the internet through computers or smartphones. According to Mills & Tubiana (2013), the usage of internet is efficiency innovations that can reduce the production and distribution cost. The internet network can be used to do marketing and transactions for Takaful products.

4.3.3. Promotion strategy

One of challenges in expanding Takaful market in Indonesia is lack of promotion from this industry (Ichsan, 2015; Redhika & Mahalli, 2014). Recently, community has been accustomed with conventional insurance; thus, the appearance of Takaful that has different characteristics to conventional insurance needs to be introduced to community. Takaful companies need to take an aggressive promotion to increase level of acceptance towards Takaful product (Razak *et. al* 2013).

Lack of awareness is one of big challenges faced by Takaful industry in marketing Takaful's products (Deloitte, 2015; Husin and Rahman, 2016). According to Hidayat (2015), awareness will increase market preference of Takaful company. Husin and Rahman (2016) state that individual factors such as

awareness and knowledge have impacts on Takaful participation. Improvement in community's awareness about Takaful can be done through continuous socialization.

The early socialization about Takaful can be conducted through formal education. Education has significant role in increasing the level of awareness on Takaful existence (Hidayat, 2015). Many higher educations have been teaching Islamic finance as a response on the high development of Islamic financial institutions (IFIs). However, the learning process is mostly still focus on Islamic banking while other IFIs are not frequently discussed, including Takaful. With a wider subject of Islamic financial institutions, students are expected to have an initial understanding of Takaful. Integrating Takaful subject into academic curriculum in universities is an effective way to enhance students' awareness and at the same time promote Takaful (Hidayat, 2015).

Cooperation with other institutions also can enhance marketing of Takaful. Islamic banking sector has contribution towards the strong growth of the Takaful industry (Sherif and Shaairi, 2013). Cooperation between banks and insurance companies usually works on bancassurance. Bancassurance is a cooperating activity between a company with a bank in marketing insurance products via the bank. Islamic bancassurance or bancaTakaful give some advantages for Takaful operator. It will widen the distribution of Takaful products and lead to reduce cost (Maturi, 2013).

Promotional activities are a tool of communication between companies and consumers. Through promotion, companies can influence consumers to buy their products and services. Consequently, promotion activity should be enhanced in various forms, such as advertising activities, personal selling, sales promotion, and public relations. However, the promotion tools may be adjusted with the kind of product offered. For example, the introduction of micro Takaful which is designed to low-income community, can be done through appropriate marketing channels. In FSA regulation No. 9/SEOJK.05/2017, the marketing channels for micro insurance can be done directly, via an insurance agency, a *bancassurance*, a non-bank business institution and a marketing worker. Moreover, an intensive promotion activity from Takaful industry can be performed to reach out customers anywhere. For customers of micro insurance who staying in rural

area, the company may put an advertisement on a local radio station, product socialization, entertainment and cultural program, or provide a facility for in-location claim settlement (Miao, 2012). Those strategies are expected to attract customer's interest.

The lack of understanding of community can be varied based on geographic location (Miao, 2012). Indonesia's area is very wide with different characteristics of its citizen and need different treatments. Indonesia is referred to the world's largest archipelago which having 5000 km (around 3,200 miles) and consisting of more than 17,000 islands. Unfortunately, the service network of IFIs (other than Islamic banks) is still centred on the two biggest islands – Sumatra and Java by 79% (FSA, 2018). It means that the penetration rate not evenly distributed throughout Indonesia.

According to Ismail et al. (2017), the large geographical spread makes the difficulty in distribution of Takaful market area. Identification of right promotion tools for each area becomes important. City area that is more modern may have higher knowledge level compared to rural area, and it will be easier to promote Takaful in city area than in rural area. One strategy that can be implemented is building an integrated system of business management and regulation throughout company's network but still applying different marketing in each area (Miao, 2012). In marketing a certain product, the understanding on the prospective customers is the main aspect.

Miao (2012) suggests the steps of marketing insurance product in certain area. First, a company needs to do a review to determine what type of appropriate insurance products when the company does not have a detailed-enough information. A cooperative relationship with local organization or community can be an alternative choice so that the products being offered are suitable with the environment condition. A combination of Takaful products with local organization products can be an added value in marketing strategy. When the sales of local product increase, the sales of insurance products will also increase and may reduce direct sales expense as well as promotion expense. This is also one method in market penetration when the facilities in a targeted area are still limited.

A company may be not required to offer all of products to community but only focusing on one or several certain products that are suitable with the local market condition. Therefore, it is not impossible that there will be different strategies of marketing in cities and rural area. However, there are strengths and weaknesses in this strategy (Miao, 2012). The strengths are a strong reputation of a company on a certain product, and a faster increase in sales will affect profitability. On the other hand, there are also weaknesses, such as a high assessment cost because the company needs various data and information for each area. Consequently it will affect other costs such as advertisement and promotion cost that are different between areas.

5. Implications and limitations of the study

Takaful industry has an important role in the economy. It contains social value in form of Tabarru' fund and provide insurance which accordance to Islamic principles. The low market penetration of Takaful compared to Islamic banks encourages the Takaful industry to do innovation. This study provides the types of innovation that can be chosen by Takaful industry. Takaful Industry can choose the type of innovation that will be carried out to suit the characteristics of the community and environmental conditions in Indonesia, by considering customer demographic and geographical conditions. Every different condition requires a different strategy so that the goal of introducing Takaful and then participating in Takaful activities can be achieved.

This study has several limitations in explaining the innovation strategy in the Takaful industry. First, the strategies described are adapted to environmental characteristics in Indonesia, so that they may not be generalized in other countries with different environments. It is important to identify the customer demographic and geographical condition in every region. Second, this study is only based on a literature review, so empirical studies need to be done more specifically. Future research can further identify what consumers need through surveys and mapping certain types of regions with the right types of Takaful products and services. Second, the use of theories to understand consumers' motivation and desires can be applied such as the theory of planned behavior (Husin & Rahman, 2016) or the theory of Islamic marketing (Abdullah

et al., 2015). Thus, the Takaful industry can better understand consumer needs by integrating knowledge based on theory, the characteristics of consumers, and the real condition in the certain regions. Hence, Takaful companies can be chosen as investing and risk protection, not only because of complying with Sharia principles but also demonstrating a performance suitable with prospective customer needs.

References

- Abdullah, J. bin, Hamali, J. H., & Abdullah, F. (2015). Succes Strategies in Islamic Marketing Mix. *International Journal of Business and Society*, 16(3), 480-499.
- Amron, A., Usman, U., & Mursid, A. (2017). Buying Decision in The Marketing of Sharia Life Insurance (Evidence From Indonesia). *Journal of Islamic Marketing*, 9(2), 370-383.
- Arifin, J., & Yazid, A. S. (2018). The Influence of Innovation Attributes on Loyalty in Family Takaful: A Conceptual Study. *South East Asia Journal of Contemporary Business, Economics and Law*, 15(1), 1-8.
- Brainard, L. (2008). What is the role of insurance in economic development? In *Zurich Government and Industry Affairs thought leadership series*. (pp. 1-9).
- Deloitte. (2013). The global Takaful insurance market Charting the road to mass markets. In *A Deloitte ME IFKC Practice Insights Series* (pp. 1-22).
- Deloitte. (2015). Deloitte Consumer Insights Capturing Indonesia ' s latent markets, (May), 1-36, available at: [www.https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf](https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf) (accessed 20 November 2016).
- Effendi, J. (2018). Islamic Insurance : A Potential Niche Market of Indonesia. *Al-Iqtishad: Journal Ilmu Ekonomi Syariah*, 10(1), 207-230.
- FSA. (2017). *Roadmap Pengembangan Keuangan Syariah Indonesia 2017-2019 (The Roadmap of Indonesian Islamic Financial Development: 2017-2019)*. available at: <https://www.ojk.go.id/id/kanal/syariah/berita-dan-kegiatan/publikasi/Pages/Roadmap-Pengembangan-Kuangan-Syariah-Indonesia-2017-2019.aspx> (accessed at 10 August 2018).
- FSA. (2018). *Laporan Perkembangan Keuangan Syariah Indonesia 2017 (The Report of Indonesian Islamic Financial Development 2017)*. available at: <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Laporan-Perkembangan-Kuangan-Syariah-2017/> (accessed at 10 August 2018).
- Hagen, C., Hales, M., Reifel, J., Pei, A., & Miller, J. (2012). *Technology: The Insurance Industry ' s Pivot Point*. available at: <https://www.atkearney.com/financial-services/article?/a/technology-the-insurance-industry-s-pivot-point> (accessed at 20 November 2016)

- Haron, S., & Nursofiza, W. (2008). Creating A Dynamic Islamic Capital market: The Essential Role of Innovation. *Islamic Capital Markets: Products, Regulation & Development, Islamic Research and Training Institute, Islamic Development Bank Group* (pp. 23–32).
- Hidayat, S. E. (2015). The Role of Education In Awareness Enhancement of Takaful : A Literature Review. *International Journal of Pedagogical Innovations*, 3(2), 107–112.
- Husin, M. M., & Rahman, A. A. (2013). What Drives Consumers to Participate Into Family Takaful Schemes ? A Literature Review. *Journal of Islamic Marketing*, 4(3), 264–280.
- Husin, M. M., & Rahman, A. A. (2016). Do Muslims Intend to Participate In Islamic Insurance ? Analysis From Theory of Planned Behaviour. *Journal of Islamic Accounting and Business Research*, 7(1), 42–58.
- Ichsan, N. (2015). *Analisa SWOT, Prospek dan Strategi Pengembangan Asuransi Syariah di Indonesia (SWOT Analysis, Prospects and Development Strategy for Islamic Insurance in Indonesia)*. available at: <https://nurulichsanaan.files.wordpress.com/2015/10/analisis-swot-asuransi-syariah-jurnal-kordinat.pdf> (accessed 10 November 2016)
- Ismail, F., Jaffer, S., Unwin, L., Jamil, S., Hassan, A. A., Alajaji, K., & Tan, Y. Y. (2017). *Global Takaful Report 2017: Market Trends in Family and General Takaful*. available at: <http://ae.milliman.com/uploadedFiles/insight/2017/Takaful-2017-full-report.pdf>
- Ismail, N., Othman, A. A., Din, S. Z. M., Yousop, N. L. M., Bakar, N. A., & Shafi, R. H. M. (2012). An Investigation of the Awareness Level of Takaful Products among the Micro Enterprises in Malaysia. *International Conference on Excellence in Business*. Sharjah: University of Sharjah, United Arab Emirates.
- Janjua, P. Z., & Akmal, M. (2014). A Comparative Analysis of Customers ' Satisfaction for Conventional and Islamic Insurance Companies in Pakistan. *International Journal of Economics and Finance*, 6(4), 36–50.
- Johne, A., & Davies, R. (2000). Innovation in medium-sized insurance companies : how marketing adds value. *International Journal of Bank Marketing*, 18(1), 6–14.
- Karim Consulting. (2017). *Islamic Insurance Outlook 2017*. available at: http://karimconsulting.com/wp-content/uploads/2016/11/Outlook-Asuransi-Syariah_finall_uploadweb.pdf (accessed 10 November 2016)
- Matsawali, M. S., Abdullah, M. F., Ping, Y. C., Abidin, S. Y., Zaini, M. M., Ali, H. M., Yaacob, H. (2012). A Study on Takaful and Conventional Insurance Preferences : The Case of Brunei. *International Journal of Business and Social Science*, 3(22), 163–176.
- Maturi, T. C. (2013). Islamic Insurance (Takaful): Demand and Supply in the UK. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(2), 87–104.
- Miao, D. (2012). *Strategic Management and Marketing Strategy in Insurance Companies, Case : China Life Insurance Company Limited in Shifang*. Master

thesis. available at: https://www.theseus.fi/bitstream/handle/10024/43405/Duan_Miao.pdf (accessed 20 November 2016)

Mills, H., & Tubiana, B. (2013). Innovation in Insurance: The Path to Progress. *A Special Edition of Our Forward Focus Series: Deloitte University Press*, pp. 1–22.

Mohamed, O. E. B., & Alhabshi, S. O. (2015). Factors Influencing the Penetration Rate of Malaysian Takāful Industry from Takāful Managers ' Perspective. *International Journal of Excellence in Islamic Banking and Finance*, 5(1), 1–13.

Nugraheni, P., & Wijayanti, R. (2017). Analysis of Factors Affecting The Disclosure of Islamic Social Reporting (An empirical Study on the Sharia Securities List). *Journal of Economics, Business and Accountancy Ventura*, 20(1), 103–112.

OJK. (2016). Peraturan OJK. available at: www.ojk.go.id. (accessed 20 November 2016).

Razak, M. I. M., Idris, R., Yusof, M. M., Jaapar, W. E., & ALi, M. N. (2013). Acceptance Determinants towards Takaful Products in Malaysia. *International Journal of Humanities and Social Science*, 3(17), 243–252.

Razak, M. I. M., Idris, R., Yusof, M. M., Jaapar, W. E., & Ali, N. M. (2013). Acceptance Determinants towards Takaful Products in Malaysia. *International Journal of Humanities and Social Science*, 3(17), 243–252.

Redhika, R., & Mahalli, K. (2014). Analisis Potensi dan Kendala Pengembangan Asuransi Syariah di Kota Medan (Potential and Constraints Analysis of Islamic Insurance Development in Medan City). *Jurnal Ekonomi Dan Keuangan*, 2(5), 323–335.

Remli, N., Norhayate, W., Daud, W., Zainol, F. A., & Muhammad, H. (2013). A Proposed Conceptual Framework for Market Orientation and Innovation towards Takaful Performance in Malaysia. *International Journal of Business and Management*, 8(7), 100–105.

Setiawan, S. (2008). Prospek dan Daya Saing Sektor Perasuransian Indonesia Di Tengah Tantangan Integrasi Jasa (Prospects and Competitiveness of Indonesian Insurance Sector in the Challenges of Service Integration). In *Serial Analisis Kebijakan Fiskal: Penguatan Hubungan Ekonomi Dan Keuangan Internasional Dalam Mendukung Pembangunan Nasional*, 81–106.

Sherif, M., & Shaairi, N. A. (2013). Determinants of Demand on Family Takaful in Malaysia. *Journal of Islamic Accounting and Business Research*, 4(1), 26–50.

Setiyoko, I. (2016). Perempuan Kepala Keluarga Mampukah Berdaya dan Mandiri? (Women as Family Backbone: Can be Empowered and Independent?). Available at: <http://insan-sembada.blogspot.com/2016/09/perempuan-kepala-keluarga-mampukah.html> (accessed 20 June 2017)

Further Reading

FSA (2017). Regulation of FSA. *Financial Service Authority*. www.ojk.go.id.

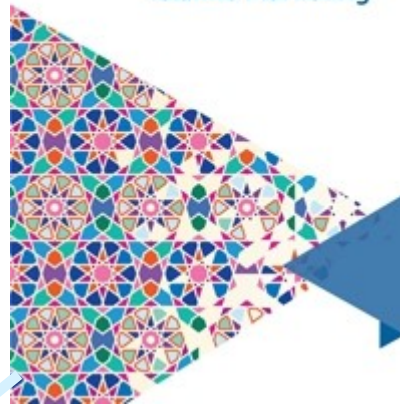
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54

Revision Version



ISSN 1759-0855
Volume 00 Number 00 2018

Journal of
Islamic Marketing



SCHOLARONE™
Manuscripts

Journal of Islamic Marketing

Journal

of

Islamic

**Innovation in the Takaful Industry: A Strategy to Expand
the Takaful Market in Indonesia**

Journal:	<i>Journal of Islamic Marketing</i>
Manuscript ID	JIMA-08-2018-0143.R2
Manuscript Type:	Article Review
Keywords:	Takaful, Islamic Insurance, Market Development, Innovation

ng

Innovation in the Takaful Industry: A Strategy to Expand the Takaful Market in Indonesia

Abstract

Purpose – This study aims to identify and describe possible innovations available to the takaful industry in Indonesia by considering demographic characteristics and geographical conditions. Indonesia has a predominantly Muslim population and thus presents good potential for the takaful market.

Design/methodology/approach – This study uses a qualitative, descriptive, literature-based method to discuss innovation strategies in the takaful industry. This method is appropriate for reviewing particular conditions and phenomena by analysing information and data drawn from existing literature.

Findings – Market, product and process innovations are chosen as the strategies appropriate to expanding the takaful market in Indonesia. Strategies are described which could be used to implement these innovations by influencing the community to participate in takaful and thus to expand the takaful market.

Research limitations/implications – The innovation strategies described are adapted to the demographic characteristics of Indonesia and so cannot necessarily be generalised to other countries with different environments.

Practical implications – By considering customer demographic and geographical conditions, the takaful industry should choose the types of innovation that will suit the community characteristics and environmental conditions of Indonesia.

Originality/value – The study specifically discusses innovation strategies in the takaful industry by describing the socio-economic conditions of the Indonesian society. Takaful companies in Indonesia can use the results to determine the types of innovation they pursue based on the customer demographic and geographical conditions faced.

Keywords – Takaful, Islamic insurance, market development, innovation

Paper type – General review

1. Introduction

Insurance is a financial instrument used to deal with risks that may affect business continuity (Ichsan, 2015). Among the important roles of insurance in its positive contribution to a country's economic life are its functions in both financial intermediation and long-term investment (Cristea et al., 2014). Insurance can be used as a significant fundraising tool for the economic activities of a community that enable extensive economic development, as well as for resolving the risks faced in the development of a country (Ichsan, 2015). As part of the financial services sector, the insurance sector has a strategic role in

3 encouraging a country's economic stability through the aspect of the risk
management of economic activities (Setiawan, 2013).

Muslim awareness of the need to conduct economic activities in accordance
with Islamic principles is contributing to the growth of the Islamic insurance
10 (takaful) industry. Since the creation of the first takaful enterprises in 1994, 13
12 takaful companies and 49 takaful business units (as parts of larger
organisations) have been established in Indonesia (as at December 2018).

Indonesia is one of the Asian Pacific countries with the fastest growth in
insurance uptake, and this has been supported by 'the gradual expansion of the
19 middle classes, growing income levels and development of more affordable
insurance products including micro-insurance' (BMI, cited in Karim Consulting,
2017, p. 11). Nevertheless, the market share of takaful in Indonesia is still
relatively low; data from the Financial Services Authority (FSA) of Indonesia
26 shows that at the end of 2017 its penetration rate was only 0.104% of the
country's total population of 262 million.

The takaful industry is expected to continue growing to provide an
alternative investment option based on risk sharing. Successful introduction and
33 marketing of takaful products in particular countries requires understanding of
the characteristics and environment of those countries. Indonesia has a

predominantly Muslim population and thus is a potential takaful market.
However, there are many challenges to be faced by the takaful industry in trying
40 to market its products there (Deloitte, 2013; Redhika & Mahalli, 2014; Ichsan,
2015). One of these challenges is determining the form innovations should take.

Boer and Daring (2001, p. 84) define innovation as 'the creation of a new
product-market-technology-organization combinations'. According to Haron and
47 Nursufiza (2008), innovation is not always related to new technologies or new
products, but also includes innovation in the process and renewal of
organisational structures or markets.

Innovation in the takaful industry should be considered in order to devise
54 alternative ways of encouraging public interest in takaful products. Such
innovation should consider the conditions surrounding the industry, such as
economic, financial and demographic factors (Sherif & Shaairi, 2013). According
to Husin and Rahman (2013), demographic characteristics can influence the

3 marketing strategies for takaful because they can be used to measure the intentional behaviours of customers in order to identify their needs.

10 This study aims to identify and describe innovations that can be pursued by takaful companies in Indonesia. Research into innovation in the takaful industry is important for three reasons: first, takaful is developed to fulfil the demands of
12 Muslims for insurance which operates in accordance with Islamic principles – it is therefore particularly important for Indonesia as a country with a predominantly Muslim population; second, previous studies have discussed the challenges faced by the takaful industry in general, while this study specifically describes aspects of innovation that can be put in place by takaful companies;
19 third, the takaful industry may face different challenges depending on the environment encountered in the country in which it is located. This study specifically investigates the takaful industry in Indonesia and suggests that many of the strategies explained might be used as alternative solutions to issues faced
26 by takaful businesses in increasing their market share. It is expected that understanding of the characteristics and environment in Indonesia can be used to further encourage participation in Islamic economic activities.

33 This study is divided into several sections. The second section reviews the literature related to takaful and innovation, the third presents the methodology of the research and the fourth describes the type of innovations available to the takaful industry. The final section explains the implications and limitations of the
40 study.

45 **2. Literature Review**

2.1. An overview of takaful and takaful development in Indonesia

45 The term 'takaful' is derived from the Arabic word *kafala* which means to guarantee, guard and protect. The concept of takaful relates to mutual cooperation between groups of participants who guarantee each other by contributing *tabarru'* (donations or gifts) to takaful funds (Sherif & Shaairi,
52 2013). Takaful products exist to maintain the commitment of their users to Islamic principles while also meeting market demands. To achieve these aims, insurance industries are required to be innovative in their development of

3 products to suit the needs of the societies within which they operate (John &
Davies, 2000).

Takaful has several characteristics which differ from those of conventional
insurance (Sherif & Shaairi, 2013). First, takaful is based on *tabarru'* contracts,
10 while insurance is based on sale-and-purchase contracts. Second, in
12 conventional insurance the insured must pay the premium(s) and the insurer
must pay compensation to the insured when an insured event occurs; In
contrast, in takaful the participants pay contributions into a fund and the
takaful operator plays the role of fund manager. Third, conventional insurance
19 companies bear the risks insured while risk in takaful is borne by all
participants. Fourth, takaful businesses must operate according to sharia
principles in all areas of their activity.

Ismail et al. (2012) state that the importance of the takaful system is its
26 basis in socio-economic principles which accord with Islamic values for the
benefit of individuals and society. According to Matsawali et al. (2012), the
concept of takaful based on mutual cooperation will encourage trade and
commercial activity to flourish, contribute to poverty reduction and establish a
self-reliant society. Participation in takaful is one of the ways through which
33 Muslims can contribute to the development of Islamic economies (Husin &
Rahman, 2016).

The development of takaful products in Indonesia began in 1994 with the
40 establishment of the first takaful company, PT Syarikat Takaful Indonesia. The
setting-up of this business was subject to Republic of Indonesia law 2/1992
concerning insurance business, although this legislation did not specifically
mention takaful. More recently, insurance, including takaful, was regulated
47 under Republic of Indonesia law 40/2014. According to this law, Islamic
insurance (takaful) is a collection of agreements which comprise an agreement
between the takaful company and the policyholder and agreements between the
policyholders in terms of the management of contributions based on sharia
54 principles with the aim of helping and protecting one another.

The performance of takaful has improved every year since its inception,
although its value remains below that of conventional insurance. Table 1
compares the assets and gross contributions of takaful and conventional

insurance in Indonesia. Total assets of the takaful industry were Rp 40.52 trillion as at December 2017, having grown 18% over the previous year from Rp 33.224 trillion. Meanwhile, conventional insurance assets increased 17.6% from Rp 534.57 trillion in 2016 to Rp 628.65 trillion in 2017. The difference in assets as at December 2017 between takaful and conventional insurance was Rp 588.13 trillion, or 93.5%.

Total gross contribution to takaful was Rp 14 trillion in 2017, an increase of Rp 1.97 trillion from the 2016 figure of Rp 12.03 trillion(16.33%). In 2017, the share of gross insurance contributions by takaful was 5.04% compared with 5.35% for the previous year.

Table 1. Comparison of assets and contributions between takaful and conventional insurance

	Takaful		Conventional Insurance	
	2016	2017	2016	2017
Assets (Rp trillion)	33.24	40.52	534.57	628.65
Takaful's share of gross insurance assets	4.83%	5.79%		
Gross contributions (Rp trillion)	12.03	14	224.75	277.49
Takaful's share of gross insurance contributions	5.35%	5.04%		

Source: FSA (2018)

Indonesia has characteristics and environmental factors that may be different from other countries. Among these are its very large and widespread area, containing different geographic typologies, levels of education and levels of income, all of which may affect people's preference for takaful service offerings. Understanding the challenges presented by Indonesia's environment will be useful in creating strategies to promote takaful products and achieve greater market share.

2.2. Challenges to the takaful industry

Southeast Asian countries including Indonesia have seen significant development in takaful companies in recent years (Ismail et al., 2017). Takaful insurance has being the choice of community to share risks in the possibility of

3 facing an accident or disaster. According to Husin and Rahman (2016), takaful
has an important role to play in a country dominated by Muslims, because it is
designed to meet their religious requirements for sharia compliance and the
development of Muslim communities. Takaful is an alternative to conventional
10 insurance for people who need cover which is in accordance with Islamic
12 principles. However, the development of the takaful market has not met with the
desired expectations, and a number of studies reference the challenges that must
be faced by the takaful industry in Indonesia and elsewhere.

19 A survey by Deloitte (2013) shows some of the challenges currently faced
by takaful companies in Indonesia. These include compliance with regulations
and corporate governance requirements, the need for improvements in human-
resource capacity, risk management and internal control, strategies for
managing products, and corporate business activity. Redhika and Mahalli (2014)
26 interviewed managers of takaful companies in Medan, Indonesia, to investigate
the constraints on takaful development. They identify constrains such as limited
human-resource quality, similarity of products to conventional insurance, lack of
promotion and limited agents available to market takaful. Ichsan (2015) also
33 discusses some of the causes of the low market penetration of takaful in
Indonesia. During the last ten years, problems faced by takaful companies
include ineffective promotions and market education, the absence of innovative
products and services, limited knowledge about takaful business by human
resources within takaful companies, and limited marketing and distributive
40 channels compared to conventional insurance. Based on an interview with a
takaful expert, Effendi (2018) also identifies four internal business problems:
lack of promotion and socialisation, human resources, utilisation of information
47 technology and lack of development of products and services. Meanwhile, Amron
et al. (2017) find that satisfaction and trust has a significant impact on word-of-
mouth recommendation by the customers of sharia life insurance in the Moslem
society of Indonesia.

54 Many researchers also investigate takaful and the factors that must be
considered in achieving penetration of worldwide insurance markets by takaful.
Janjua and Akmal (2014) analysed customer satisfaction with the services of
conventional and Islamic insurance companies in Pakistan. Their research found

3 that conventional insurance companies preferred to target young people, private
employees and lower-income groups. Meanwhile, takaful companies prefer to
focus on improving sharia compliance and attracting self-employed and higher-
income groups. In general, insurance as a service provider industry needs to put
10 more effort into aspects of management of funds such as effective risk
12 management, and into offerings to consumers such as low cost, easy claims
procedures and easy access to insurance services (Janjua & Akmal, 2014).

Sherif and Shaairi (2013) investigated the significance of economic and
demographic factors in determining the consumption of takaful by families in
19 Malaysia. They report that economic factors (income, inflation and banking
sector development) and demographic factors (education, dependency ratio and
Muslim population) have significant and positive relationships with family
takaful demand. The relationship between Islamic banking deposits and takaful
demand shows the inter-dependency between Islamic Financial Institutions
26 (IFIs); thus, strong performance of Islamic banks will increase the confidence of
customers of other IFIs, including takaful (Sherif & Shaairi, 2013). Mohamed and
Alhabshi (2015) surveyed takaful managers in Malaysia and found that they
believed innovation would improve takaful market penetration. A study
33 conducted by Arifin and Yazid (2018) describes the factors that influence
innovation attributed to loyalty in family takaful in Malaysia. Five elements of
innovation, namely relative advantages, compatibility, simplicity, trialability and
40 observability are important determinants of participants' loyalty in family
takaful.

2.2. Innovation

47 According to Rogers (1995, cited in Arifin & Yazid, 2018, p. 2), innovation is 'an
idea, practice, or object that is perceived as new by an individual or another unit
of adoption'. Innovation is necessary for a company to survive and to become
more profitable and more competitive than other companies in their area of
operation (Mills & Tubiana, 2013). There are some important roles for
54 innovation in the development of Islamic products and services (Haron &
Nursofiza, 2008): first, innovation may improve existing products and services;
second, innovation might lead to a new activity that benefits a business because

3 it reduces operating costs; third, innovation can expand markets and even create
new markets for Islamic products and services. Many experts distinguish types
of innovation into different groups. Johnes and Davies (2000) identify three
categories of innovation: market, product and process. Market innovation refers
10 to entering a new market segment, product innovation is the development of
12 new products by a company, while process innovation improves internal
capabilities.

According to Mills and Tubiana (2013), there are three types of
innovation: empowering, sustaining and efficient. Empowering innovation
19 creates mass products that are available to more people than more-expensive
products which can only be acquired by certain people; sustaining innovation
refers to the development of products with better quality but still with similar
basic characteristics; and efficiency innovations will lead to reductions in
26 production and distribution costs.

Takaful companies need to choose the types of innovation that are in
accordance with the characteristics of their prospective consumers and the
corporate environment. The selection of the right type of innovation will
33 facilitate the expansion of the market for takaful products.

3. Research Methodology

Based on the challenges mentioned in the literature, this study will discuss
40 innovation as a strategy that is expected to solve those challenges. The three
categories of innovation mentioned by Johnes and Davies (2000), namely market,
product and process innovation will be used as the basis for discussing the
strategies.

47 This study uses a qualitative, descriptive method to discuss the
innovation strategies of the takaful industry from a literature-based approach.

This method is useful for reviewing particular conditions or phenomena based
on existing facts and analysing them based on existing literature such as books,
54 academic journals, conference papers and other sources. According to Sekaran
and Bougie (2013), the benefits of descriptive study are: (1) understanding the
characteristics of a group for a particular situation, (2) offering ideas for further
research and (3) helping to make simple decisions.

Several previous studies have employed qualitative research to discuss takaful. Abdullah (2012) uses a literature-research approach to describe the risk management of takaful from the perspective of *maqasid al-shari'ah*. The study reviews and analyses risk management and *maqasid al-shari'ah* from the literature in terms of adequacy, relevancy and significance. Qualitative methods were also applied by Abdullah and Yaacob (2012), who studied the legal and sharia issues in the application of the *wakalah-waqf* model in the takaful industry using previous literature and reports to highlight and discuss the issues. A similar method was used by Hidayat (2015) who discussed the enhancement of awareness of takaful using previous studies in that area to reveal common findings and conclusions.

The present study adopts the same method as the studies detailed above.

The data sources used are previous literature and documentation relating to the development of takaful in Indonesia, socio-economic conditions and innovation. Using a qualitative descriptive method this study is expected to meet the research objective regarding innovation strategy in the developing takaful market based on the conditions and phenomena that exist in Indonesia, including population and geographical characteristics .

4. Discussion

In general, companies implementing sharia principles need to reinforce their perceived position as complying with Islamic principles by providing information which confirms that they are sharia compliant (Nugraheni & Wijayanti, 2017). However, takaful companies cannot rely for their success solely on their identity as Islamic companies. As businesses operating in a new industry, they not only have to compete with conventional insurance providers, they also need to evaluate their own internal conditions. The improvement of many aspects of performance must be prioritised in order to compete with the larger market of existing conventional insurance.

Takaful companies have become one of the main components in the development of IFI. The ability to acknowledge and respond to environmental changes will be an important factor in allowing them to anticipate, adjust and adapt to the advancement of technology and business competition in the finance

industry. Basic environmental conditions that may influence a community's interest in takaful, such as political, economic, social and cultural factors, technology advancement and environmental factors, need to be understood (Wheelen & Hunger, 2008, cited in Miao, 2012).

The takaful industry needs to improve its operational and business strategies (Deloitte, 2013). As a service industry, satisfaction in using products and services is a primary concern for communities in choosing takaful products. Innovation is one of the keys to success in increasing interest in takaful insurance and in competing in the financial sector (Johne & Davies, 2000). Takaful companies need to be able to identify customer needs in order to provide products that are suitable for them. The innovations that can be pursued by takaful companies are discussed below, based on the categories developed by Johnne and Davies (2000).

4.1. Market innovation

Innovations regarding the choice of market reference a variety of factors (Johne & Davies, 2000). According to Husin and Rahman (2013), income is one of the factors that influences participation in insurance. Thus far, the insurance market has been aimed particularly at high-income groups, as they are seen as being more financially capable. According to data from the Indonesia Bureau of Statistic (cited in Deloitte, 2015), the composition of the Indonesian population in 2014 was as follows:

Table 2. Composition of Indonesian population based on income level

Name of group	Income (per year)		Percentage of the population (%)
	Rp (million)	US\$	
High-income group	> 120	> 8,000	25%
Upper-middle-income group	60–120	4,000–8,000	42%
Lower-middle-income group	36–60	2,500–4,000	26%
Low-income group	< 36	< 2,500	7%

Source: Deloitte (2015)

3 The 2014 Indonesian population of 250 million can be classified into four groups
based on income: the high-income group (more than Rp120 million/US\$8,000
per year), comprising 25% of the population; the upper-middle-income group
10 (income Rp60–120/USD4,000–8,000 per year) at around 42%; the lower-
middle-income group (income Rp36–60 million/US\$2,500–4,000 per year) at
12 around 26% and the low-income group (less than Rp36 million/US\$2,500 per
year) at around 7%. The data show that the majority (68 %/170 million) of
Indonesia's citizens belong to middle-income groups.

19 Setiawan (2013), quoting a report from the Asian Development Bank for
2010, states that the middle-income group consists of professional people in the
service sectors and industry. They live in cities and are oriented towards good-
quality education and health care. Such characteristics suggest significant
opportunities for insurance companies to target members of this group as
potential new customers.

26 The takaful industry can also target the low-income group who comprise
7% of the Indonesian population. Although relatively small, providing services to
this group is in accordance with the role of takaful in poverty reduction
(Matsawali et al., 2012). Due to limited income, the insurance products aimed at
33 this group must be adjusted to match financial ability. Low premium products
that focus on protection and are simple to access are suitable for customers in
this group (Miao, 2012).

4.2. Product innovation.

47 Targeting different markets requires the development of products which are
tailored to their particular needs. Different communities also need different
takaful products that are suitable for their financial abilities. Haron and
Nursofiza (2008) assert that product innovation is a part of the market
development process and a key to keeping competitive advantage. Takaful
operators should direct their efforts to expanding the takaful market and to
stimulating demand for takaful products (Husin & Rahman, 2016).

54 Product innovation is the development of new products to increase the
variety of products being offered (Johnes & Davies, 2000). Based on differences in
income level among the Indonesian population, adjusting takaful products and

3 price/premium/contributions to targeted markets should be considered. In such
products, the price offered is adjusted to a product's features so that customers
are offered a fair price. The principles to be followed in determining a fair price
for a product are to avoid selling inappropriate products, following fair
10 processes and giving freedom to customers in choosing their desired product
12 (Remli et al., 2013). These principles are important as they can build trust with
communities and develop their interest in the Islamic financial system and its
products and services.

19 The emergence of micro-insurance (micro-takaful) is a step towards
obtaining a wider market. Micro-insurance is designed to provide protection
from the type of financial risks that may be experienced by low-income
communities (FSA, 2017). Its characteristics are that products are simple to
understand and use and economical and immediate; micro-insurance is
26 therefore expected to be better at reaching targeted low-income customers.

Another product innovation is the development of insurance products
specifically for women. Some previous studies mention that women are less
interested in participating in insurance than men (Husin & Rahman, 2013).
33 However, more women are now working to meet their household needs and it is
commonly the case that woman are now the financial backbone of Indonesian
families. According to data from the Central Bureau of Statistics (BPS) of
Indonesia (cited in Setiyoko, 2016), in 2013 there were about 65 million families
40 in Indonesia, of which 14% or 9 million were headed by women aged between
20 and 60. These women are responsible for their families for a number of
reasons, including a daughter being responsible for her younger siblings because
of the parents' inability to sustain the family, or a wife replacing her husband's
47 role, either as a single parent or because her husband is unable to work because
of illness.

Of these women number, 38.8% are illiterate because they have not
received elementary education. These women typically have to feed between one
and six dependents, work as agricultural or informal labour and earn average
54 incomes of less than Rp10,000 (US\$ 1) per day (Setiyoko, 2016). Takaful
companies may try to develop products which give protection to these women

3 against the impacts of unpredictable occurrences such as sickness, disability or death.

10 In choosing a potentially profitable takaful product to be released, a company must consider the market's interest in the product. According to Abdullah et al. (2015), product specification and design that accord with Islamic values are the main factors that will be considered by Muslim customers. In addition, the products and services must be compatible and simple (Arifin & Yazid, 2018). Arifin and Yazid (2018) mention that compatibility refers to the 'extent of the product that is consistent and compatible with customers' need, beliefs, values, experiences and habits', while simplicity is being 'easy to understand [in terms of] the features of takaful products'. In addition, Effendi (2018) suggests that the development of more innovative products is important in solving the internal business problems of takaful products and services.

30 **4.3. Process innovation**

Process innovations repair and improve the efficiency and capability of internal operations (John & Davies, 2000). Such innovations include improving human-resource capacity, corporate management issues and promotional activities.

36 **4.3.1. Improving human resource quality**

Human resources play an important role in the success of companies in competitive environments. As service businesses, takaful companies rely on the skills of their human resources to offer their products to, and to retain, customers. However, human-resource expertise in the field of takaful is very limited (Redhika & Mahalli, 2014). Strategies to improve human-resource quality in takaful companies include the following:

43 *4.3.1.1. Training programmes for takaful employees*

50 The quality of human resources can be determined through the recruitment process and can then be developed through training and educational programmes which conform to company regulations (Deloitte, 2013). In maintaining and improving human-resource quality, companies need to conduct training for their employees (Karim Consulting, 2017). Three capabilities that should be developed by takaful operators are professional competence (through skill assessment and gap analysis), personal competence (through identification

of knowledge and skills) and technical competence (specialised skills in areas of underwriting, risk management and product development) (Deloitte, 2013).

Employees, especially those involved in marketing, need to have sufficient knowledge to enable them to explain takaful products correctly and appropriately to prospective customers. This can avoid misunderstandings between the company and its customers in choosing suitable products for their financial investment purposes (Miao, 2012). Moreover, the employees of takaful companies should be able to explain the Islamic characteristics of the products for customers who are particularly focused on the halal aspects of the product. Employees, including marketing employees who are frontline in introducing and selling insurance products, need to continually upgrade their knowledge and skills.

4.3.1.2. Cooperation with higher-education institutions

Cooperation between the takaful industry and higher-education institutions can be used to improve human-resource quality. Subjects taught at higher-education level relating to Islamic finance, including takaful, can be practised directly by students in takaful companies through the development of internship programmes. Inviting practitioners from the takaful industry as guest lecturers can also give insights to students about the working environment in takaful and can attract students to join the takaful industry in the future.

4.3.2. Corporate management

Companies need to understand the characteristics of their business area in order to understand its core advantages, business models used and strategies followed (Miao, 2012). There are several aspects that must be considered to improve corporate management:

4.3.2.1. Service Quality

As service providers, takaful companies should consider service quality as a way of enhancing customer satisfaction (Janjua & Akmal, 2014). Service quality in takaful includes responsiveness (readiness to help customers and provide quick service), reliability (ability to perform the service perfectly), convenience (ease of using services) and compliance (implementation of sharia principles in business activities) (Janjua & Akmal, 2014).

According to Razak et al. (2013), service quality is the most significant factor

3 influencing Malaysian people to choose takaful products. In addition, quality
innovations can influence customers loyalty (Arifin & Yazid, 2018), while Amron
et al. (2017) mention that service satisfaction will influence customers to tell
10 other people about takaful products. Therefore, clear indicators and processes
for improving and maintaining business operation, financial management and
12 service standards need to be created. Monitoring systems should also be
established to avoid activities which are not being carried out according to
procedures.

19 4.3.2.2. *Technology capabilities*

Utilisation of technology will contribute to effective competitive performance.
Takaful companies should use appropriate technology in all operational, sales
and marketing strategies (Deloitte, 2013). Innovation in such companies can be
26 implemented through the use of social media and/or the application of
information technology.

A community's expectations of service providers include being able to
interact with them online to discuss products and to give and receive feedback
(Hagen et al., 2012). For takaful companies, the effects of the use of social media
33 can be seen in product development, marketing, product sales, claim handling
and customer relationship development. Information technology can be applied
to suit companies' needs, for example, to integrate customer databases across all
40 business units, for decision making and to support daily operations (Hagen et al.,
2012).

In addition, a survey by the Indonesian Internet Service Providers
Association (APJII, cited in FSA, 2018) reveals that more than half of the
47 Indonesian population is now connected to the internet through computers or
smartphones. According to Mills and Tubiana (2013), internet use is an efficiency
innovation that can reduce production and distribution costs. Takaful companies
can therefore use the internet to market and transact takaful products.

57 4.3.3. **Promotional strategies**

One of challenges in expanding the takaful market in Indonesia is lack of
promotion by the industry (Ichsan, 2015; Redhika & Mahalli, 2014). Until now,
the community has been accustomed to conventional insurance; thus, takaful

3 products and services with different characteristics to conventional insurance
need to be actively introduced to potential buyers. Takaful companies need to
take an aggressive approach to promotion to increase levels of acceptance of
takaful products (Razak et. al 2013).

10 Lack of awareness is one of the main challenges faced by the takaful
12 industry in marketing its products (Deloitte, 2015; Husin & Rahman, 2016).
According to Hidayat (2015), improved awareness will increase market
preference for the offerings of takaful companies. Husin and Rahman (2016)
state that individual factors such as awareness and knowledge have impacts on
19 takaful participation. Improvement in community awareness about takaful can
be achieved through continual socialisation.

Early socialisation about takaful can be conducted through formal
education. Education plays a significant role in increasing the level of awareness
of the existence of takaful (Hidayat, 2015). Many higher-education institutions
26 have been teaching Islamic finance as a response to the rapid development of
IFIs. However, the learning process is mostly still focused on Islamic banking,
While other aspects of Islamic finance including takaful are less-frequently
discussed. For more widely based IFIs, students are expected to have at least an
33 initial understanding of takaful. Integrating the subject of takaful into the
academic curricula of universities is an effective way of enhancing students'
awareness at the same time as promoting takaful (Hidayat, 2015).

40 Cooperation with other institutions can also enhance the marketing of
takaful, and the Islamic banking sector has contributed towards the strong
growth of the takaful industry (Sherif & Shaairi, 2013). Cooperation between
banks and insurance companies usually works through the provision of
47 'bancassurance', defined as cooperative activity between an insurance company
and a bank in marketing insurance products via the bank. Islamic bancassurance
(banctakaful) provides some advantages for takaful operators in that it can
enable the expansion of distribution of takaful products, and can also create
54 reduced costs (Maturi, 2013) and influence cost-effective distribution channels
(Mohamed & Alhabshi, 2015).

Promotional activities tools of communication between companies and
consumers through which companies can influence consumers to buy their

3 products and services. Consequently, various forms of promotional activity such
as advertising, personal selling, sales promotion and public relations should be
enhanced in various ways (Abdullah et al., 2015). However, the promotional
tools need to be adjusted to fit the type of product offered. For example, the
10 introduction of micro-takaful designed for low-income groups can be performed
12 through appropriate marketing channels. According to FSA Circular Letter
Number 9/SEOJK.05/2017, marketing channels for micro-insurance can include
direct marketing as well as marketing via insurance agencies, bancassurers, non-
19 bank business institutions and marketing companies. Moreover, intensive
promotional activity by the takaful industry can be performed to reach
customers in all locations. For customers of micro-insurance in rural areas,
companies could attract customer interest by advertising on local radio stations,
developing product socialisation, entertainment and cultural programmes and
26 providing facilities for in-location claim settlement (Miao, 2012).

Level of understanding of takaful can vary based on geographic location
(Miao, 2012). Indonesia is a widely spread country with many different types of
citizen needing different treatments from businesses. Indonesia is known as the
33 world's largest archipelago, extending across 5,000 kilometres (around 3,200
miles) and consisting of more than 17,000 islands. Unfortunately, the service
network of IFIs (other than Islamic banks) is still centred (at 79%) on the two
largest islands – Sumatra and Java (FSA, 2018). This means that the penetration
40 rate is not evenly distributed across the country.

According to Ismail et al. (2017), the large geographical spread makes the
distribution of takaful market areas difficult to reach. In this environment, the
identification of the right promotion tools for each area becomes important.
47 Modern city areas may have higher knowledge levels than rural areas, making it
easier to promote takaful in cities than in the countryside. One strategy that can
be implemented is building an integrated system of business management and
regulation throughout a company's network while still applying different
54 marketing in each area (Miao, 2012). In marketing a certain product, the
understanding of prospective customers is the main aspect to be considered.

Miao (2012) suggests steps for marketing insurance products in
particular areas. First, if a company lacks detailed information, it needs to carry

3 out a review to determine what type of insurance products are appropriate.
Second, a cooperative relationship with local organisations and communities can
be an alternate way to ensure that the products being offered are suitable for the
environmental conditions. According to Abdullah et al. (2015), the involvement
10 of certain parties during the process of creating and delivering products and
12 services in marketing is one of the considerations of consumers in choosing
certain products. A combination of takaful products with the products of local
organisations can add value to a marketing strategy. When sales of the local
products increase, sales of insurance products will also increase and this may
19 reduce direct sales and promotional expenses. This is also a method for market
penetration when the facilities available in a targeted area are still limited.

A company may be not need to offer all of its products to a community, but
rather can focus on one or several particular products that are suitable for local
26 market conditions. Alajmi et al. (2011) state that national culture has an impact
on mechanisms of communication policy and information flow within the takaful
industry. Therefore, it is possible that there will be different strategies of
marketing in cities and rural areas. However, there are strengths and
33 weaknesses in this strategy (Miao, 2012). The strong reputation of a company
for a certain product and resulting faster increase in sales will positively affect
profitability. On the other hand, there may be high assessment costs because the
company needs data and information for each specific area. There will also be
40 differences in costs for activities such as advertising and promotion between
different areas.

5. Implications and Limitations of the Study

47 The takaful industry has an important role to play in Indonesia's economy. It
offers social value in the form of *tabarru'* funds and provides insurance which
accords with Islamic principles. The low market penetration of takaful compared
to Islamic banks more generally should encourage the takaful industry to put
54 innovative strategies into action. This study suggests the types of innovation that
could be pursued by the takaful industry. It should choose the type of innovation
that will suit the characteristics of communities and environmental conditions in
Indonesia by considering customers' demographic and geographical conditions.

3 So that the goal of introducing takaful and encouraging participation in takaful activities can be achieved, each different condition requires a different strategy.

This study has several limitations in explaining the innovation strategies of the takaful industry. First, the strategies described are adapted to environmental characteristics in Indonesia, so they may not be generalisable to other countries with different environments. It is therefore important to identify the customer demographic and geographical conditions in each region. Second, this study is only based on a literature review, so more specific empirical studies need to be done. Future research could further identify what consumers need, through surveys and through mapping certain types of regions to appropriate types of takaful products and services. Third, the use of theories to understand consumers' motivations and desires could be applied, such as the theory of planned behaviour (Husin & Rahman, 2016) or the theory of Islamic marketing (Abdullah et al., 2015). Through such activities, the takaful industry can better understand consumer needs by integrating knowledge based on theory, the characteristics of consumers, and the real conditions in particular regions. As a result, takaful products may be chosen as investment and risk protection tools not only because they are in accordance with sharia principles but also because they perform in line with the needs of customers.

References

- 40 Abdullah, A. and Yaacob, H. (2012), "Legal and Shariah Issues in The Application of Wakalah-waqf Model in Takaful Industry: An Analysis", *Procedia-Social and Behavioral Sciences*, Vol. 65, pp. 1040–1045.
- 44 Abdullah, J. B., Hamali, J.H. and Abdullah, F. (2015), "Succes Strategies in Islamic Marketing Mix", *International Journal of Business and Society*, Vol. 16 No. 3, pp. 480–499.
- 48 Abdullah, S. (2012), "Risk Management via Takaful from a Perspective of Maqasid of Shariah", *Procedia - Social and Behavioral Sciences*, The Authors, Vol. 65, pp. 535–541.
- 52 Alajmi, S., Dennis, C. and Altayab, Y. (2011), "The Effect of National Culture on Service Provision Within Takaful Industry", *Journal of Islamic Marketing*, Vol. 2 No. 3, pp. 225–245.
- 56 Amron, A., Usman, U. and Mursid, A. (2017), "Buying Decision in The Marketing of Sharia Life Insurance (Evidence From Indonesia)", *Journal of Islamic Marketing*, Vol. 9 No. 2, pp. 370–383.
- 60 Arifin, J. and Yazid, A.S. (2018), "The Influence of Innovation Attributes on

- Loyalty in Family Takaful: A Conceptual Study”, *South East Asia Journal of Contemporary Business, Economics and Law*, Vol. 15 No. 1, pp. 1–8.
- Boer, H. and During, W.E. (2001), “Innovation, What Innovation? A Comparison Between Product, Process and Organizational Innovation”, *Int. J. Technology Management*, Vol. 22 No. 1/2/3, pp. 83–107.
- Cristea, M., Marcu, N. and Cârstina, S. (2014), “The Relationship Between Insurance and Economic Growth in Romania Compared to The Main Results in Europe – A Theoretical and Empirical Analysis”, *Procedia Economics and Finance*, Elsevier B.V., Vol. 8 No. 14, pp. 226–235.
- Deloitte. (2013), “The Global Takaful Insurance Market Charting the Road to Mass Markets”, *A Deloitte ME IFKC Practice Insights Series*, available at: <https://ceif.iba.edu.pk/pdf/DeloitteTheglobalTakafulinsurancemarketChartingtheroadtomassmarkets.pdf> (accessed 20 November 2016).
- Deloitte. (2015), “Deloitte Consumer Insights Capturing Indonesia ’ s latent markets”, available at: [www. https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf](http://www.https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf) (accessed 20 November 2016).
- Effendi, J. (2018), “Islamic Insurance : A Potential Niche Market of Indonesia”, *Al-Iqtishad: Journal Ilmu Ekonomi Syariah*, Vol. 10 No. 1, pp. 207–230.
- FSA. (2017), “*Roadmap Pengembangan Keuangan Syariah Indonesia 2017-2019 (The Roadmap of Indonesian Islamic Financial Development: 2017-2019)*”, available at: <https://www.ojk.go.id/id/kanal/syariah/berita-dan-kegiatan/publikasi/Pages/Roadmap-Pengembangan-Keuangan-Syariah-Indonesia-2017-2019.aspx> (accessed at 10 August 2018).
- FSA. (2018), “*Laporan Perkembangan Keuangan Syariah Indonesia 2017 (The Report of Indonesian Islamic Financial Development 2017)*”, available at: <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Laporan-Perkembangan-Keuangan-Syariah-2017/> (accessed at 10 August 2018).
- Hagen, C., Hales, M., Reifel, J., Pei, A. and Miller, J. (2012), “*Technology: The Insurance Industry ’ S Pivot Point*”, available at: <https://www.atkearney.com/financial-services/article?/a/technology-the-insurance-industry-s-pivot-point> (accessed at 20 November 2016)
- Haron, S. and Nursofiza, W. (2008), “Creating A Dynamic Islamic Capital market: The Essential Role of Innovation”, *Islamic Capital Markets: Products, Regulation & Development*, Islamic Research and Training Institute, Islamic Development Bank Group, pp. 23–32.
- Hidayat, S.E. (2015), “The Role of Education In Awareness Enhancement of Takaful: A Literature Review”, *International Journal of Pedagogical Innovations*, Vol. 3 No. 2, pp. 107–112.
- Husin, M.M. and Rahman, A.A. (2013), “What Drives Consumers to Participate Into Family Takaful Schemes? A Literature Review”, *Journal of Islamic Marketing*, Vol. 4 No. 3, pp. 264–280.
- Husin, M.M. and Rahman, A.A. (2016), “Do Muslims Intend to Participate In

- Islamic Insurance ? Analysis From Theory of Planned Behaviour”, *Journal of Islamic Accounting and Business Research*, Vol. 7 No. 1, pp. 42–58.
- Ichsan, N. (2015), “Analisa SWOT, Prospek Dan Strategi Pengembangan Asuransi Syariah Di Indonesia (SWOT Analysis, Prospects and Development Strategy for Islamic Insurance in Indonesia)”, available at: <https://nurulichsanaan.files.wordpress.com/2015/10/analisis-swot-asuransi-syariah-jurnal-kordinat.pdf> (accessed 10 November 2016)
- Ismail, F., Jaffer, S., Unwin, L., Jamil, S., Hassan, A.A., Alajaji, K. and Tan, Y.Y. (2017), “*Global Takaful Report 2017: Market Trends in Family and General Takaful*”, available at: <http://ae.milliman.com/uploadedFiles/insight/2017/Takaful-2017-full-report.pdf>.
- Ismail, N., Othman, A.A., Din, S.Z.M., Yousop, N.L.M., Bakar, N.A. and Shafi, R.H.M. (2012), “An Investigation of the Awareness Level of Takaful Products among the Micro Enterprises in Malaysia”, *International Conference on Excellence in Business*, University of Sharjah, United Arab Emirates, Sharjah.
- Janjua, P.Z. and Akmal, M. (2014), “A Comparative Analysis of Customers’ Satisfaction for Conventional and Islamic Insurance Companies in Pakistan”, *International Journal of Economics and Finance*, Vol. 6 No. 4, pp. 36–50.
- Johne, A. and Davies, R. (2000), “Innovation in medium-sized insurance companies: how marketing adds value”, *International Journal of Bank Marketing*, Vol. 18 No. 1, pp. 6–14.
- Karim Consulting. (2017), “*Islamic Insurance Outlook 2017*”, available at: http://karimconsulting.com/wp-content/uploads/2016/11/Outlook-Asuransi-Syariah_finall_uploadweb.pdf.
- Matsawali, M.S., Abdullah, M.F., Ping, Y.C., Abidin, S.Y., Zaini, M.M., Ali, H.M., Alani, F., et al. (2012), “A Study on Takaful and Conventional Insurance Preferences: The Case of Brunei”, *International Journal of Business and Social Science*, Vol. 3 No. 22, pp. 163–176.
- Maturi, T.C. (2013), “Islamic Insurance (Takaful): Demand and Supply in the UK”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 6 No. 2, pp. 87–104.
- Miao, D. (2012), “*Strategic Management and Marketing Strategy in Insurance Companies, Case : China Life Insurance Company Limited in Shifang*”, Master thesis, available at: https://www.theseus.fi/bitstream/handle/10024/43405/Duan_Miao.pdf (accessed 20 November 2016)
- Mills, H. and Tubiana, B. (2013), “Innovation in Insurance: The Path to Progress”, *A Special Edition of Our Forward Focus Series: Deloitte University Press*, available at: <https://www2.deloitte.com/insights/us/en/topics/innovation/innovation-in-insurance.html>
- Mohamed, O.E.B. and Alhabshi, S.O. (2015), “Factors Influencing the Penetration Rate of Malaysian Takāful Industry from Takāful Managers’ Perspective”, *International Journal of Excellence in Islamic Banking and Finance*, Vol. 5 No. 1, pp. 1–13.
- Nugraheni, P. and Wijayanti, R. (2017), “Analysis of Factors Affecting The

3 Disclosure of Islamic Social Reporting (An empirical Study on the Sharia
Securities List)", *Journal of Economics, Business and Accountancy Ventura*,
Vol. 20 No. 1, pp. 103–112.

7 Razak, M.I.M., Idris, R., Yusof, M.M., Jaapar, W.E. and Ali, N.M. (2013), "Acceptance
Determinants towards Takaful Products in Malaysia", *International Journal
of Humanities and Social Science*, Vol. 3 No. 17, pp. 243–252.

11 Redhika, R. and Mahalli, K. (2014), "Analisis Potensi dan Kendala Pengembangan
Asuransi Syariah di Kota Medan (Potential Analysis and Constraints of
Islamic Insurance Development in Medan)", *Jurnal Ekonomi Dan Keuangan*,
Vol. 2 No. 5, pp. 323–335.

Remli, N., Norhayate, W., Daud, W., Zainol, F.A. and Muhammad, H. (2013), "A
Proposed Conceptual Framework for Market Orientation and Innovation
towards Takaful Performance in Malaysia", *International Journal of Business
and Management*; Vol. 8 No. 7, pp. 100–105.

Sekaran, U. and Bougie, R. (2013), *Research Methods for Business: A Skill-Building
Approach. 6th Edition*, Wiley, New York.

29 Setiawan, S. (2013), "Prospek dan Daya Saing Sektor Perasuransian Indonesia Di
Tengah Tantangan Integrasi Jasa (The Prospects and Competitiveness of
Indonesian Insurance Sector in the Challenges of Service Integration)",
*Serial Analisis Kebijakan Fiskal: Penguatan Hubungan Ekonomi Dan
Keuangan Internasional Dalam Mendukung Pembangunan Nasional*, Jakarta:
Naga Media, pp. 81–106.

33 Setiyoko, I. (2016), "Perempuan Kepala Keluarga Mampukah Berdaya dan
Mandiri? (Women as Family Backbone: Can be Empowered and
Independent?)", available at: [http://insan-sembada.blogspot.com/2016/
09/perempuan-kepala-keluarga-mampukah.html](http://insan-sembada.blogspot.com/2016/09/perempuan-kepala-keluarga-mampukah.html) (accessed 20 June 2017)

37 Sherif, M. and Shaairi, N.A. (2013), "Determinants of Demand on Family Takaful
in Malaysia", *Journal of Islamic Accounting and Business Research*, Vol. 4 No.
1, pp. 26–50.

Further Reading

46 Financial Services Authority. (2017), "Circular Letter of FSA Number 9/SEOJK.05
/2017 about Micro Insurance Products and Marketing Channels of Micro
Insurance Products", available at: <https://www.ojk.go.id>.

50 Law of The Republic of Indonesia Number 2 year 1992 concerning Insurance
Business

53 Law of The Republic of Indonesia Number 40 Year 2014 concerning Insurance

Innovation in the Takaful Industry: A Strategy to Expand the Takaful Market in Indonesia

Abstract

Purpose – This study aims to identify and describe possible innovations available to the takaful industry in Indonesia by considering demographic characteristics and geographical conditions. Indonesia has a predominantly Muslim population and thus presents good potential for the takaful market.

Design/methodology/approach – This study uses a qualitative, descriptive, literature-based method to discuss innovation strategies in the takaful industry. This method is appropriate for reviewing particular conditions and phenomena by analysing information and data drawn from existing literature.

Findings – Market, product and process innovations are chosen as the strategies appropriate to expanding the takaful market in Indonesia. Strategies are described which could be used to implement these innovations by influencing the community to participate in takaful and thus to expand the takaful market.

Research limitations/implications – The innovation strategies described are adapted to the demographic characteristics of Indonesia and so cannot necessarily be generalised to other countries with different environments.

Practical implications – By considering customer demographic and geographical conditions, the takaful industry should choose the types of innovation that will suit the community characteristics and environmental conditions of Indonesia.

Originality/value – The study specifically discusses innovation strategies in the takaful industry by describing the socio-economic conditions of the Indonesian society. Takaful companies in Indonesia can use the results to determine the types of innovation they pursue based on the customer demographic and geographical conditions faced.

Keywords – Takaful, Islamic insurance, market development, innovation

Paper type – General review

1. Introduction

Insurance is a financial instrument used to deal with risks that may affect business continuity (Ichsan, 2015). Among the important roles of insurance in its positive contribution to a country's economic life are its functions in both financial intermediation and long-term investment (Cristea et al., 2014). Insurance can be used as a significant fundraising tool for the economic activities of a community that enable extensive economic development, as well as for resolving the risks faced in the development of a country (Ichsan, 2015). As part of the financial services sector, the insurance sector has a strategic role in

3 encouraging a country's economic stability through the aspect of the risk
management of economic activities (Setiawan, 2013).

Muslim awareness of the need to conduct economic activities in accordance
with Islamic principles is contributing to the growth of the Islamic insurance
10 (takaful) industry. Since the creation of the first takaful enterprises in 1994, 13
12 takaful companies and 49 takaful business units (as parts of larger
organisations) have been established in Indonesia (as at December 2018).

Indonesia is one of the Asian Pacific countries with the fastest growth in
insurance uptake, and this has been supported by 'the gradual expansion of the
19 middle classes, growing income levels and development of more affordable
insurance products including micro-insurance' (BMI, cited in Karim Consulting,
2017, p. 11). Nevertheless, the market share of takaful in Indonesia is still
relatively low; data from the Financial Services Authority (FSA) of Indonesia
26 shows that at the end of 2017 its penetration rate was only 0.104% of the
country's total population of 262 million.

The takaful industry is expected to continue growing to provide an
alternative investment option based on risk sharing. Successful introduction and
33 marketing of takaful products in particular countries requires understanding of
the characteristics and environment of those countries. Indonesia has a

predominantly Muslim population and thus is a potential takaful market.
However, there are many challenges to be faced by the takaful industry in trying
40 to market its products there (Deloitte, 2013; Redhika & Mahalli, 2014; Ichsan,
2015). One of these challenges is determining the form innovations should take.

Boer and Daring (2001, p. 84) define innovation as 'the creation of a new
product-market-technology-organization combinations'. According to Haron and
47 Nursofiza (2008), innovation is not always related to new technologies or new
products, but also includes innovation in the process and renewal of
organisational structures or markets.

Innovation in the takaful industry should be considered in order to devise
54 alternative ways of encouraging public interest in takaful products. Such
innovation should consider the conditions surrounding the industry, such as
economic, financial and demographic factors (Sherif & Shaairi, 2013). According
to Husin and Rahman (2013), demographic characteristics can influence the

3 marketing strategies for takaful because they can be used to measure the intentional behaviours of customers in order to identify their needs.

10 This study aims to identify and describe innovations that can be pursued by takaful companies in Indonesia. Research into innovation in the takaful industry is important for three reasons: first, takaful is developed to fulfil the demands of
12 Muslims for insurance which operates in accordance with Islamic principles – it is therefore particularly important for Indonesia as a country with a predominantly Muslim population; second, previous studies have discussed the
19 challenges faced by the takaful industry in general, while this study specifically describes aspects of innovation that can be put in place by takaful companies; third, the takaful industry may face different challenges depending on the environment encountered in the country in which it is located. This study
26 specifically investigates the takaful industry in Indonesia and suggests that many of the strategies explained might be used as alternative solutions to issues faced by takaful businesses in increasing their market share. It is expected that understanding of the characteristics and environment in Indonesia can be used
33 to further encourage participation in Islamic economic activities.

This study is divided into several sections. The second section reviews the
33 literature related to takaful and innovation, the third presents the methodology of the research and the fourth describes the type of innovations available to the takaful industry. The final section explains the implications and limitations of the
40 study.

2. Literature Review

2.1. An overview of takaful and takaful development in Indonesia

45 The term 'takaful' is derived from the Arabic word *kafala* which means to guarantee, guard and protect. The concept of takaful relates to mutual cooperation between groups of participants who guarantee each other by contributing *tabarru'* (donations or gifts) to takaful funds (Sherif & Shaairi,
52 2013). Takaful products exist to maintain the commitment of their users to Islamic principles while also meeting market demands. To achieve these aims, insurance industries are required to be innovative in their development of

3 products to suit the needs of the societies within which they operate (John &
Davies, 2000).

Takaful has several characteristics which differ from those of conventional
insurance (Sherif & Shaairi, 2013). First, takaful is based on *tabarru'* contracts,
10 while insurance is based on sale-and-purchase contracts. Second, in
12 conventional insurance the insured must pay the premium(s) and the insurer
must pay compensation to the insured when an insured event occurs; In
contrast, in takaful the participants pay contributions into a fund and the
takaful operator plays the role of fund manager. Third, conventional insurance
19 companies bear the risks insured while risk in takaful is borne by all
participants. Fourth, takaful businesses must operate according to sharia
principles in all areas of their activity.

Ismail et al. (2012) state that the importance of the takaful system is its
26 basis in socio-economic principles which accord with Islamic values for the
benefit of individuals and society. According to Matsawali et al. (2012), the
concept of takaful based on mutual cooperation will encourage trade and
commercial activity to flourish, contribute to poverty reduction and establish a
self-reliant society. Participation in takaful is one of the ways through which
33 Muslims can contribute to the development of Islamic economies (Husin &
Rahman, 2016).

The development of takaful products in Indonesia began in 1994 with the
40 establishment of the first takaful company, PT Syarikat Takaful Indonesia. The
setting-up of this business was subject to Republic of Indonesia law 2/1992
concerning insurance business, although this legislation did not specifically
mention takaful. More recently, insurance, including takaful, was regulated
47 under Republic of Indonesia law 40/2014. According to this law, Islamic
insurance (takaful) is a collection of agreements which comprise an agreement
between the takaful company and the policyholder and agreements between the
policyholders in terms of the management of contributions based on sharia
54 principles with the aim of helping and protecting one another.

The performance of takaful has improved every year since its inception,
although its value remains below that of conventional insurance. Table 1
compares the assets and gross contributions of takaful and conventional

insurance in Indonesia. Total assets of the takaful industry were Rp 40.52 trillion as at December 2017, having grown 18% over the previous year from Rp 33.224 trillion. Meanwhile, conventional insurance assets increased 17.6% from Rp 534.57 trillion in 2016 to Rp 628.65 trillion in 2017. The difference in assets as at December 2017 between takaful and conventional insurance was Rp 588.13 trillion, or 93.5%.

Total gross contribution to takaful was Rp 14 trillion in 2017, an increase of Rp 1.97 trillion from the 2016 figure of Rp 12.03 trillion(16.33%). In 2017, the share of gross insurance contributions by takaful was 5.04% compared with 5.35% for the previous year.

Table 1. Comparison of assets and contributions between takaful and conventional insurance

	Takaful		Conventional Insurance	
	2016	2017	2016	2017
Assets (Rp trillion)	33.24	40.52	534.57	628.65
Takaful's share of gross insurance assets	4.83%	5.79%		
Gross contributions (Rp trillion)	12.03	14	224.75	277.49
Takaful's share of gross insurance contributions	5.35%	5.04%		

Source: FSA (2018)

Indonesia has characteristics and environmental factors that may be different from other countries. Among these are its very large and widespread area, containing different geographic typologies, levels of education and levels of income, all of which may affect people's preference for takaful service offerings. Understanding the challenges presented by Indonesia's environment will be useful in creating strategies to promote takaful products and achieve greater market share.

2.2. Challenges to the takaful industry

Southeast Asian countries including Indonesia have seen significant development in takaful companies in recent years (Ismail et al., 2017). Takaful insurance has being the choice of community to share risks in the possibility of

3 facing an accident or disaster. According to Husin and Rahman (2016), takaful
has an important role to play in a country dominated by Muslims, because it is
designed to meet their religious requirements for sharia compliance and the
development of Muslim communities. Takaful is an alternative to conventional
10 insurance for people who need cover which is in accordance with Islamic
12 principles. However, the development of the takaful market has not met with the
desired expectations, and a number of studies reference the challenges that must
be faced by the takaful industry in Indonesia and elsewhere.

19 A survey by Deloitte (2013) shows some of the challenges currently faced
by takaful companies in Indonesia. These include compliance with regulations
and corporate governance requirements, the need for improvements in human-
resource capacity, risk management and internal control, strategies for
managing products, and corporate business activity. Redhika and Mahalli (2014)
26 interviewed managers of takaful companies in Medan, Indonesia, to investigate
the constraints on takaful development. They identify constrains such as limited
human-resource quality, similarity of products to conventional insurance, lack of
promotion and limited agents available to market takaful. Ichsan (2015) also
33 discusses some of the causes of the low market penetration of takaful in
Indonesia. During the last ten years, problems faced by takaful companies
include ineffective promotions and market education, the absence of innovative
products and services, limited knowledge about takaful business by human
resources within takaful companies, and limited marketing and distributive
40 channels compared to conventional insurance. Based on an interview with a
takaful expert, Effendi (2018) also identifies four internal business problems:
lack of promotion and socialisation, human resources, utilisation of information
47 technology and lack of development of products and services. Meanwhile, Amron
et al. (2017) find that satisfaction and trust has a significant impact on word-of-
mouth recommendation by the customers of sharia life insurance in the Moslem
society of Indonesia.

54 Many researchers also investigate takaful and the factors that must be
considered in achieving penetration of worldwide insurance markets by takaful.
Janjua and Akmal (2014) analysed customer satisfaction with the services of
conventional and Islamic insurance companies in Pakistan. Their research found

3 that conventional insurance companies preferred to target young people, private
employees and lower-income groups. Meanwhile, takaful companies prefer to
focus on improving sharia compliance and attracting self-employed and higher-
10 income groups. In general, insurance as a service provider industry needs to put
more effort into aspects of management of funds such as effective risk
12 management, and into offerings to consumers such as low cost, easy claims
procedures and easy access to insurance services (Janjua & Akmal, 2014).

Sherif and Shaairi (2013) investigated the significance of economic and
19 demographic factors in determining the consumption of takaful by families in
Malaysia. They report that economic factors (income, inflation and banking
sector development) and demographic factors (education, dependency ratio and
Muslim population) have significant and positive relationships with family
26 takaful demand. The relationship between Islamic banking deposits and takaful
demand shows the inter-dependency between Islamic Financial Institutions
(IFIs); thus, strong performance of Islamic banks will increase the confidence of
customers of other IFIs, including takaful (Sherif & Shaairi, 2013). Mohamed and
33 Alhabshi (2015) surveyed takaful managers in Malaysia and found that they
believed innovation would improve takaful market penetration. A study
conducted by Arifin and Yazid (2018) describes the factors that influence
40 innovation attributed to loyalty in family takaful in Malaysia. Five elements of
innovation, namely relative advantages, compatibility, simplicity, trialability and
observability are important determinants of participants' loyalty in family
takaful.

2.2. Innovation

47 According to Rogers (1995, cited in Arifin & Yazid, 2018, p. 2), innovation is 'an
idea, practice, or object that is perceived as new by an individual or another unit
of adoption'. Innovation is necessary for a company to survive and to become
more profitable and more competitive than other companies in their area of
54 operation (Mills & Tubiana, 2013). There are some important roles for
innovation in the development of Islamic products and services (Haron &
Nursofiza, 2008): first, innovation may improve existing products and services;
second, innovation might lead to a new activity that benefits a business because

3 it reduces operating costs; third, innovation can expand markets and even create
new markets for Islamic products and services. Many experts distinguish types
of innovation into different groups. Johnes and Davies (2000) identify three
categories of innovation: market, product and process. Market innovation refers
10 to entering a new market segment, product innovation is the development of
12 new products by a company, while process innovation improves internal
capabilities.

According to Mills and Tubiana (2013), there are three types of
innovation: empowering, sustaining and efficient. Empowering innovation
19 creates mass products that are available to more people than more-expensive
products which can only be acquired by certain people; sustaining innovation
refers to the development of products with better quality but still with similar
basic characteristics; and efficiency innovations will lead to reductions in
26 production and distribution costs.

Takaful companies need to choose the types of innovation that are in
accordance with the characteristics of their prospective consumers and the
corporate environment. The selection of the right type of innovation will
33 facilitate the expansion of the market for takaful products.

3. Research Methodology

Based on the challenges mentioned in the literature, this study will discuss
40 innovation as a strategy that is expected to solve those challenges. The three
categories of innovation mentioned by Johnes and Davies (2000), namely market,
product and process innovation will be used as the basis for discussing the
strategies.

47 This study uses a qualitative, descriptive method to discuss the
innovation strategies of the takaful industry from a literature-based approach.

This method is useful for reviewing particular conditions or phenomena based
on existing facts and analysing them based on existing literature such as books,
54 academic journals, conference papers and other sources. According to Sekaran
and Bougie (2013), the benefits of descriptive study are: (1) understanding the
characteristics of a group for a particular situation, (2) offering ideas for further
research and (3) helping to make simple decisions.

Several previous studies have employed qualitative research to discuss takaful. Abdullah (2012) uses a literature-research approach to describe the risk management of takaful from the perspective of *maqasid al-shari'ah*. The study reviews and analyses risk management and *maqasid al-shari'ah* from the literature in terms of adequacy, relevancy and significance. Qualitative methods were also applied by Abdullah and Yaacob (2012), who studied the legal and sharia issues in the application of the *wakalah-waqf* model in the takaful industry using previous literature and reports to highlight and discuss the issues. A similar method was used by Hidayat (2015) who discussed the enhancement of awareness of takaful using previous studies in that area to reveal common findings and conclusions.

The present study adopts the same method as the studies detailed above.

The data sources used are previous literature and documentation relating to the development of takaful in Indonesia, socio-economic conditions and innovation. Using a qualitative descriptive method this study is expected to meet the research objective regarding innovation strategy in the developing takaful market based on the conditions and phenomena that exist in Indonesia, including population and geographical characteristics .

4. Discussion

In general, companies implementing sharia principles need to reinforce their perceived position as complying with Islamic principles by providing information which confirms that they are sharia compliant (Nugraheni & Wijayanti, 2017). However, takaful companies cannot rely for their success solely on their identity as Islamic companies. As businesses operating in a new industry, they not only have to compete with conventional insurance providers, they also need to evaluate their own internal conditions. The improvement of many aspects of performance must be prioritised in order to compete with the larger market of existing conventional insurance.

Takaful companies have become one of the main components in the development of IFI. The ability to acknowledge and respond to environmental changes will be an important factor in allowing them to anticipate, adjust and adapt to the advancement of technology and business competition in the finance

industry. Basic environmental conditions that may influence a community's interest in takaful, such as political, economic, social and cultural factors, technology advancement and environmental factors, need to be understood (Wheelen & Hunger, 2008, cited in Miao, 2012).

The takaful industry needs to improve its operational and business strategies (Deloitte, 2013). As a service industry, satisfaction in using products and services is a primary concern for communities in choosing takaful products. Innovation is one of the keys to success in increasing interest in takaful insurance and in competing in the financial sector (Johne & Davies, 2000). Takaful companies need to be able to identify customer needs in order to provide products that are suitable for them. The innovations that can be pursued by takaful companies are discussed below, based on the categories developed by Johnne and Davies (2000).

4.1. Market innovation

Innovations regarding the choice of market reference a variety of factors (Johne & Davies, 2000). According to Husin and Rahman (2013), income is one of the factors that influences participation in insurance. Thus far, the insurance market has been aimed particularly at high-income groups, as they are seen as being more financially capable. According to data from the Indonesia Bureau of Statistic (cited in Deloitte, 2015), the composition of the Indonesian population in 2014 was as follows:

Table 2. Composition of Indonesian population based on income level

Name of group	Income (per year)		Percentage of the population (%)
	Rp (million)	US\$	
High-income group	> 120	> 8,000	25%
Upper-middle-income group	60–120	4,000–8,000	42%
Lower-middle-income group	36–60	2,500–4,000	26%
Low-income group	< 36	< 2,500	7%

Source: Deloitte (2015)

3 The 2014 Indonesian population of 250 million can be classified into four groups
based on income: the high-income group (more than Rp120 million/US\$8,000
per year), comprising 25% of the population; the upper-middle-income group
10 (income Rp60–120/USD4,000–8,000 per year) at around 42%; the lower-
middle-income group (income Rp36–60 million/US\$2,500–4,000 per year) at
12 around 26% and the low-income group (less than Rp36 million/US\$2,500 per
year) at around 7%. The data show that the majority (68 %/170 million) of
Indonesia's citizens belong to middle-income groups.

19 Setiawan (2013), quoting a report from the Asian Development Bank for
2010, states that the middle-income group consists of professional people in the
service sectors and industry. They live in cities and are oriented towards good-
quality education and health care. Such characteristics suggest significant
opportunities for insurance companies to target members of this group as
potential new customers.

26 The takaful industry can also target the low-income group who comprise
7% of the Indonesian population. Although relatively small, providing services to
this group is in accordance with the role of takaful in poverty reduction
(Matsawali et al., 2012). Due to limited income, the insurance products aimed at
33 this group must be adjusted to match financial ability. Low premium products
that focus on protection and are simple to access are suitable for customers in
this group (Miao, 2012).

4.2. Product innovation.

47 Targeting different markets requires the development of products which are
tailored to their particular needs. Different communities also need different
takaful products that are suitable for their financial abilities. Haron and
Nursofiza (2008) assert that product innovation is a part of the market
development process and a key to keeping competitive advantage. Takaful
operators should direct their efforts to expanding the takaful market and to
stimulating demand for takaful products (Husin & Rahman, 2016).

54 Product innovation is the development of new products to increase the
variety of products being offered (Johnes & Davies, 2000). Based on differences in
income level among the Indonesian population, adjusting takaful products and

3 price/premium/contributions to targeted markets should be considered. In such
products, the price offered is adjusted to a product's features so that customers
are offered a fair price. The principles to be followed in determining a fair price
for a product are to avoid selling inappropriate products, following fair
10 processes and giving freedom to customers in choosing their desired product
12 (Remli et al., 2013). These principles are important as they can build trust with
communities and develop their interest in the Islamic financial system and its
products and services.

19 The emergence of micro-insurance (micro-takaful) is a step towards
obtaining a wider market. Micro-insurance is designed to provide protection
from the type of financial risks that may be experienced by low-income
communities (FSA, 2017). Its characteristics are that products are simple to
understand and use and economical and immediate; micro-insurance is
26 therefore expected to be better at reaching targeted low-income customers.

Another product innovation is the development of insurance products
specifically for women. Some previous studies mention that women are less
interested in participating in insurance than men (Husin & Rahman, 2013).
33 However, more women are now working to meet their household needs and it is
commonly the case that woman are now the financial backbone of Indonesian
families. According to data from the Central Bureau of Statistics (BPS) of
Indonesia (cited in Setiyoko, 2016), in 2013 there were about 65 million families
40 in Indonesia, of which 14% or 9 million were headed by women aged between
20 and 60. These women are responsible for their families for a number of
reasons, including a daughter being responsible for her younger siblings because
of the parents' inability to sustain the family, or a wife replacing her husband's
47 role, either as a single parent or because her husband is unable to work because
of illness.

Of these women number, 38.8% are illiterate because they have not
received elementary education. These women typically have to feed between one
and six dependents, work as agricultural or informal labour and earn average
54 incomes of less than Rp10,000 (US\$ 1) per day (Setiyoko, 2016). Takaful
companies may try to develop products which give protection to these women

3 against the impacts of unpredictable occurrences such as sickness, disability or death.

10 In choosing a potentially profitable takaful product to be released, a company must consider the market's interest in the product. According to Abdullah et al. (2015), product specification and design that accord with Islamic values are the main factors that will be considered by Muslim customers. In addition, the products and services must be compatible and simple (Arifin & Yazid, 2018). Arifin and Yazid (2018) mention that compatibility refers to the 'extent of the product that is consistent and compatible with customers' need, beliefs, values, experiences and habits', while simplicity is being 'easy to understand [in terms of] the features of takaful products'. In addition, Effendi (2018) suggests that the development of more innovative products is important in solving the internal business problems of takaful products and services.

30 **4.3. Process innovation**

Process innovations repair and improve the efficiency and capability of internal operations (John & Davies, 2000). Such innovations include improving human-resource capacity, corporate management issues and promotional activities.

36 **4.3.1. Improving human resource quality**

Human resources play an important role in the success of companies in competitive environments. As service businesses, takaful companies rely on the skills of their human resources to offer their products to, and to retain, customers. However, human-resource expertise in the field of takaful is very limited (Redhika & Mahalli, 2014). Strategies to improve human-resource quality in takaful companies include the following:

43 *4.3.1.1. Training programmes for takaful employees*

50 The quality of human resources can be determined through the recruitment process and can then be developed through training and educational programmes which conform to company regulations (Deloitte, 2013). In maintaining and improving human-resource quality, companies need to conduct training for their employees (Karim Consulting, 2017). Three capabilities that should be developed by takaful operators are professional competence (through skill assessment and gap analysis), personal competence (through identification

of knowledge and skills) and technical competence (specialised skills in areas of underwriting, risk management and product development) (Deloitte, 2013).

Employees, especially those involved in marketing, need to have sufficient knowledge to enable them to explain takaful products correctly and appropriately to prospective customers. This can avoid misunderstandings between the company and its customers in choosing suitable products for their financial investment purposes (Miao, 2012). Moreover, the employees of takaful companies should be able to explain the Islamic characteristics of the products for customers who are particularly focused on the halal aspects of the product. Employees, including marketing employees who are frontline in introducing and selling insurance products, need to continually upgrade their knowledge and skills.

4.3.1.2. Cooperation with higher-education institutions

Cooperation between the takaful industry and higher-education institutions can be used to improve human-resource quality. Subjects taught at higher-education level relating to Islamic finance, including takaful, can be practised directly by students in takaful companies through the development of internship programmes. Inviting practitioners from the takaful industry as guest lecturers can also give insights to students about the working environment in takaful and can attract students to join the takaful industry in the future.

4.3.2. Corporate management

Companies need to understand the characteristics of their business area in order to understand its core advantages, business models used and strategies followed (Miao, 2012). There are several aspects that must be considered to improve corporate management:

4.3.2.1. Service Quality

As service providers, takaful companies should consider service quality as a way of enhancing customer satisfaction (Janjua & Akmal, 2014). Service quality in takaful includes responsiveness (readiness to help customers and provide quick service), reliability (ability to perform the service perfectly), convenience (ease of using services) and compliance (implementation of sharia principles in business activities) (Janjua & Akmal, 2014).

According to Razak et al. (2013), service quality is the most significant factor

3 influencing Malaysian people to choose takaful products. In addition, quality
innovations can influence customers loyalty (Arifin & Yazid, 2018), while Amron
et al. (2017) mention that service satisfaction will influence customers to tell
10 other people about takaful products. Therefore, clear indicators and processes
for improving and maintaining business operation, financial management and
12 service standards need to be created. Monitoring systems should also be
established to avoid activities which are not being carried out according to
procedures.

19 *4.3.2.2. Technology capabilities*

Utilisation of technology will contribute to effective competitive performance.
Takaful companies should use appropriate technology in all operational, sales
and marketing strategies (Deloitte, 2013). Innovation in such companies can be
26 implemented through the use of social media and/or the application of
information technology.

A community's expectations of service providers include being able to
interact with them online to discuss products and to give and receive feedback
(Hagen et al., 2012). For takaful companies, the effects of the use of social media
33 can be seen in product development, marketing, product sales, claim handling
and customer relationship development. Information technology can be applied
to suit companies' needs, for example, to integrate customer databases across all
40 business units, for decision making and to support daily operations (Hagen et al.,
2012).

In addition, a survey by the Indonesian Internet Service Providers
Association (APJII, cited in FSA, 2018) reveals that more than half of the
47 Indonesian population is now connected to the internet through computers or
smartphones. According to Mills and Tubiana (2013), internet use is an efficiency
innovation that can reduce production and distribution costs. Takaful companies
can therefore use the internet to market and transact takaful products.

57 **4.3.3. Promotional strategies**

One of challenges in expanding the takaful market in Indonesia is lack of
promotion by the industry (Ichsan, 2015; Redhika & Mahalli, 2014). Until now,
the community has been accustomed to conventional insurance; thus, takaful

3 products and services with different characteristics to conventional insurance
need to be actively introduced to potential buyers. Takaful companies need to
take an aggressive approach to promotion to increase levels of acceptance of
takaful products (Razak et. al 2013).

10 Lack of awareness is one of the main challenges faced by the takaful
12 industry in marketing its products (Deloitte, 2015; Husin & Rahman, 2016).
According to Hidayat (2015), improved awareness will increase market
preference for the offerings of takaful companies. Husin and Rahman (2016)
state that individual factors such as awareness and knowledge have impacts on
19 takaful participation. Improvement in community awareness about takaful can
be achieved through continual socialisation.

Early socialisation about takaful can be conducted through formal
education. Education plays a significant role in increasing the level of awareness
of the existence of takaful (Hidayat, 2015). Many higher-education institutions
26 have been teaching Islamic finance as a response to the rapid development of
IFIs. However, the learning process is mostly still focused on Islamic banking,
While other aspects of Islamic finance including takaful are less-frequently
discussed. For more widely based IFIs, students are expected to have at least an
33 initial understanding of takaful. Integrating the subject of takaful into the
academic curricula of universities is an effective way of enhancing students'
awareness at the same time as promoting takaful (Hidayat, 2015).

40 Cooperation with other institutions can also enhance the marketing of
takaful, and the Islamic banking sector has contributed towards the strong
growth of the takaful industry (Sherif & Shaairi, 2013). Cooperation between
banks and insurance companies usually works through the provision of
47 'bancassurance', defined as cooperative activity between an insurance company
and a bank in marketing insurance products via the bank. Islamic bancassurance
(banctakaful) provides some advantages for takaful operators in that it can
enable the expansion of distribution of takaful products, and can also create
54 reduced costs (Maturi, 2013) and influence cost-effective distribution channels
(Mohamed & Alhabshi, 2015).

Promotional activities tools of communication between companies and
consumers through which companies can influence consumers to buy their

3 products and services. Consequently, various forms of promotional activity such
as advertising, personal selling, sales promotion and public relations should be
enhanced in various ways (Abdullah et al., 2015). However, the promotional
tools need to be adjusted to fit the type of product offered. For example, the
10 introduction of micro-takaful designed for low-income groups can be performed
12 through appropriate marketing channels. According to FSA Circular Letter
Number 9/SEOJK.05/2017, marketing channels for micro-insurance can include
direct marketing as well as marketing via insurance agencies, bancassurers, non-
19 bank business institutions and marketing companies. Moreover, intensive
promotional activity by the takaful industry can be performed to reach
customers in all locations. For customers of micro-insurance in rural areas,
companies could attract customer interest by advertising on local radio stations,
developing product socialisation, entertainment and cultural programmes and
26 providing facilities for in-location claim settlement (Miao, 2012).

Level of understanding of takaful can vary based on geographic location
(Miao, 2012). Indonesia is a widely spread country with many different types of
citizen needing different treatments from businesses. Indonesia is known as the
33 world's largest archipelago, extending across 5,000 kilometres (around 3,200
miles) and consisting of more than 17,000 islands. Unfortunately, the service
network of IFIs (other than Islamic banks) is still centred (at 79%) on the two
largest islands – Sumatra and Java (FSA, 2018). This means that the penetration
40 rate is not evenly distributed across the country.

According to Ismail et al. (2017), the large geographical spread makes the
distribution of takaful market areas difficult to reach. In this environment, the
identification of the right promotion tools for each area becomes important.
47 Modern city areas may have higher knowledge levels than rural areas, making it
easier to promote takaful in cities than in the countryside. One strategy that can
be implemented is building an integrated system of business management and
regulation throughout a company's network while still applying different
54 marketing in each area (Miao, 2012). In marketing a certain product, the
understanding of prospective customers is the main aspect to be considered.

Miao (2012) suggests steps for marketing insurance products in
particular areas. First, if a company lacks detailed information, it needs to carry

3 out a review to determine what type of insurance products are appropriate.
Second, a cooperative relationship with local organisations and communities can
be an alternate way to ensure that the products being offered are suitable for the
environmental conditions. According to Abdullah et al. (2015), the involvement
10 of certain parties during the process of creating and delivering products and
12 services in marketing is one of the considerations of consumers in choosing
certain products. A combination of takaful products with the products of local
organisations can add value to a marketing strategy. When sales of the local
products increase, sales of insurance products will also increase and this may
19 reduce direct sales and promotional expenses. This is also a method for market
penetration when the facilities available in a targeted area are still limited.

A company may be not need to offer all of its products to a community, but
rather can focus on one or several particular products that are suitable for local
26 market conditions. Alajmi et al. (2011) state that national culture has an impact
on mechanisms of communication policy and information flow within the takaful
industry. Therefore, it is possible that there will be different strategies of
marketing in cities and rural areas. However, there are strengths and
33 weaknesses in this strategy (Miao, 2012). The strong reputation of a company
for a certain product and resulting faster increase in sales will positively affect
profitability. On the other hand, there may be high assessment costs because the
company needs data and information for each specific area. There will also be
40 differences in costs for activities such as advertising and promotion between
different areas.

5. Implications and Limitations of the Study

47 The takaful industry has an important role to play in Indonesia's economy. It
offers social value in the form of *tabarru'* funds and provides insurance which
accords with Islamic principles. The low market penetration of takaful compared
to Islamic banks more generally should encourage the takaful industry to put
54 innovative strategies into action. This study suggests the types of innovation that
could be pursued by the takaful industry. It should choose the type of innovation
that will suit the characteristics of communities and environmental conditions in
Indonesia by considering customers' demographic and geographical conditions.

3 So that the goal of introducing takaful and encouraging participation in takaful activities can be achieved, each different condition requires a different strategy.

This study has several limitations in explaining the innovation strategies of the takaful industry. First, the strategies described are adapted to environmental characteristics in Indonesia, so they may not be generalisable to other countries with different environments. It is therefore important to identify the customer demographic and geographical conditions in each region. Second, this study is only based on a literature review, so more specific empirical studies need to be done. Future research could further identify what consumers need, through surveys and through mapping certain types of regions to appropriate types of takaful products and services. Third, the use of theories to understand consumers' motivations and desires could be applied, such as the theory of planned behaviour (Husin & Rahman, 2016) or the theory of Islamic marketing (Abdullah et al., 2015). Through such activities, the takaful industry can better understand consumer needs by integrating knowledge based on theory, the characteristics of consumers, and the real conditions in particular regions. As a result, takaful products may be chosen as investment and risk protection tools not only because they are in accordance with sharia principles but also because they perform in line with the needs of customers.

References

- 40 Abdullah, A. and Yaacob, H. (2012), "Legal and Shariah Issues in The Application of Wakalah-waqf Model in Takaful Industry: An Analysis", *Procedia-Social and Behavioral Sciences*, Vol. 65, pp. 1040–1045.
- 44 Abdullah, J. B., Hamali, J.H. and Abdullah, F. (2015), "Succes Strategies in Islamic Marketing Mix", *International Journal of Business and Society*, Vol. 16 No. 3, pp. 480–499.
- 48 Abdullah, S. (2012), "Risk Management via Takaful from a Perspective of Maqasid of Shariah", *Procedia - Social and Behavioral Sciences*, The Authors, Vol. 65, pp. 535–541.
- 52 Alajmi, S., Dennis, C. and Altayab, Y. (2011), "The Effect of National Culture on Service Provision Within Takaful Industry", *Journal of Islamic Marketing*, Vol. 2 No. 3, pp. 225–245.
- 56 Amron, A., Usman, U. and Mursid, A. (2017), "Buying Decision in The Marketing of Sharia Life Insurance (Evidence From Indonesia)", *Journal of Islamic Marketing*, Vol. 9 No. 2, pp. 370–383.
- 60 Arifin, J. and Yazid, A.S. (2018), "The Influence of Innovation Attributes on

- Loyalty in Family Takaful: A Conceptual Study”, *South East Asia Journal of Contemporary Business, Economics and Law*, Vol. 15 No. 1, pp. 1–8.
- Boer, H. and Daring, W.E. (2001), “Innovation, What Innovation? A Comparison Between Product, Process and Organizational Innovation”, *Int. J. Technology Management*, Vol. 22 No. 1/2/3, pp. 83–107.
- Cristea, M., Marcu, N. and Cârstina, S. (2014), “The Relationship Between Insurance and Economic Growth in Romania Compared to The Main Results in Europe – A Theoretical and Empirical Analysis”, *Procedia Economics and Finance*, Elsevier B.V., Vol. 8 No. 14, pp. 226–235.
- Deloitte. (2013), “The Global Takaful Insurance Market Charting the Road to Mass Markets”, *A Deloitte ME IFKC Practice Insights Series*, available at: <https://ceif.iba.edu.pk/pdf/DeloitteTheglobalTakafulinsurancemarketChartingtheroadtomassmarkets.pdf> (accessed 20 November 2016).
- Deloitte. (2015), “Deloitte Consumer Insights Capturing Indonesia ’ s latent markets”, available at: [www. https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf](http://www.https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/consumer-business/cp/jp-cp-middle-class-indonesia-en.pdf) (accessed 20 November 2016).
- Effendi, J. (2018), “Islamic Insurance : A Potential Niche Market of Indonesia”, *Al-Iqtishad: Journal Ilmu Ekonomi Syariah*, Vol. 10 No. 1, pp. 207–230.
- FSA. (2017), “*Roadmap Pengembangan Keuangan Syariah Indonesia 2017-2019 (The Roadmap of Indonesian Islamic Financial Development: 2017-2019)*”, available at: <https://www.ojk.go.id/id/kanal/syariah/berita-dan-kegiatan/publikasi/Pages/Roadmap-Pengembangan-Keuangan-Syariah-Indonesia-2017-2019.aspx> (accessed at 10 August 2018).
- FSA. (2018), “*Laporan Perkembangan Keuangan Syariah Indonesia 2017 (The Report of Indonesian Islamic Financial Development 2017)*”, available at: <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Laporan-Perkembangan-Keuangan-Syariah-2017/> (accessed at 10 August 2018).
- Hagen, C., Hales, M., Reifel, J., Pei, A. and Miller, J. (2012), “*Technology: The Insurance Industry ’ S Pivot Point*”, available at: <https://www.atkearney.com/financial-services/article?/a/technology-the-insurance-industry-s-pivot-point> (accessed at 20 November 2016)
- Haron, S. and Nursofiza, W. (2008), “Creating A Dynamic Islamic Capital market: The Essential Role of Innovation”, *Islamic Capital Markets: Products, Regulation & Development*, *Islamic Research and Training Institute, Islamic Development Bank Group*, pp. 23–32.
- Hidayat, S.E. (2015), “The Role of Education In Awareness Enhancement of Takaful: A Literature Review”, *International Journal of Pedagogical Innovations*, Vol. 3 No. 2, pp. 107–112.
- Husin, M.M. and Rahman, A.A. (2013), “What Drives Consumers to Participate Into Family Takaful Schemes? A Literature Review”, *Journal of Islamic Marketing*, Vol. 4 No. 3, pp. 264–280.
- Husin, M.M. and Rahman, A.A. (2016), “Do Muslims Intend to Participate In

- Islamic Insurance ? Analysis From Theory of Planned Behaviour”, *Journal of Islamic Accounting and Business Research*, Vol. 7 No. 1, pp. 42–58.
- Ichsan, N. (2015), “Analisa SWOT, Prospek Dan Strategi Pengembangan Asuransi Syariah Di Indonesia (SWOT Analysis, Prospects and Development Strategy for Islamic Insurance in Indonesia)”, available at: <https://nurulichsanaan.files.wordpress.com/2015/10/analisis-swot-asuransi-syariah-jurnal-kordinat.pdf> (accessed 10 November 2016)
- Ismail, F., Jaffer, S., Unwin, L., Jamil, S., Hassan, A.A., Alajaji, K. and Tan, Y.Y. (2017), “*Global Takaful Report 2017: Market Trends in Family and General Takaful*”, available at: <http://ae.milliman.com/uploadedFiles/insight/2017/Takaful-2017-full-report.pdf>.
- Ismail, N., Othman, A.A., Din, S.Z.M., Yousop, N.L.M., Bakar, N.A. and Shafi, R.H.M. (2012), “An Investigation of the Awareness Level of Takaful Products among the Micro Enterprises in Malaysia”, *International Conference on Excellence in Business*, University of Sharjah, United Arab Emirates, Sharjah.
- Janjua, P.Z. and Akmal, M. (2014), “A Comparative Analysis of Customers’ Satisfaction for Conventional and Islamic Insurance Companies in Pakistan”, *International Journal of Economics and Finance*, Vol. 6 No. 4, pp. 36–50.
- Johne, A. and Davies, R. (2000), “Innovation in medium-sized insurance companies: how marketing adds value”, *International Journal of Bank Marketing*, Vol. 18 No. 1, pp. 6–14.
- Karim Consulting. (2017), “*Islamic Insurance Outlook 2017*”, available at: http://karimconsulting.com/wp-content/uploads/2016/11/Outlook-Asuransi-Syariah_finall_uploadweb.pdf.
- Matsawali, M.S., Abdullah, M.F., Ping, Y.C., Abidin, S.Y., Zaini, M.M., Ali, H.M., Alani, F., et al. (2012), “A Study on Takaful and Conventional Insurance Preferences: The Case of Brunei”, *International Journal of Business and Social Science*, Vol. 3 No. 22, pp. 163–176.
- Maturi, T.C. (2013), “Islamic Insurance (Takaful): Demand and Supply in the UK”, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 6 No. 2, pp. 87–104.
- Miao, D. (2012), “*Strategic Management and Marketing Strategy in Insurance Companies, Case : China Life Insurance Company Limited in Shifang*”, Master thesis, available at: https://www.theseus.fi/bitstream/handle/10024/43405/Duan_Miao.pdf (accessed 20 November 2016)
- Mills, H. and Tubiana, B. (2013), “Innovation in Insurance: The Path to Progress”, *A Special Edition of Our Forward Focus Series: Deloitte University Press*, available at: <https://www2.deloitte.com/insights/us/en/topics/innovation/innovation-in-insurance.html>
- Mohamed, O.E.B. and Alhabshi, S.O. (2015), “Factors Influencing the Penetration Rate of Malaysian Takāful Industry from Takāful Managers’ Perspective”, *International Journal of Excellence in Islamic Banking and Finance*, Vol. 5 No. 1, pp. 1–13.
- Nugraheni, P. and Wijayanti, R. (2017), “Analysis of Factors Affecting The

3 Disclosure of Islamic Social Reporting (An empirical Study on the Sharia
Securities List)", *Journal of Economics, Business and Accountancy Ventura*,
Vol. 20 No. 1, pp. 103–112.

7 Razak, M.I.M., Idris, R., Yusof, M.M., Jaapar, W.E. and Ali, N.M. (2013), "Acceptance
Determinants towards Takaful Products in Malaysia", *International Journal
of Humanities and Social Science*, Vol. 3 No. 17, pp. 243–252.

11 Redhika, R. and Mahalli, K. (2014), "Analisis Potensi dan Kendala Pengembangan
Asuransi Syariah di Kota Medan (Potential Analysis and Constraints of
Islamic Insurance Development in Medan)", *Jurnal Ekonomi Dan Keuangan*,
Vol. 2 No. 5, pp. 323–335.

Remli, N., Norhayate, W., Daud, W., Zainol, F.A. and Muhammad, H. (2013), "A
Proposed Conceptual Framework for Market Orientation and Innovation
towards Takaful Performance in Malaysia", *International Journal of Business
and Management*; Vol. 8 No. 7, pp. 100–105.

Sekaran, U. and Bougie, R. (2013), *Research Methods for Business: A Skill-Building
Approach. 6th Edition*, Wiley, New York.

29 Setiawan, S. (2013), "Prospek dan Daya Saing Sektor Perasuransian Indonesia Di
Tengah Tantangan Integrasi Jasa (The Prospects and Competitiveness of
Indonesian Insurance Sector in the Challenges of Service Integration)",
*Serial Analisis Kebijakan Fiskal: Penguatan Hubungan Ekonomi Dan
Keuangan Internasional Dalam Mendukung Pembangunan Nasional*, Jakarta:
Naga Media, pp. 81–106.

33 Setiyoko, I. (2016), "Perempuan Kepala Keluarga Mampukah Berdaya dan
Mandiri? (Women as Family Backbone: Can be Empowered and
Independent?)", available at: [http://insan-sembeda.blogspot.com/2016/
09/perempuan-kepala-keluarga-mampukah.html](http://insan-sembeda.blogspot.com/2016/09/perempuan-kepala-keluarga-mampukah.html) (accessed 20 June 2017)

37 Sherif, M. and Shaairi, N.A. (2013), "Determinants of Demand on Family Takaful
in Malaysia", *Journal of Islamic Accounting and Business Research*, Vol. 4 No.
1, pp. 26–50.

Further Reading

46 Financial Services Authority. (2017), "Circular Letter of FSA Number 9/SEOJK.05
/2017 about Micro Insurance Products and Marketing Channels of Micro
Insurance Products", available at: <https://www.ojk.go.id>.

50 Law of The Republic of Indonesia Number 2 year 1992 concerning Insurance
Business

53 Law of The Republic of Indonesia Number 40 Year 2014 concerning Insurance

