

# The Implementation of Value Based Intermediation for Takaful (VBIT) in Malaysia: Issues and Challenges

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## ABSTRACT

**Introduction:** Takaful Operator is considered as the most popular social institution in the Islamic community whose aim is to counter poverty and deprivation. The role of Takaful as the social institution is very much related to the socio-economic and with Maqasid shariah. With the introduction of VBIT by Bank Negara Malaysia in 2022, Takaful Operators should take this opportunity to stringent their roles in making contribution to society.

**Methods:** Case study method was used to generate an in-depth and multifaceted understanding of VBI strategy implementation in Takaful Operators. Semi structured in-depth interviews were conducted with few Takaful Operators which is involved in strategic planning and shariah department. The data were transcribed and analyzed based on the content and thematic analysis.

**Results:** This paper provides insights into issues and challenges faced by Takaful Operators in Malaysia in implementation of strategies for adopting VBI. Among the challenges are misunderstanding among the community, management support-value, structure of the company, resources constraints and enforcement by the regulators.

**Conclusion:** Malaysian Takaful Operators are confident in their talents and actively seek methods to enhance society. Takaful operators still are able to implement the VBIT, despite the obstacles they currently face.

**Keywords:** full paper, template, author, guidelines (3 -5 keyword)

## INTRODUCTION

Malaysia's financial landscape has changed dramatically over the last few decades, with Islamic finance playing a key role in developing the sector. Among the significant advancements is the adoption of Value-Based Intermediation (VBI) by financial institutions, particularly Takaful operators, in order to connect their business operations with the broader goals of Islamic financing (Abdul Kadir et al., 2024). VBI emphasises ethical principles, social responsibility, and sustainability, encouraging both profitability and societal well-being (Ibrahim, Noor, Arshad & Ismail, 2019). In the context of Takaful, which is based on the concepts of mutual assistance and shared risk, Value-Based Intermediation for Takaful (VBIT) seeks to profoundly incorporate these ethical ideals in the operational frameworks of Takaful operators. This shift promises to

enhance the alignment of Takaful with Maqasid Shariah, or the higher objectives of Islamic law, which seek to protect and promote the welfare of individuals and communities.

Despite the potential benefits, implementing VBIT in Malaysia presents significant hurdles. One of the most significant challenges is a lack of general understanding and awareness of the VBI idea, both among consumers and within the industry itself (Shafruddin & Shahimi, 2024). Many Takaful operators fail to properly integrate VBIT into their operational strategy due to a lack of experience, resources, and technical infrastructure (Hemed, Alamoudi, Al Qassim, & Qasem, 2021). Furthermore, while regulatory frameworks are beneficial, they are always growing, and there is still a need for clear standards that may successfully balance compliance with Islamic principles and realistic business objectives. These issues have been made worse by the fact that Malaysia's Takaful market is very competitive, making it difficult for operators to choose long-term ethical aims over short-term revenue.

Furthermore, consumer expectations and society perceptions are important to the successful implementation of VBIT. There is an urgent need for educational activities that enlighten the public about the benefits of Takaful and the significance of socially responsible financial instruments (Hidayat, 2015; Wan Jusoh & Noreffendi, 2022). Without proper information, many potential users may remain disengaged, viewing Takaful as just another type of insurance rather than a separate, ethical choice. The transition to VBIT necessitates a culture transformation within organisations, with leaders and stakeholders adopting a values-based approach to governance and decision-making. As Malaysia continues to establish itself as a global hub for Islamic finance, overcoming these concerns and challenges will be critical to realising VBIT's full potential in the Takaful industry.

Therefore, the main purpose of the study is to analyse the issues and challenges related to the implementation of VBIT which was introduced in the year of 2022. This paper is divided into four main sections. Literature review section discusses the takaful and takaful industry, VBIT and, VBIT and maqasid shariah. Section three features the elaboration on the methodology and design of study involved. Then, section four presents the substantial findings, and the final section contains the concluding comments.

## LITERATURE REVIEW

### Takaful and Takaful industry

Takaful business is based on the concepts of *ta'awun* (cooperation) and *tabarru'* (donation). According to Bank Negara Malaysia (BNM), Takaful is a group of participants who agree to mutually guarantee shared losses. The basic principles include the concepts of *ta'awun* and *tabarru'*, where participants contribute funds as Takaful. In addition, there are principles such as legitimate interest, which are important to ensure the validity of Takaful contracts and to avoid moral hazard. The principle of "utmost good faith" requires participants to disclose all important information, and failure to comply with this principle can result in the contract being voided and claims being denied (Razali & Mohd Ali, 2021).

The principle of indemnity in takaful, which is similar to the *'Aqilah* system from the time of Prophet Muhammad, provides financial compensation to restore affected participants to their original position before the loss. The principle of indemnity is only applied in property and liability takaful, not in family takaful. Subrogation also allows takaful operators to claim back from third parties that caused the damage, preventing participants from receiving double compensation. The contribution allows the operator to share the indemnity costs if there is another indemnity contract for the same risk (Zulkifli et al., 2012). Finally, the principle of proximate cause ensures that only covered risks will be compensated.

The modern takaful industry began in the mid-20th century with the establishment of the first takaful company in Sudan in 1979. In Malaysia, the takaful industry began in the late 1980s with the establishment of Syarikat

Takaful Malaysia Berhad (STMB) in 1984, which became the foundation for the development of the Takaful sector in the country. Bank Negara Malaysia (BNM) acts as the regulatory body, introducing the Takaful Act of 1984 to oversee Takaful operations. In 2013, the Islamic Financial Services Act (IFSA) 2013 replaced the Takaful Act 1984, enhancing transparency, governance and consumer protection in the Takaful industry. The Shariah Advisory Council of BNM ensures compliance with Shariah principles and guides the development of Shariah-compliant products.

BNM also introduced a governance framework, such as the Shariah Governance Framework (SGF) in 2010, which outlines the structure and operations of Islamic Financial Institutions (IFIs) to ensure Shariah compliance. In addition, in 2012, the Takaful Operational Framework (TOF) was introduced to regulate the growth of the industry in an orderly manner, enhance operational efficiency, and protect the interests of Takaful participants. In 2017, the Balanced Scorecard (BSC) framework was introduced to ensure fair services to users, using key performance indicators (KPIs) to measure commission payments to intermediaries based on performance. Up to date, there are about 15 Takaful Operators in Malaysia which are operated under the control of BNM.

Table 1: List of Takaful Operators in Malaysia

No.	Name of Takaful Operators	Category
1	<a href="#">AmMetLife Takaful Berhad</a>	Family Takaful Business
3	<a href="#">Etiqa Family Takaful Berhad</a>	Family Takaful Business
4	<a href="#">Etiqa General Takaful Berhad</a>	Family Takaful Business
5	<a href="#">FWD Takaful Berhad</a>	General Takaful Business
6	<a href="#">Great Eastern Takaful Berhad</a>	Family Takaful Business
7	<a href="#">Hong Leong MSIG Takaful Berhad</a>	Family Takaful Business
8	<a href="#">Prudential BSN Takaful Berhad</a>	Family Takaful Business
9	<a href="#">Sun Life Malaysia Takaful Berhad</a>	Family Takaful Business
10	<a href="#">Syarikat Takaful Malaysia Am Berhad</a>	Family Takaful Business
11	<a href="#">Syarikat Takaful Malaysia Keluarga Berhad</a>	General Takaful Business
12	<a href="#">Takaful Ikhlas Family Berhad</a>	Family Takaful Business
13	<a href="#">Takaful Ikhlas General Berhad</a>	Family Takaful Business
14	<a href="#">Zurich General Takaful Malaysia Berhad</a>	General Takaful Business
15	<a href="#">Zurich Takaful Malaysia Berhad</a>	Family Takaful Business

### Value-Based Intermediation Framework for Takaful (VBIT)

The Value-Based Intermediation Framework for Takaful (VBIT) was introduced in June 2021 as an important step in advancing the takaful industry in Malaysia. It aims to assist takaful companies in implementing the necessary measures to achieve the maximum potential of the industry, supporting sustainable finance while enhancing takaful's market penetration. VBIT helps takaful operators achieve the Maqasid Shariah through the development of a sustainable industry and provides a positive socio-economic impact (MTA, 2022a).

This framework encourages takaful operators to be a positive force in society by addressing issues such as poverty, quality education, and social welfare protection. At the same time, the Malaysian Takaful Association (MTA) introduced the VBIT Action Plan as a guide to empower the underprivileged. The implementation of VBIT involves all parties, including takaful operators, consumers and regulators to create sustainable value and well-being for everyone involved (MTA, 2022b).

For example, under the VBIT Action Plan, one significant project may be the creation of takaful products that support environmental sustainability. This might include providing takaful coverage for green technology projects like solar energy installations or electric car fleets to stimulate the shift to renewable energy. Another

example may be community-focused health takaful programs that prioritise accessibility for excluded people, aligning with the broader goals of financial inclusion and societal well-being which also could contribute for socio-economic objectives (Mishra, Kandpal, Argawal & Srivastava, 2024).

Consumers, on the other hand, play an important role in selecting products that align with their beliefs and providing beneficial feedback to operators. Their need for ethical and sustainable takaful services pushes operators to innovate and integrate their techniques with the requirements of society. Meanwhile, authorities like Bank Negara Malaysia serve as facilitators by establishing a clear policy framework, enforcing compliance, and encouraging openness (Wirba, 2024). They may also provide incentives, like as tax rebates or funding support, to operators who excel in VBIT-related projects.

### Value-Based Intermediation Framework for Takaful (VBIT) and Maqasid Shariah

VBIT encourages a more comprehensive approach to Shariah, extending beyond mere compliance to ensuring that Islamic banking practices, including those of takaful operators, not only adhere to Shariah principles but also fulfill its ultimate objectives. These objectives center on improving the well-being of individuals by safeguarding wealth, faith, life, prosperity and intellect. Maqasid shariah also is used as underpinning theory for this study,

Imam Al-Ghazali explains that the objectives of Shariah also support the concept of *maslahah* (benefit) and reject *mafsadah* (harm). In the context of Islamic finance, including takaful, the Maqasid Syariah aims to achieve broader social objectives, such as reducing injustice, expanding access to ethical financial services, and assisting communities in need (AIBIM, 2021). This is in line with the goals of VBIT, which aims to incorporate environmental, social, and governance (ESG) considerations into insurance operations, promote sustainable development and create a more inclusive financial system.

For example, in term of environmental initiatives, Takaful operators may offer green takaful policies, which cover environmentally friendly initiatives such as renewable energy installations or green construction developments. For example, a takaful plan might ensure a solar power company, which aligns with the Maqasid goal of environmental preservation. Affordable health takaful and micro-takaful for low-income households are two examples of Takaful plans that directly coincide with the Maqasid purpose of protecting life (*hifz al-nafs*) and wealth (*hifz al-mal*).

VBIT also highlights the importance of fair wealth distribution and the protection of vulnerable communities. Developed according to the principles of maqasid, the Takaful products created under the VBIT framework aim not only to reduce risk but also to promote social cohesion by providing financial protection to marginalized and underserved communities. This reflects one of the main objectives of *Maqasid Shariah*, which is to uphold justice (*adl*) and promote the common good (*maslahah ammah*).

This is among of the examples on how VBIT operationalizes the Maqasid and ESG principles to achieve societal objectives that extend beyond mere Shariah compliance. The first example is disaster relief takaful in Malaysia. Some Malaysian takaful operators provide disaster relief insurance tailored expressly to safeguard vulnerable areas from flooding, ensuring quick financial recovery and rebuilding activities. Another good example is microtakaful for farmers which was initiated by Indonesia. These micro-takaful products are distributed to small-scale farmers to compensate for crop losses caused by natural disaster and thus illustrate justice by reducing financial vulnerability and promoting livelihoods (Salleh, Ishak, Abu Bakar & Wardayati, 2021).

In addition, the holistic perspective of VBIT encourages Takaful operators to engage in ethical investment strategies that can contribute to the overall well-being. VBIT positions Islamic finance and takaful as instruments to achieve long-term socio-economic balance by addressing poverty, health, education, and community empowerment. This is achieved by aligning financial practices with higher goals in Shariah (Mahyudin & Rosman, 2020).



However, there are few challenges in balancing the achievement of Maqasid Shariah objectives with maintaining competitive business performance. Among of the challenges included of the conflict between profitability and social impact (Rosario & Figueredo, 2024). Takaful products intended for social inclusion, such as micro-takaful, frequently target low-income individuals. These products may earn fewer contributions and have greater claim ratios, making it harder to be profitable while fulfilling Maqasid objectives. Secondly, market education and awareness. Many consumers are unaware of value-based ideas or are price-sensitive, potentially limiting demand for ethical and sustainable takaful solutions. Operators confront the combined problem of educating customers while also competing with traditional insurance products on pricing. Third challenges include pressure for short term revenue. Stockholders and investors may prioritise immediate financial returns, whereas VBIT-driven efforts frequently result in long-term societal advantages, creating a conflict between short-term profitability and long-term effect.

## METHODOLOGY

This study employed a qualitative approach to explore the research from an Islamic banking perspective. As noted by Bhandari (2020), the qualitative method involves collecting and analyzing non-numeric data, such as text, video, or audio, to gain insights into concepts, opinions, or experiences. A case study approach was used to provide an in-depth understanding of the various aspects of Value-Based Intermediation (VBI) strategy implementation in Malaysian Takaful Operators. Purposive sampling was utilised to identify and select Takaful Operators engaged in VBI implementation.

Purposive sampling was used to identify respondents with the most relevant knowledge and expertise related to the research issue (Palinkas et al., 2015). This non-probabilistic strategy enabled the researchers to carefully target individuals who were directly involved or had significant expertise in the field of investigation, increasing the depth and trustworthiness of the findings. Purposive sampling guaranteed that the data collected was rich, nuanced, and relevant to the study's objectives, avoiding irrelevant or superficial contributions.

Semi-structured interviews were used in this study as the primary data source. It consists of specific enquiries that developed from the main areas of study. The researchers employed a list of questions during the semi-structured interview rather than a codified list of general topics referred to as an interview guide. Additionally, the semi structured interviews allowed for two-way communication, enabling interviewees to ask questions, fostering a more dynamic exchange. Therefore, this method permitted greater assertiveness interaction between the participants and the researchers, facilitating the gathering of more data.

The interview questions(protocol) also have been validated by the experts from the industry which have more than 10 years experiences. The method included the assessments of the interview questions to ensure clarity and alignment, followed by a pilot test with one respondent to develop the tools. The details of the respondents for this study are shown in Table 2 below. Based on the details of the respondents, it can be considered that all of them are very highly knowledgeable, have vast experience and play a dominant role in their organizations.

Table 2: Details of the respondents

Respondents	Gender	Highest Qualifications	Role	Years of experience in the industry
R1	Female	Bachelor's degree	Head of strategic communications	6-10 years
R2	Male	Bachelor's degree	Head of shariah department	11-15 years
R3	Male	Doctorate	Shariah Committee	11-15 years
R4	Female	Doctorate	Shariah Committee	11-15 years
R5	Male	Master's degree	Head of shariah department	6-10 years

The interview data were transcribed and analyzed using content and thematic analysis. To initiate data analysis, the transcripts of the recorded interviews, along with the researcher's notes, were reviewed. The interview recordings were examined multiple times to identify patterns within the full data set. Thematic analysis, as outlined by Braun and Clarke (2006), was employed to detect, examine, and report recurring themes. This study also adopted the procedures used by Ishak and Asni (2020) for organizing and explaining the data set, facilitating the identification, analysis, and reporting of emerging patterns.

According to Braun and Clarke (2020), the quality of thematic analysis relies on the relationship between analytical practices and the ontological and epistemological foundations of the research. During the analysis, patterns were prioritised based on their frequency of occurrence among respondents, relevance to the study topics, and agreement with current literature on VBI implementation issues. Themes were found by carefully coding repeated thoughts or concepts in the transcribed data, with a focus on those that appeared consistently throughout interviews, as these were thought to represent more frequent issues experienced by Takaful operators.

Measures were taken to verify that the thematic analysis results were valid and reliable. First, a peer review process was carried out, in which two independent researchers with expertise in qualitative research and Islamic finance assessed the coding system and theme development to ensure consistency and eliminate bias. Differences in interpretation were handled through collaborative talks, ensuring that the final themes appropriately represented the data. Second, an inter-coder reliability check was undertaken, in which another researcher independently coded a selection of the transcripts and evaluated coding consistency to confirm alignment with the original study. These parameters increased the credibility of the findings and guaranteed that the themes identified were strong, believable, and representative of the respondents' opinions. A detailed thematic analysis revealed five key themes related to issues and challenges related with VBI implementation, which will be discussed in the following sections.

## Findings and Analysis

After conducting a data analysis, the findings showed the themes indicated below, which were then verified. Based on the validity test, the author is certain that the themes accurately reflect the facts. Below is the list of the themes which comprises all the issues and challenges faced by Malaysian Takaful Operators in implementing VBIT which will be further elaborated in the next subheading:

- a) Misunderstanding among the community
- b) Management support
- c) Structure of the company
- d) Resources constraints
- e) Enforcement by the regulator

### Misunderstanding among the community

The first challenge faced by Takaful operators is the widespread misunderstanding within society, particularly regarding the concept of Takaful and the role of these operators. Some individuals still hold the misconception that Takaful operators are solely focused on maximizing profits, without grasping the true purpose behind their establishment. Additionally, many are unaware of the differences between Takaful operators and conventional insurance companies.

Another issue linked to this misunderstanding is the prevailing mindset among some in society. There are those who expect continuous support from the government or non-governmental organisations, such as cash assistance, free food, or additional allowances, without making personal efforts to improve their situation. These circumstances arise from a lack of knowledge and awareness within society. The issues related to this

gap in understanding have been extensively discussed in previous studies (Salleh et al., 2017; Mokhtar et al., 2017; Hassan et al., 2018; Salleh & Laksana, 2018; Wan Jusoh & Noreffendi, 2022; Hassan et al., 2022). Table 3 illustrates the first theme together with the quotations from the respondents.

Table 3: Theme 1 and quotations by respondents

THEME 1	QUOTATIONS
Misunderstanding among the community	<i>“ We purposely start with the project for increasing financial literacy among the community..as we can see this is the biggest problem to be tackled up..” (R1)</i>
	<i>“ When we try to reach the school or the community, they have their own perception that we come just to sell the product...” (R3)</i>
	<i>“ what is important..the community should understand the concept of risk management...that is actually what we want to focus..” (R4)</i>

It can be suggested that the Takaful operators should focus on educating young Malaysians about the benefits of Takaful products. The education level of potential participants can significantly influence their decision to engage with Takaful, alongside their general knowledge and understanding of its concept.

## Management support

The second important challenge is the management support. The implementation of VBIT necessitates a strong commitment from senior management to prioritise ethical ideals, social responsibility, and sustainability (Shafruddin & Shahimi, 2024). Without full leadership commitment to these values, execution might become superficial, with an emphasis on short-term profits rather than long-term ethical objectives (Hyat & Gruenglas, 2023). When management does not aggressively promote or invest in VBIT, employees and stakeholders may regard the project as less significant, resulting in poor organisational alignment with VBI goals.

On the same ground, implementing VBIT demands appropriate time, money, and skill. If management is not completely committed, they may be hesitant to provide the resources required to establish the relevant frameworks, technology, and human capital for VBIT. Without this investment, Takaful operators may have difficulty integrating value-based intermediation into their operations, product development, and client engagement.

Another issue regarding management support is the resistance to organizational change. Shifting to a VBIT model frequently necessitates cultural and structural adjustments at a Takaful operator. Management that is averse to change or unwilling to adopt new practices may inhibit the implementation of VBIT principles. This resistance could show as delayed decision-making, reluctance to restructure corporate procedures, or a failure to incentivise staff to adopt the new values-driven approach (Damawan & Azizah, 2020). A lack of visionary leadership to guide the organisation through these transitions might impede growth (Liu, Zhang, Zhu & Li, 2022).

Table 4: Theme 2 and quotations by respondents

THEME 2	QUOTATIONS
Management support	<i>“ we move according to the decisions made by the management team..” (R2)</i>
	<i>“..we have started the project of sustainability a long time ago..but management does not recognize is as VBIT..we still in the stage of planning...” (R5)</i>
	<i>“ and for me it is quite challenging if its not driven across the Group..when the intricacies are that when you operate as a Group..We have to align with the practice right, but in terms of an executing implementation and local level, we do as much as we can...” (R1)</i>

Based on the above analysis, management support is critical to the effective implementation of VBIT in Takaful. Without strong leadership, enough resources, and a desire to accept change, Takaful operators may struggle to fully realise VBIT's potential for aligning their business procedures with Islamic principles and social responsibility.

### Structure of the company

Based on the data analysis, structure of the organisation also would become one of the challenges for the implementation of VBIT. Many Takaful operators, particularly larger and more established ones, have complicated and hierarchical organisational structures. This can hinder decision-making and make it harder to deploy new tactics such as VBIT. With several levels of management, there may be delays in expressing the significance of VBIT principles or opposition to implementing new processes. Furthermore, the top-down structure may stifle the flow of innovative ideas from personnel closer to the operational level, who may have a greater understanding of how VBIT may be applied realistically.

On the same ground, Takaful operators, like other financial institutions, frequently have rigid operating frameworks. Due to this, they prioritise traditional business models based on profit maximisation (Muhammad Zuki, Ishak & Roja, 2024). These frameworks may struggle to support the transition to a more value-driven, ethical model such as VBIT, which prioritises sustainability and social impact in addition to profitability. The established processes, policies, and performance indicators may not be aligned with VBIT's broader goals, making it impossible for Takaful operators to execute the essential adjustments without redoing critical aspects of their operations.

It also happens that some Takaful operators may lack the structural flexibility required to innovate and adapt to the evolving demands of VBIT. A strict structure may prevent the organisation from producing new products or services that adhere to VBI principles, for Takaful products with an emphasis on environmental sustainability or social effect. If the organisational structure is not intended to foster innovation and adaptability, implementing VBIT can be a slow and inefficient process.

Table 5: Theme 3 and quotations by respondents

THEME 3	QUOTATIONS
Structure of the company	<i>"Our organization is quite big..we have so many resources.." (R4)</i>
	<i>"..so far we have no problem in contributing to the society..we have big size of company.." (R3)</i>

In conclusion, the organisational structure of Takaful operators, especially if it is complex, siloed, or rigid, can impede the successful deployment of VBIT. These structural issues may impede communication, collaboration, and the flexibility required to fully embrace the values-driven approach of VBIT. Takaful operators may need to review and streamline their internal structures in order to better accord with the VBI principles.

### Resources constraints

Resource constraints can significantly challenge the implementation of Value-Based Intermediation for Takaful (VBIT) in several ways. First, limited financial investment. Implementing VBIT necessitates significant financial investment to rethink products, upgrade systems, train workers, and engage in community engagement. Many Takaful businesses may not have the funds to invest in these areas, especially if they are already running on narrow profit margins. Without enough financial assistance, it is difficult to start new VBI-aligned projects or develop innovative, socially responsible Takaful products that match VBIT's aims.



Secondly, human resources constraints. VBIT implementation demands skilled personnel that understand Takaful operations as well as Value-Based Intermediation principles (Abdul Kadir et al., 2024). However, many Takaful operators may encounter difficulties in finding, developing, and maintaining such specialised expertise. A lack of in-house expertise may impede the operator's ability to incorporate VBIT ideals into decision-making, product creation, risk management, and customer support. Employees may also require additional training to comprehend and comply with VBIT principles, but resource constraints may limit the ability to conduct such training programs. Sometimes, high turnover also would affect the efficiency of human resources.

Adoption of VBIT sometimes entails developing or upgrading technology to promote transparency, data analysis, and socially responsible products. Digital platforms that facilitate more client involvement, ethical investing, and sustainability reporting, for example, may be necessary (Uren & Edwards, 2023). However, Takaful operators may lack the requisite technology infrastructure or the means to invest in these modifications. Without the correct technology, it might be difficult to manage and measure the impact of VBIT policies, as well as provide innovative Takaful solutions that adhere to VBI principles.

Other than that, time and personnel constraint also is a pertinent factor for resource constraints. Implementing VBIT or something related in giving contributions to the society needs time and effort from multiple departments within a Takaful operator, including risk management, compliance, marketing, and product development (Risi, Wickert & Ramus, 2022; Ardaiansyah & Alnoor, 2024). However, resource restrictions frequently result in a dearth of individuals available to work on these efforts, as existing staff may already be overburdened with their regular duties. Furthermore, the long-term character of VBIT, which prioritises social and environmental impact above immediate profitability, may deter resource allocation if management is under pressure to focus on short-term financial performance.

Finally, in terms of marketing and outreach resources. One of the primary goals of VBIT is to educate the public and raise awareness about ethical financial products. Takaful operators may need to invest in marketing efforts, public relations, and educational programs to help potential clients understand the benefits of VBI-aligned products. However, resource limits can limit these efforts, making it more difficult to reach a larger audience and change public perception of more ethical and value-driven insurance products (Auwah et al., 2021).

Table 6: Theme 4 and quotations by respondents

THEME 4	QUOTATIONS
Resources constraints	<i>" what can i say is that the staff need training to understand the VBIT..." (R1)</i>
	<i>" Sometimes it happens that the staff keep changing..and we need to do the training all over again.." (R4)</i>
	<i>"..we ourselves still confused on VBIT, how can we do the marketing to introduce the concept to the public.." (R3)</i>

To sum up, resource constraints, whether financial, human, technological, or operational, pose substantial impediments to the effective implementation of VBIT for Takaful. Without the essential expenditures in these areas, Takaful operators may struggle to integrate with VBI's broader goals, thus jeopardising their operations' sustainability and ethical emphasis.

### Enforcement by the regulator

Enforcement by regulators is crucial to enable the successful implementation of Value-Based Intermediation for Takaful (VBIT), but there are various issues that can limit its efficacy. One of the key issues is the lack of clear, thorough, and explicit VBIT implementation instructions. Takaful operators require clear guidelines

from the regulator outlining how to incorporate VBI values like social responsibility, ethical governance, and environmental sustainability into their operations. However, if regulatory guidance is overly broad or lacks detail, Takaful operators may struggle to put these ideas into practice. This lack of clarity might lead to inconsistent or incomplete implementation throughout the sector.

Other than that, balancing flexibility and enforcement also become one of the issues. One of the dilemmas for the regulators is finding the correct balance between implementing VBIT and giving Takaful operators the freedom to innovate (Tok & Yesuf, 2022). If regulation is overly strict, Takaful operators may be discouraged from experimenting with new business models, goods, or services that are consistent with VBI principles but need different techniques. Overly rigid laws may also limit Takaful operators' capacity to customise VBIT to their specific market or organisational setting, slowing the overall adoption of value-based practices. Finding the correct balance between regulatory scrutiny and operational independence is necessary but difficult (De Lucio & Mora-Sanguinetti, 2022; Colliard & Georg, 2023).

On the same ground, in terms of the enforcement, Takaful operators may oppose the introduction of VBIT due to worries about profitability, operational changes, or a perceived lack of immediate benefits. If regulatory enforcement is lax, operators may opt for minimum compliance or postpone the implementation of VBIT. Operators may be reluctant to fully embrace value-based procedures unless the regulator provides sufficient incentives or sanctions. Regulators must guarantee that enforcement tools are effective enough to overcome resistance and promote significant change.

Table 7: Theme 5 and quotations by respondents

THEME 5	QUOTATIONS
Enforcement by the regulator	<i>"..we do strategize for VBIT..but there is also ESG...it seems like organizations focus more on ESG.." (R1)</i>
	<i>"..The introduction for VBIT speaks very brief..so different organization will interpret differently.." (R3)</i>

To summarise, while regulatory enforcement is critical to the success of VBIT for Takaful, issues such as ambiguous standards, resource limits, and balancing enforcement with flexibility can impede its efficacy. To overcome these issues, authorities and Takaful operators must work together, and regulatory frameworks must be updated on a regular basis to meet the industry's changing needs. Table 8 below summarizes the challenges faced by Takaful Operators as described above together with the consequences, and preventive strategies:

Table 8: The challenges, consequences, and preventive strategies

Challenges	Consequences	Preventive strategies
Misunderstanding among the community	Struggling to put the Ideas of VBIT into practice.	Authorities and Takaful operators must work together
Management support	Impede communication, collaboration, and the flexibility required to fully embrace the values-driven approach of VBIT.	Regulatory frameworks must be updated on a regular basis to meet the industry's changing needs.
Structure of the company		Readiness to invest for providing enough resources
Resources constraints		Review and streamline the structure
Enforcement by the regulator	Takaful operators may opt for minimum compliance or postpone the implementation of VBIT	Strong leadership

## CONCLUSIONS

The primary goal of this research is to examine the concerns and challenges that Malaysian Takaful Operators faced when implementing VBIT. Malaysian Takaful Operators are confident in their abilities and are continuously looking for ways to enhance society. Takaful operators also expect to be able to contribute to socioeconomic goals on a regular basis, despite the challenges they are now facing. This study incorporates improving socioeconomic information and proposing preventive ways to address all difficulties. This article also makes an important theoretical contribution to the subject of Islamic finance and Takaful by expanding the comprehension of how Value-Based Intermediation (VBI) concepts might be incorporated into Takaful operations, particularly in Malaysia. The introduction of VBI as a strategic framework within Islamic financial institutions has primarily focused on banking sectors, but this research expands the conversation by applying the same ethical, social, and environmental considerations to Takaful which has received less scholarly attention.

This study has several limitations, as do most other empirical studies. This study only provides insight into the practices of five Takaful Operators, limiting its ability to generalise to all the major players in the industry. A comprehensive discussion on the implementation of VBIT by all Takaful Operators is necessary to gather diverse perspectives and viewpoints. The second part is about the method used to collect and analyse qualitative data. Future research opportunities arise because of these limits. Perhaps more research with a broader scope and a different technique can be conducted in the future. Despite the previously mentioned shortcomings the study's findings are very important considering Takaful operators' continued efforts to implement maqasid shariah.

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