

## Impact of Sharia Financing Life Insurance Products on Sharia Banking Performance and Sharia Insurance Industry

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### Info Articles

### Abstract

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Keywords:

*Sharia Financing Life Insurance,  
Sharia Banking Performance, BPRS,  
Sharia Insurance Industry.*

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Sharia Financing Life Insurance is an insurance that must be followed by every participant related to financing in a financing transaction in sharia banking and Sharia People's Financing Bank to anticipate the occurrence of non-performing financing caused by the customer's death due to illness or accident. However, the high claims of Sharia financing life insurance since 2016-2020 have resulted in an increase in claim reserves and high reinsurance premiums for sharia financing life insurance products as the background for writing this article. The research method used is a comparative phenomenon method by comparing factual phenomena to the variables studied. The impact of sharia financing life insurance products on the performance of Islamic Banking and Rural Banks has a positive impact, as evidenced by the increased claim payments from 2016-2020 and the relatively small non-performing bank loans, but had a negative impact on Sharia Insurance and Reinsurance. the increase in claims reserves and high reinsurance rates will burden customers. We advise Sharia Insurance companies that experience losses to temporarily stop selling these products with Shifting Business or carry out risk selection on age and occupation, while Sharia Insurance Companies that have a good Loss Ratio can apply stop losses the business if claim above 70% for more safety..

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INTRODUCTION

The need for sharia banking and Sharia Rural Financing Banks to cover sharia financing life insurance is now an indispensable thing to protect unforeseen risks in banking operations and Sharia Rural Financing Banks. The existence of Sharia Insurance and Sharia Reinsurance, which is called the Sharia Insurance Industry, is now very important, because insurance is an effort to obtain guarantees and protection for both insurance customers and banks and Sharia Rural Financing Banks who need certainty and protection from risks that arise. may arise in the future (Maksum, 2011).

Along with the growth of sharia banking performance, sharia insurance companies in Indonesia continue to improve themselves and continue to grow even though it is not yet significant. Sharia Insurance and Sharia Reinsurance Companies in Indonesia consist of 7 Life Insurance Companies (spin off), 5 (five) General Insurance (spin offs), 1 (one) Sharia Reinsurance, 23 Sharia Life Units, 21 Sharia General Units and 2 Reinsurance Units as follows:

Table 1. Sharia Insurance Market Share 2020

Dalam Triliun Rupiah/In Trillion Rupiah

No.	Keterangan Description	Polis / Peserta Policy / Insured		Kontribusi bruto Gross contribution		Klaim Bruto Gross Claim		Aset Assets	
		2019	2020	2019	2020	2019	2020	2019	2020
I.	Seluruh Asuransi Jiwa / All Life Insurance	56.058.132	53.968.890	194,27	185,84	163,50	152,90	574,59	575,09
	Asuransi Jiwa Syariah / Sharia Life Insurance	11.953.610	9.501.106	13,96	15,01	9,24	11,57	37,89	36,17
	Persentase Asuransi Jiwa Syariah / Percentage of Sharia Life Insurance	21,32%	17,60%	7,19%	8,08%	5,65%	7,57%	6,59%	6,29%
II.	Seluruh Asuransi Umum & Reasuransi / All Non Life Insurance & Reinsurance	-	-	89,52	92,91	47,67	55,72	191,90	173,65
	Asuransi Umum & Reasuransi Syariah / Sharia Non Life Insurance and Reinsurance	-	-	2,79	2,51	1,44	1,51	7,91	8,12
	Persentase Asuransi Umum & Reasuransi Syariah / Percentage of Sharia Non Life Insurance and Reinsurance	-	-	3,12%	2,70%	3,02%	2,71%	4,12%	4,67%
III.	Seluruh Asuransi / All Life & Non Life Insurance	-	-	287,65	278,75	199,62	208,62	756,52	748,75
	Seluruh Asuransi Syariah / All Life & Non Life Sharia Insurance	-	-	16,75	17,52	10,68	13,08	45,80	44,28
	Persentase Seluruh Asuransi Syariah / Percentage of All Life & Non Life Sharia Insurance	-	-	5,82%	6,28%	5,35%	6,27%	6,05%	5,91%

Source: Insurance Statistics Data 2020-OJK.

Sharia banking as a source of sharia insurance business, since 5 (five) years 2016 - 2020 has experienced very rapid development in conducting sharia financing transactions to improve the economy and the needs of the community, so that more and more customers must get protection and protection from sharia insurance companies. Attached is the 2016-2020 Islamic banking growth sourced from Islamic banking statistics, December 2020 as follows:

Table 2. Performance of Indonesian Islamic Banking 2016-2020.

Periode	2016	2017	2019	2020											
				Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agst	Sep	Okt	Nov	Des
<b>Bank Umum Syariah</b>															
GAR (%)	16,83	17,91	20,89	20,29	20,47	20,38	20,47	20,82	21,20	20,93	20,37	20,41	20,41	21,16	21,64
- Modal	27.153	31.105	40.715	41.059	41.564	41.748	41.960	41.989	42.488	42.207	42.866	43.779	43.400	45.388	46.854
- Aktiva Tetap Menurut Risiko	163.306	173.695	197.727	202.339	203.053	205.071	204.944	203.642	200.432	202.098	210.346	209.606	212.660	214.513	216.547
ROA (%)	0,63	0,63	1,73	1,88	1,85	1,86	1,55	1,44	1,40	1,38	1,36	1,36	1,35	1,35	1,40
- Laba	1.426	1.697	5.598	6.495	6.463	6.478	5.404	5.029	4.886	4.821	4.780	4.821	4.827	4.848	5.087
- Rata-rata Total Aset	225.804	267.570	323.438	346.373	348.694	349.112	348.908	348.548	349.845	350.271	351.343	353.989	356.775	359.567	362.692
NPF (%)	4,42	4,76	3,23	3,48	3,38	3,43	3,41	3,35	3,34	3,31	3,30	3,28	3,18	3,22	3,13
- Non Performing Financing	7.843	9.030	7.263	7.720	7.585	7.828	7.766	7.704	7.768	7.780	7.785	7.785	7.719	7.903	7.713
- Non Performing Financing Net	3.900	4.800	4.241	4.506	4.287	4.461	4.454	4.189	4.310	4.182	4.183	3.991	3.812	3.969	3.677
- Total Pendayaan kepada Pihak Ketiga Bukan Bank	177.482	189.789	225.146	223.183	224.169	228.394	227.438	230.044	232.859	234.713	235.456	240.508	242.516	245.597	246.532
FDR (%)	85,99	79,61	77,91	77,90	77,02	78,93	78,69	80,50	79,37	81,03	79,86	77,06	77,06	77,61	76,36
- Pembayaan kepada Pihak Ketiga Bukan Bank	177.482	189.789	225.146	223.183	224.169	228.394	227.438	230.044	232.859	234.713	235.456	240.508	242.516	245.597	246.532
- Dana Pihak Ketiga	206.407	238.303	288.978	286.485	291.069	289.362	289.406	285.751	293.374	289.646	295.936	312.102	314.741	316.460	322.853
BOPO (%)	96,22	94,91	84,45	83,62	82,78	83,04	84,60	85,72	86,11	86,25	86,12	86,08	86,10	85,55	85,55
- Biaya Operasional	34.174	29.652	30.415	2.848	5.233	7.718	9.914	12.217	14.812	17.367	19.843	22.337	24.820	27.578	30.410
- Pendapatan Operasional	35.517	31.273	36.014	3.407	6.332	9.294	11.718	14.252	17.201	20.137	23.130	25.936	28.941	32.030	35.548
Rentabilitas															
NOM (%)	0,68	0,67	1,82	1,85	1,78	1,73	1,49	1,34	1,34	1,34	1,36	1,37	1,38	1,39	1,46
- Pendapatan Operasional	1.343	1.591	5.599	6.697	6.532	6.303	5.412	4.885	4.779	4.748	4.781	4.798	4.818	4.856	5.137
- Rata-rata Aset Produktif	198.936	238.944	292.108	361.197	366.142	365.581	363.900	364.205	357.940	353.134	350.250	349.488	349.399	350.105	350.992
KAP															
APYD terhadap Aktiva Produktif (%)	4,37	10,070	2,77	2,74	2,66	3,07	3,16	2,88	3,18	3,18	3,11	3,02	2,93	2,78	2,68
- APYD	10.070	11.078	9.016	10.999	10.929	11.399	11.543	10.689	10.662	10.519	10.484	10.579	10.416	10.132	9.750
- Total Aset Produktif	236.048	263.110	325.365	368.362	377.363	371.089	365.006	371.590	335.237	330.849	336.714	350.383	350.638	364.736	368.338
Likuiditas															
Short Term Mismatch (%)	22,54	29,75	30,08	33,38	31,17	29,59	27,85	26,37	26,67	26,89	25,18	24,79	27,17	23,42	26,67
- Aktiva Jangka Pendek	45.959	65.551	76.035	84.022	79.821	74.940	69.148	63.977	69.980	69.966	65.875	67.623	74.974	65.708	62.776
- Kewajiban Jangka Pendek	202.655	220.373	252.789	253.639	256.381	253.282	250.946	249.817	259.073	256.469	261.600	272.762	275.962	280.558	288.672

Source; Sharia Banking Statistics 2020

Table 2 shows that the performance of Islamic banking in Indonesia continues to grow and increase in almost all Islamic banking indicators (Total Assets, Financing, Third Party Funds, CAR, ROA, BOPO and others) except for the Wadiah Current Account product which in December 2020 decreased by -7.21% or 17.44% compared to the achievement in December 2019 which reached 32.14%.

Table 3. Performance of Indonesian Sharia BPR for the 2019-2020 Period

**Tabel 14 Indikator Umum BPRS**

Indikator	Nominal		qtq		yoy		
	Des '19	Sep '20	Des '20	Sep '20	Des '20	Des '19	Des '20
<b>Total Aset (Rp Miliar)</b>	13,758	14,007	14,950	↑ 2.93%	↑ 6.74%	↑ 11.30%	↑ 8.67%
<b>Pembiayaan (Rp Miliar)</b>	9,943	10,601	10,681	↑ 0.93%	↑ 0.76%	↑ 9.45%	↑ 7.42%
<b>Dana Pihak Ketiga (Rp Miliar)</b>	8,732	9,119	9,819	↑ 2.58%	↑ 7.67%	↑ 7.34%	↑ 12.45%
- Tabungan iB (Rp Miliar)	3,203	2,998	3,372	↑ 4.32%	↑ 12.45%	↑ 6.82%	↑ 5.27%
- Deposito iB (Rp Miliar)	5,529	6,121	6,447	↑ 1.75%	↑ 5.33%	↑ 7.64%	↑ 16.61%
<b>CAR (%)</b>	17.99	31.29	28.60	494	(269)	(133)	1060
<b>ROA (%)</b>	2.61	2.56	2.01	33	(55)	74	(61)
<b>BOPO (%)</b>	84.12	89.62	87.62	284	(199)	(354)	351
<b>NPF Gross (%)</b>	7.04	8.60	7.24	(54)	(136)	(226)	20
<b>FDR (%)</b>	113.87	116.24	108.78	(191)	(746)	220	(509)

Sumber: SPS Desember 2020

Ket: Pertumbuhan qtq dan yoy rasio dalam *basis point* (bps)

Source; Banking Statistics 2020

The same thing is seen in other Islamic finance companies such as the Islamic People's Financing Bank (BPRS), which continues to grow steadily although it does not increase significantly. However, the rapid development of transactions for sharia life insurance products (AJK) from banking and sharia financing in recent years, has been followed by an increase in the loss ratio or even greater claims, according to data from the OJK insurance statistics for 2020, as follows;

Table 4. Growth of Sharia Insurance Claim Ratio 2016 - 2020

Dalam Triliun Rupiah/In Trillion Rupiah

Tahun / Year		2016	2017	2018	2019	2020
Klaim Claim	Asuransi Umum Non Life Insurance	1,23	1,44	1,47	1,44	1,51
	Asuransi Jiwa Life Insurance	3,06	3,50	7,19	9,24	11,57
	Jumlah/Total	4,29	4,94	8,66	10,68	13,08
Kontribusi Contribution	Asuransi Umum Non Life Insurance	2,87	2,65	2,75	2,79	2,51
	Asuransi Jiwa Life Insurance	9,44	11,09	12,66	13,96	15,01
	Jumlah/Total	12,31	13,74	15,41	16,75	17,52
Rasio / Ratio (%)		34,86	35,95	56,23	63,74	74,69

Source; OJK Insurance Statistics 2020

From the data above, it can be seen that life insurance claims increased sharply by 378%, since 2016 by Rp. 3.06 Trillion to Rp. 11.57 Trillion in 2020. Meanwhile, sharia financing insurance products covered by sharia general insurance companies rose steadily, from 2016 of 1.23 Trillion to 1.51 Trillion in 2020. The high claim ratio indicates that the risk management carried out by each related party is not adequate and not maximized so that better risk mitigation must be carried out, for example improving rates and terms & conditions from sharia insurance and reinsurance companies as well as selection of risk as an improvement. by the Islamic banking and the Islamic People's Financing Bank.

These facts and data make the financing life insurance business (AJK) an unprofitable business for sharia insurance companies and sharia re-insurance companies. Another fact shows that the high loss ratio from 2016 to 2020 has made the price of reinsurance contributions to increase every year, which has an impact on disrupting the business relationship between sharia insurance and sharia reinsurance to sharia banking and Sharia People's Financing Banks and is indicated to be burdensome for customers due to the increase. the price of the contribution/contribution to be paid to the sharia insurance company.

#### Formulation of the problem.

Based on the background described above, the authors formulate the problem formulation,

through the questions to be studied, as follows;

- a) Is there an impact between Life Insurance Products and Financing Performance of Islamic Banking & Sharia Rural Banks?
- b) Is there an impact between Sharia Financing Life Insurance Products on Sharia Insurance & Sharia Reinsurance?
- c) Have the principles of Ta'awun and Takafuli in Sharia Banking and Sharia Rural Banks occurred in Sharia Financing Life Insurance Products from Sharia Insurance and Sharia Reinsurance Companies?

### Theoretical basis

#### Sharia Insurance

Sharia insurance or takaful comes from the language kafala-yakfulu-kafalatan, which means to bear. Al-Fanjari defines sharia insurance as tadhamun, takaful, at ta'min which means mutual responsibility or social responsibility. The encyclopedia of Islamic law states that insurance is a contractual transaction between two parties, one party is obliged to pay contributions and the other party is obliged to give full guarantees to the contributor if something happens to the first party in accordance with the agreement made.

In the Fatwa of DSN Number 21/DSN-MUI/X/2001 concerning General Guidelines for Sharia Insurance to take care of each other and help each other through contracts (commitments) in accordance with sharia principles, namely contracts without elements of gharar (fraud), maysir (gambling), usury, zhulum (persecution), risywah (bribes), illegal goods and immorality.

Sharia Insurance according to the Law of the Republic of Indonesia Number 40 of 2014 concerning Insurance is a collection of agreements, consisting of agreements between Sharia Insurance companies and policyholders and agreements between policyholders, in the context of managing contributions based on sharia principles in order to help and protect each other by method:

- a. Provide compensation to participants or policyholders due to losses, damages, costs incurred, lost profits, or legal liability to third parties that may be suffered by participants or policyholders due to the occurrence of an uncertain event; or
- b. Providing payments based on the participant's death or payments based on the participant's life with benefits whose amount has been determined and/or based on the results of fund management.

The practice of sharia insurance is not explicitly stated in the Qur'an, there is not even a verse that clearly explains the practice of insurance. The Qur'an only accommodates a few verses that contain the basic values that exist in insurance practice, such as the basic value of mutual assistance, cooperation, or the spirit to protect against losses suffered in the future. (Sula, 2020).

With this, the practice of insurance is not prohibited in Islamic law, because the principle in the practice of insurance in Islam is to invite human goodness. The verses of the Qur'an in question are:

Al-Quran surah al-Maidah (5) verse 2, Allah says which means:

*"... and help you in (doing) goodness and piety, and do not help in committing sins and transgressions. and fear Allah, verily Allah is severe in punishment."*

The verse contains the command to help each other in social life. In the insurance sector, customers are expected to be able to give some of their money to be used as social funds (tabarru') which is used to help an insurance member who experiences a disaster.

Next in Al-Quran surah Al-Hasyr (59): 18. Which means as follows:

*"you who believe, fear Allah and let everyone pay attention to what has been made for tomorrow (future) and fear Allah, verily Allah is Knowing of what you do." The Qur'an teaches us a lesson that extraordinarily valuable, in the dream event of the King of Egypt which was later interpreted by the Prophet Yusuf with great accuracy, as a plan for the country to face a food crisis in the next seven years."*

And in the Hadith narrated by the Hadith of Muslim history from Abu Hurairah ra. Which mean:

*"Whoever relieves a Muslim of a difficulty in this world, Allah will relieve him of a difficulty on the Day of Resurrection and Allah will always help His servant as long as he (likes) helps his brother."*

In this hadith, it is implied that there is a suggestion to help each other among Muslims in this world by eliminating the difficulties of life that they suffer. Sharia insurance is a system or action to delegate, transfer, or risk sharing of the risks borne to the manager (sharia insurance company) on condition that they pay contributions within a certain period of time on a regular basis in exchange for a policy that guarantees protection against risks that may occur in the future. along with the uncertainty itself. (Basrowi & Ronaldo, 2019).

Insurance is a systematic effort in providing social protection and guaranteeing welfare for the community which has been very well regulated through the provisions of the Act. (Leliya, 2016).

Through an agreement to lighten each other's burdens and help each other in a society. Insurance services are actually the existence of guarantees which are benefits taken by the community as policy

holders and also stakeholders who have an interest in the policy.

Insurance can also be interpreted as an agreement between the insurer and the insured that requires the insured to pay a number of contributions to provide compensation for the risk of loss, damage, death, or loss of expected profits, which may occur due to unexpected events. (Tho'in & Anik, 2017)

Islamic economists also provide a definition of insurance which in Islam is called *aqdu ta'min / saukarah* (Muhammad Muslehuddin, 2019) which states that insurance is a group of people who intend to form an alliance to ease a person's financial burden or avoid the difficulty of shopping costs. According to the Fatwa of the National Sharia Council number: 21/DSN-MUI/X/2001 concerning General Guidelines for Sharia Insurance, it is stated that Sharia Insurance (*ta'min, takaful or tadhmun*) is an effort to protect and help each other among a number of people/parties through investment in the form of assets and/or *tabarru'* that provide a pattern of returns to deal with certain risks through contracts (commitments) in accordance with sharia principles.

Based on Article 3 letter a number 2 of Law Number 2 of 1992 concerning Insurance Business, it is stated that:

*"The insurance business consists of a life insurance business that provides services in overcoming risks associated with the life or death of an insured person."*

Basically, sharia insurance and conventional insurance have the same goal, namely risk management or mitigation. The basic difference between the two is the way in which conventional insurance risk management is managed in the form of risk transfer from the participants to the insurance company (mechanism of risk transfer) while Islamic insurance adheres to the principle of helping and protecting each other by means of risk sharing, namely risk sharing among fellow sharia insurance participants.

### **Sharia Reinsurance**

The definition of conventional reinsurance in Article 271 of the KUHD is in accordance with what reinsurance experts Robert I. Mehr and E. Cammack put forward in their book *Principle of Insurance*: "Reinsurance is the insurance of insurance", reinsurance is insurance from insurance or insurance companies. Based on the principle of insurable interest, an insurance company that has covered a risk or risks in a certain area can insure excess liability that exceeds its own capacity (own retention) to other insurers. Reinsurance is an insurance agreement that provides services and re-insurance against the risks faced by a loss insurance company in a life insurance company.

The definition of Sharia reinsurance is risk management based on sharia principles for the risks faced by Sharia insurance companies, sharia guarantee companies, or other sharia reinsurance companies as stipulated in Law Number 40 of 2014 concerning Insurance.

Sharia reinsurance is a mutual sharing process between the giver of the session (ceding company) and the reinsurer (reinsurer), where there is a process of mutually agreeing on the risks and requirements set out in the contract.

In its operations, using sharia principles is free from the practice of usury, *gharar*, and *maisir*. Sharia Reinsurance Company is a development of the sharia insurance industry which has the same goal as sharia insurance, to create mutually beneficial cooperation for both parties, to maintain mutual trust, to protect participants from guaranteed risks, in accordance with the sharia insurance policy.

### **Banking Sharia**

In carrying out its operational activities, Islamic banks always maintain the principle of prudence in channeling customer funds that have been collected to be redistributed to customers who need financing. To mitigate the risks that may arise, the Islamic bank then requires each customer to be financed to have an insurance policy, this is stated in the Sharia Bank Financing Approval Letter which contains an insurance clause that must be met by the customer so that the disbursement of funds can be carried out.

Financing at Islamic banks, in Article 1 number 25 of Law Number 21 of 2008 concerning Sharia Banking, hereinafter referred to as the Sharia Banking Law, is the provision of funds or equivalent claims in the form of:

- a) Profit sharing transactions based on the *mudharabah* and *musyarakah* principles;
- b) Lease transaction in the form of *ijarah* or lease purchase in the form of *ijarah vomitayah bi tamlik*;
- c) Sale and purchase transactions in the form of *Murabahah*, *Salam* and *istisna* receivables;
- d) Lending and borrowing transactions in the form of *Qordh* receivables; and
- e) Lease transactions in the form of *ijarah* for multi-service transactions.

As stated in the explanation of Article 8 point (1) of Law Number 21 of 2008 concerning Islamic Banking, that:

*"Financing or financing based on Sharia principles provided by banks contains risks, so that in its implementation, banks must pay attention to the principles of financing or financing based on sound sharia principles."*

*To reduce this risk, the guarantee of providing financing or financing based on sharia principles in the sense of confidence in the ability and ability of the debtor customer to pay off his obligations in accordance with the agreement is an important factor that must be considered by the bank.*

One of the duties of Islamic banks as institutions is to intermediary between customers (participants) and insurance companies. The relationship between banks and insurance in a business transaction is considered very important.

However, in its implementation, it must eliminate injustice, dishonesty and MAGRIB (Maisir, Gharar, Riswah, Riba).(Supriyadi, 2017).

The position of Islamic banks in relation to customers is as partners and investors, while in conventional banks, the relationship is as financing or debtors.

In connection with the relationship between investors and partners, in carrying out their work, Islamic banks use sharia principles. This investment relationship contract between Islamic banks and customers is called financing. In financing activities, Islamic banks will carry out various techniques and methods, the application of which depends on the objectives and activities, such as mudharabah contracts, musharaka and others.

The sharia banking mechanism is based on the principle of business partners and is interest-free, so in the principle of financing there is no interest payment to participants or the imposition of an interest on financing customers.

In terms of financing, there are problems in providing financing, such as the existence of non-performing financing or what can be called Non-Performing Financing, in which there are many factors that cause the financing. 21 of 2008 article 351 is carried out based on an analysis by establishing the precautionary principle so that debtor customers are able to pay off their debts or return financing in accordance with the agreement so that the risk of failure or delays in repayment can be avoided.

*Non Performing Financing* (NPF) is one of the instruments for evaluating the performance of a sharia bank which becomes the interpretation of the valuation on earning assets, especially in the assessment of non-performing financing. Non-Performing Financing needs to be considered because it is volatile and uncertain.

The NPF ratio is the ratio used to measure the risk of failure of financing, where NPF is the ratio between non-performing financing (which is included in the criteria for substandard, doubtful, and non-performing financing) and the total financing disbursed (Mutamimah. 2012).

According to Bank Indonesia Regulation Number 6/10/PBI/2004, financing that is classified as special attention, substandard, doubtful and loss is called gross NPF, while net NPF is financing that is classified as substandard, doubtful and loss. Bank Indonesia has set a maximum gross NPF level of 5% as a tolerance number for the health of a bank. The higher the NPF (above 5%) then the bank is declared unhealthy because a high NPF causes a decrease in profits to be received by the bank (Popita, 2013). Sharia Banking Statistics issued by the Financial Services Authority (OJK) state that: When compared, the distribution of bank financing only grew by 0.59% as of June 2021.

In terms of quality, the ratio of non-performing financing or non-performing financing (NPF) of Islamic banks is at the level of 3.25% in the first semester of 2021, while the NPF of UUS is in the position of 3.01% in June 2021. This ratio is better than the quality of non-performing financing. or Non-Performing Loan (NPL) industry at 3.24% position. Pilarmas Investindo Sekuritas analyst, Okie Ardiastama sees the opportunity for Islamic banking to grow is still large enough so that it can be taken into consideration for market players in responding to these opportunities.

In the implementation of financing, Islamic banks must meet 2 (two) aspects;

- Sharia and Islamic aspects
- Economic aspects.

The sharia aspect means that in every realization of financing to customers, Islamic banks must still be guided by Islamic law, including not containing elements of maisir, gharar, usury, and their business fields must be halal.

The economic aspect means that in addition to considering sharia matters, sharia banks must continue to consider profit gains not only for sharia banks and their customers but also other partners such as sharia insurance and sharia reinsurance so that sharia banks must really pay attention to all forms of their activities. within the framework of prudence as a sharia company to protect public funds entrusted to it.

Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, hereinafter abbreviated to the Banking Law in Article 8, states that in channeling funds, banks must have confidence in the ability and ability of debtors to pay off their debts in accordance with the agreement.

The above provisions are reinforced by the existence of regulations governing the contracts used by Islamic banks in terms of the collection and distribution of funds, namely Bank Indonesia Regulation Number 7/46/PBI/2005, banks can request guarantees or collateral to anticipate risks if the customer does

not can fulfill obligations as contained in the contract due to negligence and/or fraud.

Financing at Islamic banks must also carry out a careful assessment of the character, capacity, capital, collateral and business prospects (condition of economic) of the prospective customer receiving the facility. From the various factors mentioned above, it shows that guarantees or collateral for Islamic banks are a very difficult requirement to ignore in channeling their financing. Without guarantees, Islamic banks are at a point of uncertainty.

The problem that arises then is the nature of the guarantee itself, one of which is collateral (collateral) including not limited to material guarantees but with the requirement for customers to take part in financing life insurance (AJK) in the process of realizing financing in Islamic banks if there are insurance claims on customers who has been financed by Islamic banks.

**Sharia People's Financing Bank (BPRS).**

The definition of a Sharia Rural Bank (BPRS) is a Sharia Bank which in its activities does not provide services in payment traffic. Sharia Rural Banks (BPRS) cannot be converted into Rural Banks (BPR). Sharia Rural Banks are not permitted to open Branch Offices, representative offices, and other types of offices abroad. Sharia People's Financing Banks can only be established and/or owned by Indonesian citizens and/or Indonesian legal Banks whose owners are all Indonesian citizens, Regional Governments and two or more parties.

The business activities of Sharia Rural Banks are collecting funds from the public, channeling funds to the public, placing funds in other Islamic banks in the form of deposits based on wadi'ah contracts or investments based on mudharabah contracts and/or other contracts that do not conflict with Sharia principles, transferring money, either for their own interest or for the benefit of the Customer through the account of a Sharia Rural Bank in a Sharia Commercial Bank, Conventional Commercial Bank, and Sharia Business Unit as well as providing products or conducting other Sharia Bank business activities, in accordance with Sharia Principles based on the approval of Bank Indonesia. The legal form of a Sharia Rural Bank is a Limited Liability Company (PT).

In the organizational structure of the Islamic People's Financing Bank (BPRS) there is a Sharia Supervisory Board tasked with providing advice and suggestions to and supervising the activities of Sharia People's Financing Banks (BPRS) so that they are always in accordance with sharia principles. Attached is the data of BPRS in Indonesia sourced from Sharia Banking Statistics, December 2020, as follows;

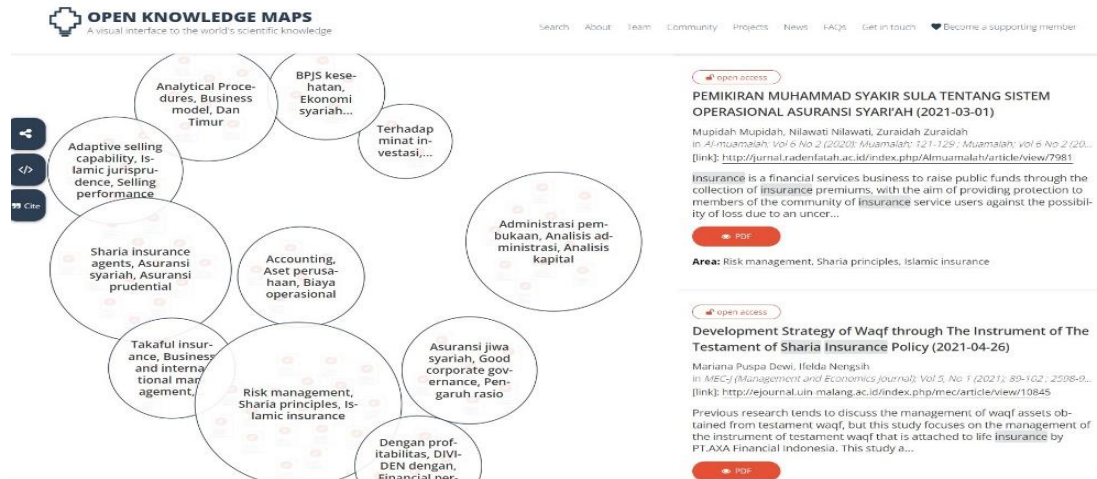
Table 5. Development of Sharia BPR in Indonesia.

Statistik Perbankan Syariah, Desember 2020 Sharia Banking Statistics, December 2020

Provinsi	2016	2017	2018	2019	2020												Province
					Jan	Feb	Mar	Apr	Mei	Jun	Jul	Ags	Sep	Okt	Nov	Des	
1 Jawa Barat	28	28	28	28	28	28	28	28	27	27	27	27	27	27	27	27	1 Jawa Barat
2 Banten	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	2 Banten
3 DKI Jakarta	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3 DKI Jakarta
4 D.I. Yogyakarta	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	4 D.I. Yogyakarta
5 Jawa Tengah	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	5 Jawa Tengah
6 Jawa Timur	29	29	28	28	28	27	27	27	27	27	27	27	27	27	27	27	6 Jawa Timur
7 Bengkulu	2	3	3	2	2	2	2	2	2	2	2	2	3	3	3	3	7 Bengkulu
8 Jambi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 Jambi
9 Nanggroe Aceh Darussalam	10	10	10	9	9	9	9	9	9	9	9	9	9	9	9	9	9 Nanggroe Aceh Darussalam
10 Sumatera Utara	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	10 Sumatera Utara
11 Sumatera Barat	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	11 Sumatera Barat
12 Riau	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	12 Riau
13 Sumatera Selatan	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	13 Sumatera Selatan
14 Kepulauan Bangka Belitung	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	14 Kepulauan Bangka Belitung
15 Kepulauan Riau	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	15 Kepulauan Riau
16 Lampung	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	16 Lampung
17 Kalimantan Selatan	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17 Kalimantan Selatan
18 Kalimantan Barat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18 Kalimantan Barat
19 Kalimantan Timur	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	19 Kalimantan Timur
20 Kalimantan Tengah	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20 Kalimantan Tengah
21 Sulawesi Tengah	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 Sulawesi Tengah
22 Sulawesi Selatan	8	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	22 Sulawesi Selatan
23 Sulawesi Utara	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23 Sulawesi Utara
24 Gorontalo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24 Gorontalo
25 Sulawesi Barat	-	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	25 Sulawesi Barat
26 Sulawesi Tenggara	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26 Sulawesi Tenggara
27 Nusa Tenggara Barat	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	27 Nusa Tenggara Barat
28 Bali	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	28 Bali
29 Nusa Tenggara Timur	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29 Nusa Tenggara Timur
30 Maluku	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30 Maluku
31 Papua	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	31 Papua
32 Irian Jaya Barat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32 Irian Jaya Barat
33 Maluku Utara	2	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	33 Maluku Utara
<b>Total</b>	<b>166</b>	<b>167</b>	<b>167</b>	<b>164</b>	<b>164</b>	<b>163</b>	<b>163</b>	<b>163</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>163</b>	<b>163</b>	<b>163</b>	<b>163</b>	<b>Total</b>

### Model Systematic Mapping Studies

In conducting this research, we consider it necessary to look at other disciplines in order to see the impact of sharia insurance products on other intersecting fields of science. To see other disciplines that affect or intersect with Sharia Insurance, the openknowledgemaps.com method is used, with the mapping results attached.



Source; www.openknowledgemaps.

It can be seen in Table 2.1 that there are still many other disciplines (Risk Management, Accounting, Business Administration, Agents, GCG, Profitability, Sharia Economics, Investment etc.) that must be studied to enrich the study of the proposals made.

The findings obtained from the www.openknowledgemap.com program, there are several articles from previous researchers that have a wedge with the theme of writing so that it is still possible to conduct a deeper study related to the currently researched theme.

From several references of international reputable journals such as Scopus, Science Direct, Emerald, Elsevier and Google Scholar, which were searched for by researchers, no research or articles that were exactly the same as the research themes that had been carried out previously had not been found.

There are research titles with almost the same variables but different locus and focus, for example the Impact of Islamic Insurance Financing Products on Sharia Insurance or vice versa. Meanwhile, the impact of Sharia Life Insurance Products on the Performance of Sharia Banks and Sharia Rural Banks, which are linked to the variables of Sharia Insurance and Sharia Reinsurance, which together have an impact on the variables, have not been found so that the title of the research conducted is Novelty or novelty that has not been found in several reputable journals. and there has never been any research on 4 (four) variables studied simultaneously.

### The current phenomenon

Based on the research theme, there are 2 (two) main variables in finding the Impact of Life Insurance Products for Islamic financing, namely;

- Sharia Banking and Sharia People's Financing Bank.
- Sharia Insurance and Reinsurance Party,

The two variables are basically mutually dependent. The need for sharia banking and Sharia People's Financing Banks to cover sharia financing life insurance for unexpected risks in their operational activities, as well as sharia insurance and reinsurance parties who need income in order to pay claims that occur, this is a natural cycle in the insurance business.

If the contribution obtained by the Sharia Insurance and Reinsurance Company is not adequate with the risks faced, it can cause the insurance and reinsurance company to suffer losses, because the contribution obtained is not sufficient to pay claims. Meanwhile, in the concept of sharia insurance, both parties should help each other (Ta'awun) and Takafuli or protect each other.(Sula, 2020). The concept of mutually reinforcing and mutually beneficial between the two parties, is very necessary so that the concept of profit sharing (mudharabah) to customers can be carried out, but at this time this has not happened, especially in sharia financing life insurance products.(Fatmawati, 2010).

The current condition, there is an imbalance between banking and Islamic Rural Banks and

insurance companies. Islamic insurance and reinsurance companies are under pressure from the contributions made by Islamic banks and institutions, which are not commensurate with the amount of risk and the duration of the insurance period covered, so that they are not in accordance with the concepts of helping (ta'awun) and protecting each other (takaful). in Islamic insurance.

### **Hypothesis**

Based on the phenomena or facts and realities that have occurred and have been described above, we formulate research hypotheses, as follows;

H1. It is suspected that there is a positive impact between the Life Insurance Product of Sharia Financing and the Performance of Sharia Banking & Sharia People's Financing Bank.

H2. It is suspected that there is a very strong positive impact between Sharia Financing Life Insurance Products and Sharia Insurance & Sharia Reinsurance.

H3. It is suspected that the Ta'awun and Takafuli Principles in Sharia Banking and Sharia Rural Financing Banks have not occurred or have not been fully implemented, in Sharia Financing Life Insurance Products marketed by Sharia Insurance and Sharia Reinsurance Companies.

### **METHODS**

The research method used in this study is a comparative qualitative method by comparing factual phenomena to the variables studied, through an empirical approach, which is a method that focuses on the study, exposure, explanation and interpretation of an empirical phenomenon. (Moleong, 2017)

#### **Types of research.**

The type of research conducted in this article is a qualitative method of phenomena. The data collected is in the form of words, pictures and numbers. Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from people and observed behavior. Descriptive research is a form of research aimed at describing or describing natural phenomena and human creations. The purpose of doing descriptive research is to make research in a systematic, factual, and accurate manner.

#### **Data source.**

According to Lofland and Lofland quoted by Lexy. J. Moleong in the book "Qualitative Research Methodology", suggests that the main data sources in qualitative research are words, actions and numbers, the rest are in the form of documents and others.

Sources of data in this study are:

- Primary data is data obtained from direct research into the field, conducting observations, surveys, and direct interviews with sources and others.
- Secondary data is in the form of data that supports primary data, taken from various sources; books, articles, OJK statistical data, internet, and other sources.

#### **Research focus.**

The focus of the research is to find out how big the Impact of Financing Life Insurance Products on the Performance of Banking and BPRS as well as the Insurance Industry (Sharia Insurance and Reinsurance Companies).

#### **Research purposes.**

The purpose of the study was to determine the impact of Islamic Financing Insurance Products on the Performance of Islamic Banking and BPR and the Sharia Insurance Industry (Sharia Insurance and Sharia Reinsurance). Another purpose is to look at Novelty in this study.

### **DISCUSSION.**

Based on the explanation in the background and Bank Indonesia data as well as OJK 2020 insurance statistics data, as well as the impact of increasing claims for Sharia Financing Life Insurance Products (AJK) which has been happening so far, if no efforts are made to adjust and balance the adequate contribution with the amount of risk as well as a long tenor, will have an impact on increasing the price of reinsurance contributions, so that it will increase the operating costs of insurance companies and make the profit margins of sharia insurance companies smaller, in addition to guaranteeing future claim payments, in accordance with the provisions of POJK 72 and PSAK 108 then in Sharia Financing Life Insurance (AJK) products, every sharia insurance company is required to provide a claim reserve of 100%, so that it will greatly erode the margins or profits of Islamic insurance companies.

If this condition continues and there is no improvement from sharia insurance companies as well as improvement of customer profiles by sharia banking and Sharia People's Financing Banks as business providers, it will potentially cause a higher loss ratio which has implications for the decline in Risk Based Capital (RBC) of sharia insurance companies that not in accordance with the standards set by the regulator, diminishing trust from customers, high reserve values resulting in the failure to fulfill the obligations of the sharia insurance company to insurance participants with the worst impact being sanctions for business restrictions and the revocation of the sharia insurance company's business license because it cannot meet the predetermined standards regulations in accordance with OJK Regulations.

Based on the hypothesis that has been described above and using the comparative qualitative method, then the next author conducts an analysis by comparing Sharia theories with primary and secondary data and existing facts. (Agusta, 2014). After conducting the analysis, the authors obtained the results of the discussion as follows;

- a) There is a positive impact between Sharia Financing Life Insurance Products on the Performance of Sharia Banking & Sharia Rural Banks. However, the underwriting results obtained by Sharia Insurance and Sharia Reinsurance from Sharia Financing Life Insurance Products sourced from Sharia Banking and Sharia People's Financing Banks contributed negatively.

This can be seen from Table 2.1 where the claims paid by sharia insurance and reinsurance are greater than the contribution income received by sharia insurance and sharia reinsurance companies.

On the other hand, according to the data we obtained from Sharia Banking Statistics, it shows that the performance of Sharia Banking and Sharia Rural Banks continues to grow from 2016 to 2020 and continues to increase.

Factors that affect the performance of banking, among others, are;

- **Return On Assets (ROA).**

ROA the bank's ability to earn a total profit. If the higher the ROA obtained, the greater the level of profit obtained at the bank so that the better the position of the bank in the use of available assets. If assets can be managed properly, it can increase profits for the company in the form of ROA.

ROA can be a good indicator in obtaining business benefits and efficiency for companies or banks in utilizing all assets and as a benchmark for profitability.

By using ROA as a measure of the profitability of companies and banks in order to find out whether financial performance can work efficiently and effectively in managing invested funds so that it can provide benefits for investors, companies and managers and in order to find out how the company's ability to survive when a critical period in increasingly competitive competition (Aulia, 2018).

- **Non-Performing Loan (NPL).**

The definition of NPL or non-performing financing is a condition where the customer is unable to pay part or all of his obligations to the bank as agreed. Non-performing loans according to Bank Indonesia regulations are financing classified into Substandard (KL), Doubtful (D) and Loss (M) collectability.

NPL is a ratio that shows the ability of bank management in managing non-performing financing provided by banks. NPL is calculated based on the comparison between the number of non-performing loans compared to the total financing. (Fitria., Nurul. Sari., Raina, 2011).

From the data obtained from the OJK and Sharia Banking Statistics, it shows that the NPL of Sharia Banking is relatively small from year to year, thus meaning that Sharia Financing Life Insurance Products have proven to be very helpful in banking operations and performance because with the large amount of claim payments to thousands of customers, the NPL of Sharia Banking is small. so that the said insurance product is very helpful for the Islamic Banking and Sharia People's Financing Bank.

- b) There is a very strong positive impact between Sharia Financing Life Insurance Products and Sharia Insurance & Sharia Reinsurance.

It is undeniable that sharia financing life insurance products are one of the products that are in great demand by Islamic banking and Islamic People's Financing Banks because these products are very useful in providing protection to customers (participants) who obtain financing from Islamic Banking and Rural Financing Banks. The said insurance product guarantees the risk; Death, Accident, Financing Loss.

Based on the data we obtained from the OJK, most of the income from sharia insurance and reinsurance is derived from sharia financing life insurance products from Sharia Banking and Sharia BPR. So that these products have a significant impact on sharia insurance and sharia reinsurance income.

- c) The concept of Ta'awun and Takafuli in Sharia Financing Life Insurance products from Sharia Banking and Sharia People's Financing Banks, as fellow companies based on sharia principles, does not work or has not been fully implemented, to Sharia Insurance and Sharia Reinsurance Companies, because one of the parties loses, the other party wins.

The concept of Ta'awun and Takafuli on sales transactions of sharia financing life insurance products obtained from sharia banking and Sharia People's Financing Banks, "Not Running" because it

shows negative underwriting results, as evidenced by the increased claim ratio and high claim payments to those who always pay. increased rapidly from year to year.

The impact of negative underwriting results, the insurance company in accordance with POJK 72 and PSAK 108, must reserve a very large amount of funds, due to the large outstanding claims that will be paid over a long period of time (5-10 years in the future). Meanwhile, sharia reinsurance will increase the rate or tariff and terms & conditions to make adjustments to the losses suffered so far so that it will affect the sales that will be made by sharia insurance companies and will be very burdensome for banking customers & Sharia People's Financing Banks.

The results of the discussion that have been carried out state that the concepts of ta'awun and takafuli in sharia financing life insurance products, as fellow companies based on sharia principles have not yet occurred between Sharia Banking, Sharia People's Financing Banks and Sharia Insurance & Reinsurance Parties.

## CONCLUSION

After processing secondary data in the form of Islamic banking statistics (SPS) from OJK which we compared with primary data obtained from interviews and based on the formulation of problems, phenomena, hypotheses & discussions, the authors provide the following conclusions;

- H1 is proven that the Sharia Financing Life Insurance Product has a positive impact on the Performance of Sharia Banking and Sharia People's Financing Bank.
- H2 is significantly proven that the Sharia Financing Life Insurance Product has the potential to have a Negative Impact on Sharia Insurance & Sharia Reinsurance, if the Insurance Party does not immediately make improvements and there is no selection of clients from Banking and Sharia Rural Banks.
- H3 The concept of Ta'awun and Takafuli on Financing Life Insurance products from Sharia Banking and Sharia People's Financing Bank to Sharia Insurance and Sharia Reinsurance. As a fellow company based on sharia principles, it does not work or has not been fully implemented, against Sharia Insurance and Sharia Reinsurance Companies, because one party loses, the other party gains.
- The large claim payments from sharia insurance companies show that the Sharia Financing Life Insurance product is very helpful in the performance of Sharia Banking & Sharia People's Financing Banks so that Non Performing Loans (NPLs) become relatively "Small".
- Sharia Banking & Rural Financing Bank Trust for Sharia Financing Life Insurance products is getting higher but potentially Sharia Insurance will find it difficult to get Backup from Sharia Reinsurance if it doesn't make adjustments.
- OJK data and reports from Bank Indonesia showing that Islamic Banking & Sharia Rural Banks have proven to have good performance, year by year, as shown in Table 1.2 above. (The decline occurred during Covid 19).

Sharia insurance and sharia reinsurance, according to interviews conducted with 2 (two) Sharia reinsurance companies and based on the data we obtained, the author made a comparison between sharia banking growth data and data from Sharia People's Financing Banks (BPRS).

Furthermore, the authors conclude that the Sharia Financing Life Insurance Product has a high loss ratio, resulting in a significant increase in claims every year. For this reason, it is necessary to review and improve in terms of rates and terms and conditions in order to create an adequate position between the risks that are accepted and the contributions received by sharia insurance and sharia reinsurance companies.

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