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Accelerating Technological Advancement and Financial Inclusion through Automotive–Takaful Collaboration

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Abstract

Insurance coverage and risk mitigation have become vital in the automotive industry. This case study aims to explore how the partnership between Tan Chong Motor Holdings Berhad (TCMHB) and Takaful Ikhlas General Berhad (TIGB) in Malaysia supports technological advancements in the automotive sector and promotes financial inclusion for underserved communities. The approach includes a thorough analysis of data sourced from TCMHB and TIGB's annual reports, alongside market reports from the automotive and insurance fields. The results indicated that this collaboration allows the automotive firm to drive innovations in areas such as vehicle safety and security features, significantly enhancing the quality of automotive offerings. Simultaneously, Takaful operators gain access to a broad consumer base, boosting their market share and revenue. This case study implies that automotive companies can differentiate themselves by collaborating with a Takaful operator to offer Sharia-compliant insurance products. This unique selling proposition gives the automotive business a competitive advantage by appealing to a market niche that respects ethical financial practices and Islamic beliefs. Overall, this collaboration contributes to community development and overall well-being, resulting from increased access to financial services and advancements in the automotive sector.

Keywords: Automotive Industry, Takaful Insurance, Technological Advancement, Financial Inclusion, Strategic Collaboration

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1.0 Introduction

Amidst the prevailing pessimism affecting the global economy, the automotive industry grapples with various critical business risks. These challenges encompass a constantly evolving environment, ranging from properties susceptible to natural disasters to transit damages, supply chain disruptions, management and workers' liability, and increasing product liability and recall exposure (Mateen et al., 2023). The automotive industry is continuously transforming, with electronic components, including embedded systems, playing a vital role in driving this evolution (Golz et al., 2012). As vehicle connectivity and autonomy increase, the attack surface has expanded, significantly heightening the risk of cybersecurity threats (Sommer et al, 2019). These interconnected risks not only affect operational continuity but also pressure companies to adopt proactive risk management strategies, especially when integrating new technologies and navigating global uncertainties. Unauthorised access to data, hijacking, and manipulation of software are classified as theft. Individuals engaged in such cybercrimes are held legally accountable and subject to penalties under the law. Cyberattacks have become a focal point of attention and research within the evolving technology landscape (Ozarpa & Avci, 2022). Moreover, the advent of Industry 4.0 smart factories introduces a heightened susceptibility to cyberattacks and data breaches. The automotive industry requires innovative programme structures tailored to its evolving needs to navigate this dynamic and intricate landscape. Therefore, the role of insurance is pivotal in identifying coverage gaps and exploring avenues to optimise the overall cost of risk faced by the automotive sector. Insurance solutions must now account for emerging digital risks, such as software defects, autonomous driving errors, and third-party data liability, which traditional policies may not adequately cover.

In Malaysia, under the Road Transport Act 1987, every car owner is required to hold valid car insurance and road tax, both of which are subject to annual renewal (MyEG, 2023). If the at-fault driver is uninsured or lacks third-party insurance coverage, the lawyer may advise the victim to pursue a personal lawsuit against the driver. This suggests that the driver would be personally responsible for covering the victim's losses or face legal consequences if unable to do so. However, the feasibility of this course of action depends on the driver's financial ability to compensate the victim, and it is

essential to note that the entire process may be both time-consuming and costly. The presence of uninsured vehicles can hinder a nation's financial inclusion. A significant percentage of the car population lacks insurance, which places the economy at financial risk, not just for those who might be involved in accidents but also for the public. Victims often experience greater financial pressure and struggle to recover losses from uninsured vehicles, hindering their full participation in the economy. Those without insurance may face additional difficulties accessing necessary financial aid and support systems (Perticone et al., 2023). Thus, addressing the problem of uninsured motorists is essential for promoting financial inclusion and ensuring the broader economic health of a country.

The intricate nature of automotive technologies, increasing safety and security concerns, shifting regulatory frameworks, and rising demand for cutting-edge insurance solutions can drive essential collaboration (Sheehan et al., 2017). The mutual objectives of improving customer experience, advancing risk mitigation strategies, and seeking financial inclusion opportunities may further encourage these two organisations to work together. Ultimately, the intersection of these factors fosters collaborative initiatives, as both the automotive and insurance sectors strive to discover synergies that address emerging challenges while seizing opportunities for shared growth and innovation. This study investigates how technological advancements in Malaysia's automotive industry are influenced by the collaboration between Tan Chong Motor Holdings Berhad (TCMHB) and Takaful Ikhlas General Berhad (TIGB). This partnership significantly contributes to extending financial access to underserved communities. By teaming up with a Takaful operator, the automobile manufacturer implements a distinctive marketing strategy that features Sharia-compliant insurance offerings, showcasing its unique approach. Collaboration between the two companies enables the development and enhancement of vehicle safety and security features, leveraging their combined resources and expertise. Sharia-compliant insurance provides individuals with financial security while improving the quality and safety of their cars. This collaboration also aligns with national agendas to promote financial inclusion and enhance consumer trust by offering ethical, transparent, and culturally relevant financial products.

The next section provides an overview of Tan Chong Motor Holdings Berhad (TCMHB) and Takaful Ikhlas General Berhad (TIGB), along with a description of the

methodology used in this case study. Next, the results and analysis will be shared and discussed. In conclusion, the findings are summarised, and related recommendations are offered.

2.0 Literature Review

Beginning 5 January, 2022, Takaful Ikhlas General Berhad (TIGB) and Tan Chong Motor Holdings Berhad (TCMHB) initiated a strategic partnership (Takaful Ikhlas, 2022). This collaboration leverages the unique strengths of both organisations to foster mutual advantages, with a keen emphasis on improving the customer experience. As part of this partnership, TIGB will provide its motor takaful products and services to customers associated with TCMHB's vehicle brands, including Nissan, Renault, Infiniti, and JMC. TIGB's motor takaful plans will be distributed through Edaran Tan Chong Motor's extensive network of franchises and dealers (Tan Chong Motor Holdings Berhad, 2024). This partnership allows TIGB to solidify its presence in the automotive sector by providing extensive takaful coverage and added value for TCMHB clients. In addition to vital protection, customers will enjoy advantages like a Flood Relief Allowance, a Car Replacement Allowance, and an Additional Cash Payout if total loss or theft occurs. TIGB's claims process is designed to be user-friendly and efficient, enhancing the overall customer experience. Furthermore, with the IKHLAS Waqf and Endowment (IWE) benefit, a complimentary contribution of RM1,000 will be made on behalf of the participant in the unfortunate case of accidental death.

2.1 Tan Chong Motor Holdings Berhad (TCMHB)

TCMHB was established in Malaysia on 14 October 1972. It has evolved into a large conglomerate engaged in a diverse range of business activities, including the assembly and marketing of motor vehicles, the manufacture of auto parts, property investment, and the trading of various heavy machinery, industrial equipment, and consumer products both locally and internationally. TCMHB is now an investment holding company, and the Group's current primary activities encompass the assembly and distribution of motor

vehicles and commercial vehicles, after-sales services and spare parts, education, trading, and motor-related financial services such as hire purchase and insurance products and services, leasing, and subscription, both locally and internationally. Its business has expanded globally into Myanmar, Thailand, Cambodia, Laos, Vietnam, and Taiwan (Tan Chong Motor Holdings Berhad, 2024).

2.2 Takaful Ikhlas General Berhad (TIGB)

Takaful Ikhlas General Berhad (TIGB) commenced its operations in the Takaful industry in Malaysia on 18 September 2002. The company primarily focuses on providing financial protection services in accordance with Shariah principles and rulings. TIGB's distribution channels include highly knowledgeable and well-trained agents, brokers, financial institutions, motor franchise holders, and cooperatives. With a network of 13 branch offices, the company currently boasts approximately 2 million registered certificate holders and over 5,000 agents. TIGB operates as a wholly-owned subsidiary of MNRB Holdings Berhad (Takaful Ikhlas, 2022).

3.0 Methodology

This case study employs a multifaceted research methodology to investigate the collaborative dynamics between an automotive firm and a Takaful operator, specifically focusing on their roles in driving technological advancements in the automotive industry and fostering financial inclusion in Malaysia. As depicted in Figure 1, the research framework integrates several components. A comprehensive literature review will be adopted to gather relevant data regarding the collaboration. Secondary data will be sourced from multiple origins, including the annual reports of the two collaborating companies, market reports that provide insights into the automotive and insurance industries, as well as industry papers and government publications to furnish contextual knowledge. The research will analyse the key drivers behind the collaboration, highlighting the entry of the insurance firm into the automotive sector through Takaful products, to capture the strategic alignment between the two companies. The study will

examine the prevailing conditions that led to the collaboration, specifically the involvement of an insurance company in selling Takaful products and partnering with an automotive firm.

The findings will encompass the financial performance of both companies' post-collaboration and the Takaful market saturation in Malaysia. An in-depth analysis will be conducted to examine the outcomes of the collaborative efforts by identifying key milestones and understanding the strategic objectives of the collaboration. The case study will conclude by integrating the findings and deriving relevant conclusions. Recommendations for future cooperative activities in the automobile and Takaful industries will be presented based on the research findings. To improve the validity and reliability of this case study, key techniques such as source triangulation, document verification, and consistency checks across multiple reporting periods will be employed. The case study design ensures internal validity by aligning evidence with predetermined research questions. However, the study recognises several limitations. These include reliance on publicly available secondary data, which may not fully capture internal decision-making processes, and the limited generalisability of findings to other countries or industries beyond the Malaysian automotive-Takaful context.

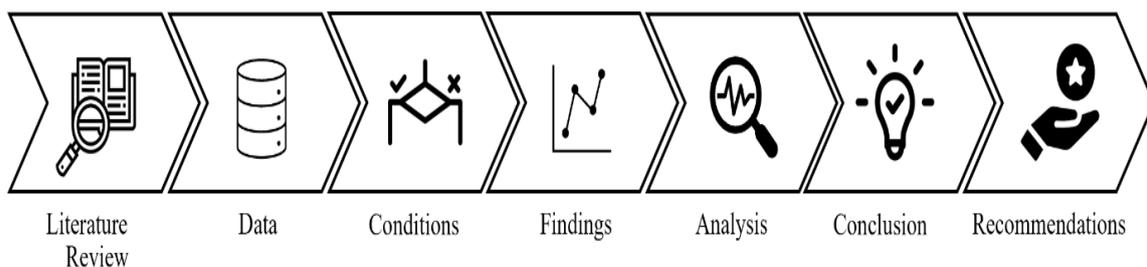


Figure 1: Methodology of this Case Study

4.0 Results and Discussion

The collaboration provides advantages to TCMHB in terms of risk mitigation, competitive edge, customer value and financial gain.

4.1 Advantages Gained by the Automotive Firm After the Collaboration

Firstly, offering insurance options enhances customer confidence by mitigating risks and providing financial protection in the event of accidents, damages, or unforeseen circumstances. This collaboration promotes advancements in vehicle safety, security, and other technologies that improve the overall quality of automotive products. For instance, in 2022, the insurance division in TCMHB experienced commendable growth. The enhancements included increased retention ratios from 78% to 84%, a broader selection of extended warranty programmes, and increased online insurance renewal sales through its digital portal Goinsuran.com. Singapore Business Review Magazine also honoured this digital platform, named Goinsuran.com the winner of the Malaysia Technology Excellence Awards 2022 in the category of Digital General Insurance.

Secondly, TCMHB can provide a unique selling point that differentiates it from competitors and attracts customers seeking an integrated automotive and insurance experience. It successfully supports the lower-income demographic through MyTenang, a government initiative providing accessible and cost-effective Takaful protection. Furthermore, it aims to enhance consumer awareness by focusing on content related to road safety while emphasising the importance of insurance protection on its website and social media platforms. The MyTenang initiative mirrors elements of international social inclusion projects, such as South Africa's MiWay Blink and India's SBI General partnerships, which aim to increase insurance penetration among underserved populations. This suggests that TCMHB's integration with TIGB aligns with global trends in leveraging automotive-insurance partnerships for financial inclusion (SBI General Insurance, 2022). Hence, it provides a comprehensive solution to customers, adding value to their purchases and fostering brand loyalty.

Thirdly, this collaboration can result in additional revenue streams for TCMHB. The firm can benefit financially from selling insurance products to its customer base through commission structures or profit-sharing agreements. For example, TCMHB's revenue increased from RM 2.5 billion to RM 3.1 billion from 2021 to 2022 (Tan Chong Motor Holdings Berhad, 2024). Fourthly, TCMHB can utilise the insurance company's knowledge to design and install advanced vehicle safety features. For example, TCMHB introduces new generations of automobiles into the market with the latest technology and safety innovations, such as Nissan intelligent mobility, which incorporates a 360° safety shield and advanced driver assistance systems (Tan Chong Motor Holdings Berhad, 2024). Renault models include electronic stability control (ESC) and ISOFIX (International Standardised Car Seat Fitting System) for child safety. The New Quester features a dependable auxiliary braking system and a transmission retarder for improved control during a downhill drive.

4.2 Advantages Gained by the Takaful Operator After the Collaboration

Through TCMHB's distribution channels, TIGB gains access to a broader consumer base. For example, the net earned contributions from the motor line of business increased by 25%, from RM245 million to RM307 million, between 2021 and 2022 (Takaful Ikhlas General Berhad, 2023). Comparably, Allianz Malaysia's partnership with Perodua has positively impacted premium growth in the auto segment, suggesting that strategic distribution alliances effectively expand reach and revenue in the motor insurance market (Allianz Malaysia Berhad, 2021). Takaful products can therefore be distributed through a wider network of agencies, reaching more regions and individuals. This enhanced visibility and accessibility of Takaful products make them more accessible to a wider range of consumers. As Takaful products become more accessible, there is an opportunity to include financial education programmes. The collaboration can help elevate financial literacy levels by providing information about Takaful principles and their compatibility with Islamic values, encouraging individuals to make informed decisions about their insurance coverage in Malaysia.

By working closely with TCMHB, TIGB gains insight into the industry-related risks. This understanding facilitates more accurate risk assessments, resulting in improved underwriting processes and risk management techniques. This collaboration will forge a unique partnership to study advanced technology vehicles and interpret their behaviours, which will subsequently be used to inform risk and engineering inputs. Additionally, it may promote the safe deployment and broader adoption of advanced technologies, significantly impacting road safety. As a result, it will enhance the insurance industry's ability to tailor pricing and coverage options to keep pace with the changing technological landscape. For instance, TIGB could develop a comprehensive database system for managing pricing and repair schedules specifically for vehicle insurance repairs.

Their partnership has the potential to introduce innovative insurance solutions that reflect advancements in automotive technology, ensuring the firm stays relevant and competitive. By working together, they will craft cutting-edge insurance solutions closely aligned with the swift advancements in auto technology. This collaboration informs the insurance company about the latest developments in the automotive sector, enabling the design of policies that address emerging risks tied to new technologies like autonomous vehicles, advanced driver assistance systems (ADAS), and electric vehicles. Working together can drive operational efficiency for TIGB by streamlining procedures. For instance, integrating with TCMHB's systems can enhance overall performance through faster claims processing and improved data-sharing practices. TIGB manages and regulates premium rates and policy language to enhance the quality of products and services at competitive prices while ensuring compliance with Intercompany Agreements on General Insurance Businesses.

5.0 Conclusion and Future Research

Tan Chong Motor Holdings Berhad (TCMHB) and Takaful Ikhlas General Berhad (TIGB) have forged a strategic partnership to enhance technological development in Malaysia's automotive industry and advance financial inclusion. This collaboration brings forth Sharia-compliant insurance solutions that not only meet legal and regulatory

requirements but also improve vehicle safety and product quality. Addressing these aspects helps close protection gaps and reduces emerging risks, including cyber threats and the operational difficulties tied to Industry 4.0. 0. A key objective of this partnership is to confront the prevalent issue of uninsured drivers, which poses a significant barrier to broader financial inclusion. By providing accessible, Sharia-compliant coverage options, the partnership bolsters economic security and extends protection to communities traditionally excluded from standard financial services. This method adheres to Islamic financial principles and aids in developing a safer, more inclusive motoring environment.

The alliance between TIGB and TCMHB illustrates the potential of cross-sector partnerships in adapting to regulatory changes, leveraging technological advancements, and prioritising consumer safety. Both companies foster mutual growth while enhancing social welfare by pooling their resources and expertise. The partnership serves as a model for how coordinated efforts among sectors can spur innovation, bolster economic resilience, and ensure fair access to vital services in Malaysia's changing market. This case study presents several strategic recommendations. First, it is crucial to strengthen market presence through wider collaboration, which includes forming alliances with other stakeholders in the automotive and insurance industries to co-create solutions and innovations. Furthermore, engaging with regulators to advocate for policies that promote safety, innovation, and inclusion is vital. Second, integrating corporate social responsibility (CSR) into the collaborative strategy is key (Lin, 2023). This may encompass initiatives that enhance road safety, community health, and financial literacy. Lastly, the companies should focus on public education efforts, such as awareness campaigns and outreach initiatives, particularly targeting underserved populations. These efforts can raise awareness about the benefits of Sharia-compliant insurance, its role in financial security, and the significance of legal compliance in vehicle ownership.

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