Investment Manager's Ability and Characteristics of Mutual Funds as Determinants of Sharia Stock Mutual Fund Performance in Indonesia

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ABSTRACT

As a country with the largest Muslim-majority population worldwide, Indonesia is the most promising market for Islamic-based products. This study examines the effects of fund manager skills and fund characteristics on Islamic mutual fund performance in Indonesia. Quantitative analysis tested stock selection skill, market timing ability, expense ratio, fund age, and fund size using multiple linear regression on panel data (2018–2022) from 13 purposively sampled funds (65 observations), analyzed with EViews 12. Data sourced from fund reports, Bank Indonesia (BI), and OJK. The Treynor-Mazuy model measured manager abilities; Sharpe ratio assessed performance. Results show stock selection skill (coeff. = 1.198, $p = 0.0005$) and expense ratio (coeff. = 4.618, $p = 0.0905$) significantly positively affect performance, with stock selection having the strongest impact. Market timing ($p = 0.6861$), fund age ($p = 0.2336$), and size ($p = 0.4920$) are insignificant. Adjusted R-squared (0.178621) explains 17.8% of variation. Findings urge prioritizing stock selection and research over market timing or size expansion.

KEYWORDS   *Islamic Equity Funds, Stock Selection Skill, Market Timing Ability, Expense Ratio, Fund Age, Fund Size.*

INTRODUCTION

Over the last five years (2018–2022), the Sharia Mutual Fund industry in Indonesia has shown considerable growth. The Net Asset Value (NAV) increased by 8.1% during this period, aligning with the rising number of Sharia Mutual Funds listed on the Indonesia Stock Exchange. In 2022, the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK) recorded a total of 274 Sharia Mutual Funds listed on the IDX. One of the largest categories is the Sharia Stock Mutual Fund. Sharia Stock Mutual Funds are capital market products developed in response to investors' needs for *sharia*-compliant investments (Hassan et al., 2020). In addition, these funds offer investment options that aim not only for financial returns but also for social responsibility (Julendra et al., 2023). This product is managed by an investment manager responsible for allocating investor funds across various financial instruments with return potential, while upholding *sharia* principles (Billah, 2019).

With the majority of its population being Muslim, Indonesia has enormous potential to become a global player in Islamic finance, particularly in capital market instruments. This growth trajectory represents not only religious accommodation but also a strategic economic opportunity that could position Indonesia as a regional hub for Islamic financial products (Isnaeni et al., 2021). The exponential growth of Sharia Mutual Funds—with NAV increasing by 8.1% from 2018 to 2022 and the number of funds reaching 274 by 2022—signals a

fundamental shift in the Indonesian financial landscape. This expansion creates substantial opportunities for economic development, including increased capital mobilization for *sharia*-compliant enterprises, deeper financial market integration, enhanced investor confidence in Islamic financial products, and spillover effects on related sectors such as Islamic banking and *sukuk* markets. Moreover, as global demand for ethical and socially responsible investments rises, Indonesia's leadership in *sharia* finance could attract significant foreign investment, strengthen the rupiah, and contribute meaningfully to GDP growth. The strategic importance of this sector extends beyond immediate financial returns to encompass national economic resilience and competitive positioning in the global Islamic finance industry, which manages assets exceeding $3 trillion worldwide.

The selection of Sharia Stock Mutual Funds as the focus of this study is based on several strategic and empirically relevant reasons. First, according to data from the Indonesian Ministry of Religious Affairs, the Muslim population in Indonesia reached 242 million people, or 87% of the total population, in 2022. This underscores the importance of Sharia Stock Mutual Funds as an investment alternative for the community. However, the 2022 Indonesian Sharia Financial Development Report indicates that the number of Sharia Mutual Fund investors reached only 117,942—or less than 0.1% of the total Muslim population. According to Setiawan et al. (2019), the low participation may stem from the industry's growth phase, where investors face risks without optimal profits or returns (Satrio Pekerti & Mawardi, 2022).

Second, compared to other types, Sharia Stock Mutual Funds carry greater potential risks, as 80% of funds under management are invested in equity securities or stocks (Nur, 2019). This risk was evident in 2022, when global capital markets, including Indonesia's, experienced high volatility due to lingering COVID-19 effects, inflationary pressures, and macroeconomic uncertainty, directly impacting mutual fund performance, including *sharia*-based ones. Based on the OJK report, Sharia Mutual Fund performance showed a significant downward trend that year. This decline poses new challenges for investment managers in maintaining and improving Islamic product performance amid market uncertainty. Therefore, this study covers the 2018–2022 period, reflecting three key market phases: pre-crisis (2018–2019), crisis due to the COVID-19 pandemic (2020–2021), and early recovery (2022). Tolerance for financial risks is a key factor in Sharia Stock Mutual Fund 433evelopent (Aida et al., 2024). Given their higher risk potential, investors should research mutual fund performance to maximize profits and minimize risks before investing.

To measure mutual fund performance holistically, including all factors affecting it, this study divides variables into two main groups: (1) investment manager ability and (2) mutual fund characteristics. This grouping draws from theoretical frameworks and investment industry practices, which show that mutual fund success depends not only on market conditions but also on management capacity and internal fund structure (Omri et al., 2019; Zouaoui, 2019). One benchmark is the Treynor-Mazuy model, adapted with specific variables. The Treynor-Mazuy model is a common tool for Indonesian investors to analyze mutual fund performance. Zouaoui (2019) identifies two key investment manager skills: stock selection and market timing ability. Stock selection skill refers to the manager's ability to build the optimal portfolio and predict price fluctuations for specific stocks (Omri et al., 2019). Market timing ability, meanwhile, involves expertise in stock allocation under varying market conditions (Rao et al., 2017).

In addition to manager ability, this study examines mutual fund performance through characteristics such as expense ratio, fund age, and fund size. The expense ratio compares one-year operating expenses to average net asset value; higher ratios may correlate with better performance (Deb, 2019). Fund age measures years since inception, providing investors insight into long-term performance and track record (Amman et al., 2019). Fund size, based on total net asset value, offers flexibility, bargaining power, and economies of scale that influence performance (Wardana, 2023).

A number of previous studies have examined investment managers' skills and mutual fund characteristics on performance, but results remain mixed and inconsistent. Setiawan et al. (2019) and Kurniawan et al. (2016) found market timing significant but stock selection insignificant. Conversely, Julendra et al. (2023) and Ariswati et al. (2021) showed stock selection as more influential, especially during crises. Kharisma and Isdaryadi (2017) found most managers lacking adequate market timing. Similar inconsistencies appear in expense ratio, fund age, and fund size effects. Deb (2019) and Annuru et al. (2020) reported negative expense ratio impacts, while Rahman and Qoyum (2022) and Nguyen et al. (2018) found no consistent relationship. Although Amman et al. (2019) suggest fund age and size enhance stability, local studies like Satrio Pekerti and Mawardi (2022) and Ulayya (2019) indicate insignificant effects depending on the evaluation method.

Despite extensive global research on mutual fund performance, significant gaps remain in understanding determinants of Islamic equity fund performance in emerging markets like Indonesia. First, most studies compare Sharia and conventional funds or analyze mutual funds generally, without isolating Islamic equity dynamics. Second, findings contradict on whether manager skills or fund characteristics dominate, especially in Indonesia's Islamic finance context. Third, little attention examines interactions between manager abilities (stock selection, market timing) and fund characteristics (expense ratio, age, size) in *sharia*-compliant investments. Fourth, the COVID-19 period (2020–2021) offers a natural experiment across market conditions—pre-crisis stability, crisis volatility, and early recovery—but few studies analyze Indonesian Islamic mutual funds over this full cycle. This study addresses these gaps with a comprehensive analysis of Indonesian Islamic equity mutual funds from 2018–2022, using the Treynor-Mazuy model for manager skills and fund characteristics. By focusing on this market across economic phases, it provides novel evidence on performance drivers in the world's largest Muslim-majority country with the fastest-growing Islamic finance sector. The findings offer theoretical insights for Islamic finance literature and practical guidance for managers, policymakers, and investors in *sharia*-compliant equity.

METHOD

This study employed quantitative statistical analysis. Empirical data and panel data regression analysis tested the influence of various variables on Sharia Stock Mutual Fund performance. Secondary data were obtained from prospectuses and annual reports of each mutual fund, the Central Bank of Indonesia (BI), the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK), and Bareksa's official website. Data analysis used Eviews 12 software.

The population comprised Sharia 'tock Mutual Funds registered with OJK from 2018–2022. The sample was selected via purposive sampling based on these criteria: funds active

throughout 2018–2022 and publishing complete data for all variables. Thus, the final sample included 13 Sharia Stock Mutual Funds.

Table 1. Sample Description

No	Information	Total
1	Sharia Stock Mutual Funds have been active from 2018-2022	13
2	Sharia Stock Mutual Funds that publish complete data on each variable during 2018-2022	13
3	Total samples (13 x 5)	65
4	Number of samples that meet the criteria	65

Variable Operational Definition
Mutual Fund Performance
The performance of Sharia Stock Mutual Funds is seen from the return or rate of return provided by a mutual fund for investors which can be calculated using the Sharpe ratio with the formula:

Sharpe Ratio $= \frac{Rp-Rf}{\sigma p}$

Information:
Rp = Return Portfolio
Rf = Return risk-free
σp = Standard deviation

Stock Selection Skill dan Market Timing Ability
Stock selection skill is the ability of investment managers to select investments in sharia stocks that will be included or removed from the mutual fund portfolio. Meanwhile, market timing ability is the ability of investment managers to choose the right investment time to buy or sell certain sharia stocks to form a mutual fund portfolio. One method to measure the ability of an investment manager is the Treynor-Mazuy ratio with the formula:

$$Rp - Rf = \alpha + \beta(Rm - Rf) + \gamma (Rm - Rf)^2 + \varepsilon$$

Information:
Rp = Return portfolio
Rf = Return risk-free
Rm = Return to Pass
α = Intercept which is an indication of the stock selection skills of the investment manager
β = Regression coefficient excess market return
γ = Intercept which is an indication of the market timing ability of the investment manager
ε = Error standard

Expense Ratio
Expense ratio is a ratio that serves as an indicator of how much investment value an investment manager spends in managing his funds, calculated using a formula:

$$Expense\ Ratio = \frac{Tet/NAV}{N}$$

Tet = Total Operating Costs in the Period t
NAV = Net Asset Value
N = Period

Fund Age

Fund age is the age of a mutual fund which indicates when a mutual fund starts trading, calculated using the formula:

$$Fund\ Age = Rep - Id$$

Information:
Rep = Research Period
Id = Date Mutual Funds Start Trading

Fund Size

Fund Size is the amount of assets assessed based on the net asset value of Sharia Equity Mutual Funds, calculated using the formula:

$$Fund\ Size = Ln(NAV)$$

Information:
Ln = Logarithm Natural
NAV = Net Asset Value

Research Model

The models developed in this study are as follows:

$$Y_{(Sharpe)} = c + \beta_1 X_1(SSS) + \beta_1 X_2(MTA) + \beta_1 X_3(ER) + \beta_1 X_4(AGE) + \beta_1 X_5(SIZE) + \varepsilon$$

Information:

Y = Mutual Fund Performance
c = Constant
$\beta_1, \beta_2, …, \beta_n$ = Regression Coefficients
$X_1(SSS)$ = *Stock Selection Skill*
$X_2(MTA)$ = *Market Timing Ability*
$X_3(ER)$ = *Expense Ratio*
$X_4(AGE)$ = *Fund Age*
$X_5(SIZE)$ = *Fund Size*
ε = *standard error*

Data Analysis Techniques

First, the researcher needs to determine the best panel data regression model estimate. Panel data regression is a regression technique that utilizes a combination of time series and cross-sectional data in a panel or dataset (Basuki & Prawoto, 2016) The panel regression process involves several stages to get the best model estimate. Panel data model estimation can be done through three approaches, namely the common effect model, fixed effect model, and random effect model. The models are assessed using tests such as the Chow Test, Hausman Test, and Lagrange Multiplier Test to determine the optimal model for panel data regression.

Next, the researcher conducted multiple regression analysis. Based on these results, researchers can produce regression equations, F test results, T-test results, and R-squared results. Multiple regression aims to measure the strength of the influence of independent variables on bound variables and show the direction of the relationship between them. The results of the regression analysis are the regression coefficients for each independent variable. According to Winarno (2017), the T statistical test is used to determine whether an independent variable has an effect on the dependent variable, with a significance level of $\alpha = 0.10$. If the

significance level (t) is greater than 0.10 then the null hypothesis (H0) is accepted; if the significance level (t) is less than 0.10 then the null hypothesis (H0) is rejected (H1) is accepted.

In addition, according to Winarno (2017), the determination coefficient (R2) states the contribution of the free variable regression model to the estimation of the value of bound variables. The higher the coefficient of determination, the higher the ability of the variation of the free variable to explain the variation of the change of the bound variable. The value of the determination coefficient ranges from 0 to close to 1.

RESULTS AND DISCUSSION
Descriptive Analysis

Table 2. Descriptive Statistical Results

	Mean	Max.	Min.	Median	Std. Dev.	N
SR	-0.221	0.517	-1.205	-0.245	0.369	65
SSS	-0.008	0.726	-0.530	-0.010	0.121	65
MTA	-33.312	145.692	-144.900	-3.907	194.839	65
ER	0.041	0.114	0.017	0.039	0.016	65
AGE	10.615	16.000	5.000	11.000	2.919	65
SIZE	25.056	27.473	20.885	25.113	1.442	65

Descriptive statistics display descriptions of the variables used in the study. Based on table 2, the panel data statistics from the entire research sample amounted to 65 observations consisting of 13 investment managers over a period of 5 years. It can be concluded that the performance of Sharia Stock Mutual Funds in Indonesia during the 2018-2022 observation period is classified as poor, where the Sharpe ratio value obtained a mean of -0.221, the negative value in the results of the Sharpe ratio calculation indicates that the risk level is greater than the return produced so that investors will be more interested in investing in risk-free assets.

Panel Data Analysis
Model Selection Identification
Chow Test (CEM vs FEM)

Table 3. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.362331	(12,47)	0.0180
Cross-section Chi-square	30.678009	12	0.0022

This test is used to see which model is the best, whether CEM or FEM, if the prob* value is > 0.05, then CEM is selected, and vice versa. If you look at the test results, it shows a prob* value with 0.0022 < 0.05, which is less than 0.05, which means that FEM is more appropriate.

Hausman Test (FEM vs REM)

Table 4. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.102034	5	0.1051

This test is used to see which model is the best whether FEM or REM, if the prob* value is > 0.05, then REM is selected, and vice versa. If you look at the test results, it shows a

prob* value with 0.1051 > 0.05, which is more than 0.05, which means that REM is more appropriate.

Lagrange Multiplier Test (REM vs CEM)

Table 5. Lagrange Multiplier Test Results

Test Hypothesis	Cross-section	Time	Both
Breusch-Pagan	2.123981	2.524973	4.664555
	(0.1435)	(0.1121)	(0.0308)

This test is used to see which model is the best whether REM or CEM, if the prob* value is > 0.05 then CEM is selected, and vice versa. If you look at the test results, it shows a prob* value with 0.0308 < 0.05, which is less than 0.05, which means that REM is more appropriate.

Based on the results of the Chow Test, Hausman Test and Lagrange Multiplier Test, the best model used in this study is the Random Effect Model (REM) model.

Multicollinearity Test

Table 6. Multicollinearity Test Results

	SSS	MTA	ER	AGE	SIZE
SSS	1.000000	-0.057129	-0.001414	0.123199	0.024664
MTA	-0.057129	1.000000	0.096220	0.113410	0.111559
ER	-0.001414	0.096220	1.000000	0.178663	0.011002
AGE	0.123199	0.113410	0.178663	1.000000	-0.022047
SIZE	0.024664	0.111559	0.011002	-0.022047	1.000000

The correlation coefficient between independent variables can be used as one of the initial indicators to detect the potential for multicollinearity. Referring to Gujarati (2009), if the value of the correlation coefficient between independent variables is less than 0.8 (< 0.8), then the relationship between these variables does not indicate the existence of multicolony. Based on the test findings, the value of the correlation coefficient is below 0.8, thus it can be concluded that in this regression model there is no indication of multicollinearity problems.

Heterokedasticity Test

Table 7. Heterokedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.245691	0.534675	0.459515	0.6476
SSS	0.299293	0.231011	1.295578	0.2002
MTA	6.83E-05	0.000145	0.472690	0.6382
ER	-0.280426	1.833993	-0.152905	0.8790
AGE	-0.005628	0.010351	-0.543756	0.5887
SIZE	0.002975	0.020465	0.145348	0.8849

This test is used to see the difference in residual values in the regression model, namely whether the error value *is* evenly distributed or not throughout the data. The white test is used in determining the findings of this test. The regression finding will be homokedastic when the probability value is > 0.05. Based on the test findings, the prob * > 0.05 so that there is no heteroscedastic in the data or homokedastic data.

Autocorrelation Test

Table 8. Autocorrelation Test Results

Root MSE	0.294265	R-squared	0.242791
Mean dependent var	-0.153389	Adjusted R-squared	0.178621
S.D. dependent var	0.340798	S.E. of regression	0.308865
Sum squared resid	5.628455	F-statistic	3.783550
Durbin-Watson stat	1.762662	Prob(F-statistic)	0.004870

The basic clues to decision making by looking at the Durbin-Watson table according to Ghozali (2005) are as follows: a) DW numbers below -2 have autocorrelation, b) DW numbers -2 to +2 have no autocorrelation, c) DW numbers above +2 have autocorrelations. Based on the test findings, the DW value at the output can be said to be non-autocorrelated, because the -2 < 1,7626 < +2.

Multiple Linear Regression Analysis

Table 9. Multiple Linear Regression Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1,205202	0,893755	-1,348470	0,1827
SSS	1,198092	0,326913	3,664868	0,0005[*)]
MTA	-8,29E-05	0,000204	-0,406092	0,6861
ER	4,618469	2,683928	1,720787	0,0905
AGE	0,020503	0,017038	1,203370	0,2336
SIZE	0,023386	0,033819	0,691491	0,4920

The multiple linear regression equations that can be formulated in this study are as follows:

$$Y_{(Sharpe)} = -1,205 + 1,19\ SSS - 8,29\ MTA + 4,61\ ER + 0,02\ AGE + 0,02\ SIZE\ \varepsilon$$

Adjusted (R^2) Square

Table 10. Adjusted (R2) Square Results

R Squared	0.242791
Adjusted R-Squared	0.178621

According to Ghozali (2016), the determination coefficient test was carried out to measure how much the influence of independent variables simultaneously affected the dependent variables which can be seen through the adjusted (R^2) Squared value. Based on the value of the determination coefficient obtained was 0.178621. This shows that the contribution of independent variables in explaining dependent variables is 17.8%. Hence, 82.2% is explained by other factors outside the model.

T Test

Table 11. T Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1,205202	0,893755	-1,348470	0,1827
SSS	1,198092	0,326913	3,664868	0,0005[*)]
MTA	-8,29E-05	0,000204	-0,406092	0,6861
ER	4,618469	2,683928	1,720787	0,0905[*)]
AGE	0,020503	0,017038	1,203370	0,2336

SIZE	0,023386	0,033819	0,691491	0,4920

Source: Data Processed

The T test was carried out to test the research hypothesis regarding the influence of each partially independent variable on the dependent variable (Ghozali, 2016). An independent variable is considered significant if the probability value is ≤ 0.10. Based on the table of t-test results, there are one or two significant variables with a probability value of < 0.10, these variables are stock selection skill and expense ratio.

The regression analysis of panel data in this study aims to determine the influence of stock selection skills, market timing ability, expense ratio, fund age and fund size partially on the performance of Sharia Equity Mutual Funds in Indonesia.

The Effect of Stock Selection Skill on the Performance of Sharia Stock Mutual Funds in Indonesia

The hypothesis that the stock selection skill has a positive influence on the performance of Sharia Stock Mutual Funds is acceptable. This research is consistent with research conducted by Omri et al., (2019) and Zouaoui (2019), which shows that the performance of Sharia Stock Mutual Funds is influenced by stock selection skills, the capacity of investment managers to choose the right portfolio. In addition, this study corroborates research conducted by Ferson & Mo (2016) regarding the significant influence of stock selection skills on equity fund performance. This study also confirms research conducted by Mohammad & Ashraf (2015), Mustofa & Kusumawardani (2016), Putri et al., (2016) and Sari et al., (2019), which revealed that stock selection skills have an effect on the performance of Sharia Stock Mutual Funds, measured by the Treynor-Mazuy ratio. Therefore, it can be concluded that the higher the ability of investment managers to choose their portfolio stocks, the better the returns obtained (Tan, 2015). Overall, these results show that the stock selection skill variable has a positive influence on the performance of Sharia Stock Mutual Funds.

The Effect of Market Timing Ability on the Performance of Sharia Stock Mutual Funds in Indonesia

The second result shows that market timing ability has no influence on the performance of Sharia Stock Mutual Funds. Therefore, the hypothesis that proposes that market timing ability has a positive influence on the performance of Sharia Stock Funds is rejected. This study is consistent with the study conducted by Ahsraf (2013) and Zouaoui (2019), which examined the effect of market timing ability on the performance of Sharia Equity Mutual Funds using the Treynor-Mazuy model. However, the findings of this study contradict previous studies conducted by Mansor et al., (2015), Merti et al., (2017) which showed that market timing ability has a positive and significant influence on the performance of Islamic Equity Funds. Furthermore, these findings are consistent with research conducted by Gusni et al., (2018) and Juniar & Rachmah (2018), that market timing ability does not have a significant effect on the performance of Sharia Stock Mutual Funds in Indonesia. According to Prabowo (2018) stated that market timing ability does not affect the performance of Sharia Stock Mutual Funds because predicting fluctuating prices is not easy. An investment manager must consider other variables that are more influential on the performance of the stock mutual fund. This

irrelevance of the investment manager's market timing ability can be attributed to the fact that investors are less sensitive to market performance and investment managers' selection skills with a long-term perspective (Ashraf, 2013).

The Effect of Expense Ratio on the Pe'formance of Sharia Stock Mutual Funds in Indonesia

The test results on the expense ratio variable show that the proposed hypothesis is accepted, meaning that the expense ratio affects the performance of Sharia Equity Mutual Funds. According to Satrio & Mahfud (2016) with uncertain market conditions, namely the market is either efficient or inefficient to be able to obtain information from the market, an investment manager needs a lot of money, this is because to obtain a superior investment portfolio requires high costs. Active mutual funds tend to require more operational costs compared to passively managed mutual funds (Harjono et al.: 2017). Mutual funds that spend more will get a greater return than just covering the increase in costs incurred so that they show better performance. The results of this study support research conducted by (Nguyen et al., 2018), (Asmoro & Syaichu, 2022) and (Satrio & Mahfud, 2016) which states that the Expense Ratio has a significant positive influence on mutual fund performance.

The Effect of Fund Age on the Performance of Sharia Stock Mutual Funds in Indonesia

This study also shows that fund age has no effect on the performance of Sharia Stock Mutual Funds. The results of this research are in line with research conducted by Christiandi & Colline (2021) which proves that the lifespan of stock mutual funds does not affect the performance of stock mutual funds. This is because the age of mutual funds cannot determine the right and good investment strategy that can be used by investment managers. The fund age of a sharia stock mutual fund that has a long or short term does not have an effect on the performance level of the Sharia Stock Mutual Fund (Nur, 2025). So it can indicate that investors are not affected by the age of mutual funds when choosing investment products. In contrast to research conducted by Fitriani et al. (2022), and Hermawan & Wiagustini (2016), it proves that fund age has a positive and significant influence on the performance of stock mutual funds. While the lifespan of mutual funds has significance, it does not imply that stock mutual funds with longer lifespans will consistently outperform newer stock mutual funds. Therefore, past performance by Sharia Stock Mutual Fund investment managers does not guarantee future results. As a result, the hypothesis that fund age has a positive influence on the performance of Sharia Stock Mutual Funds is rejected.

The Effect of Fund Size on the Performance of Sharia Stock Mutual Funds in Indonesia

Another finding from this study shows that fund size has no influence on the performance of Sharia Stock Mutual Funds. These results are consistent with research conducted by Hermawan & Wiagustini (2016), Phillipps, et al., (2018), Gusni et al. (2018), Nursyabani and Mahmud (2016), Firdaus and Santoso (2018), Simu (2019), and Junaeni (2022) which stated that fund size does not have a direct effect on the performance of stock mutual funds. This shows that the size of stock mutual funds has no effect on the success of investment managers in managing stock mutual funds. The size or size of a mutual fund measured based on the amount of net asset value only follows how the issuing company is able to implement an

optimal asset allocation strategy or in other words how the performance of the equity mutual fund issuing company (Wafiyudin et al., 2020). Because of this, the size of stock mutual funds cannot be used as a reference for investors in considering stock mutual funds. Therefore, the hypothesis that the fund size has a positive and significant influence on the performance of Sharia Stock Mutual Funds is rejected. On the other hand, the research is different from Dwiprakarsa & Dharmastuti (2016), Asriwahyuni (2017), Pratama and Wirama (2018) stating that fund size has a positive and significant impact on the performance of stock mutual funds.

CONCLUSION

This study concludes that the performance of Sharia equity mutual funds in Indonesia during 2018–2022 is significantly influenced by investment managers' stock selection skills and the funds' expense ratios, while market timing ability, fund age, and fund size do not show statistically significant effects. The positive impact of stock selection underscores the importance of portfolio construction expertise in enhancing returns, whereas the positive relationship with expense ratios suggests that higher operational costs linked to active management may contribute to better performance. The model explains 17.8% of performance variation, indicating that a substantial portion is driven by external factors beyond the variables examined. Future research should expand the analysis by incorporating daily data for more granular insights, extending the investigation to other types of Sharia mutual funds such as bond or money market funds, and integrating additional variables—such as macroeconomic indicators, governance factors, or investor sentiment—to provide a more comprehensive understanding of the determinants of Sharia fund performance in emerging markets.

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