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The Effect of Investment Portfolio on Investment Returns in Islamic Insurance Companies

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ABSTRACT

The importance of investment portfolios in Islamic insurance companies is fundamental to obtaining optimal returns. A well-diversified portfolio can help companies manage their risks and optimize their returns. By opting for appropriate investment instruments, the company can enhance liquidity, stability, and asset growth, which in turn will provide greater benefits to insurance participants. This study focuses on investment portfolio variables, given the important role of investment in Islamic insurance companies. Therefore, this study aims to determine the effect of deposit variables, Islamic stocks, corporate sukuk, State Sharia Securities (SBSN), Islamic mutual funds, direct investment, and other investments on the investment returns of Islamic insurance companies. This study uses a quantitative research approach; it uses the type of data, which is secondary data obtained from the Financial Services Authority (OJK), starting from January 2014-December 2022. The method of analysis used in this research is multiple linear regression analysis. The results showed that the variable deposits, Sharia stocks, corporate sukuk, Sharia mutual funds, direct participation, and other investments had a significant effect, while the SBSN variable was not significant.

ABSTRAK

Peran portofolio investasi dalam perusahaan asuransi syariah sangat krusial dalam mencapai hasil yang optimal. Portofolio yang terdiversifikasi dengan baik dapat membantu perusahaan mengelola risiko dan memaksimalkan imbal hasil. Dengan memilih instrumen investasi yang sesuai, perusahaan dapat meningkatkan likuiditas, stabilitas, dan pertumbuhan aset, yang pada gilirannya akan memberikan manfaat lebih besar bagi peserta asuransi. Penelitian ini berfokus pada variable-variabel portofolio investasi, mengingat krusialnya peran investasi pada perusahaan asuransi Syariah. Maka dari itu penelitian ini bertujuan untuk mengetahui pengaruh variable deposito, saham syariah, sukuk korporasi, Surat Berharga Syariah Negara (SBSN), reksa dana syariah, penyertaan langsung dan investasi lain terhadap hasil investasi perusahaan asuransi Syariah. Penelitian ini menggunakan pendekatan penelitian kuantitatif, dengan menggunakan jenis data yaitu data sekunder yang didapatkan dari Otoritas Jasa Keuangan (OJK), mulai dari bulan Januari 2014-Desember 2022. Teknik analisis yang digunakan dalam penelitian ini menggunakan analisis regresi linier berganda. Hasil penelitian menunjukan variable deposito, saham Syariah, sukuk korporasi, reksadana Syariah, penyertaan langsung dan investasi lain berpengaruh signifikan, sedangkan variable SBSN tidak berpengaruh signifikan.

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INTRODUCTION

The Islamic insurance industry in Indonesia has experienced significant growth in recent years. This is driven by increasing public awareness of the importance of financial protection in accordance with sharia principles. One of the important aspects in the management of Islamic insurance companies is investment management. Investment is one of the principal sources of income for Islamic insurance companies, apart from the premiums paid by customers (Al-Amri & Hossain, 2017; Kwon, 2007; Maysami & Kwon, 1999).

Islamic insurance businesses have to do more than just offer protection in the face of shifting global market dynamics and a wider range of community demands. They also need to help promote sustainable economic growth. Investing in Islamic insurance firms plays a crucial strategic role as it offers financial gains while adhering to sharia values that prioritize social responsibility, fairness, and transparency (Izaty et al., 2024; Talib et al., 2024). Investment is significant to the company's revenue, making it relevant in the context of Islamic insurance. Investment income has the potential to reduce operating expenses, fortify risk buffers, and boost surpluses that can be shared with participants under the theory of profit sharing (Juniyanto & Sari, 2022; Pratiwi & Nofiyasari, 2023; Talib et al., 2024).

Islamic insurance companies operate with different principles compared to conventional insurance. In this regard, investments made shall be in accordance with sharia provisions, which require the company to avoid instruments that contain elements of usury, gharar (uncertainty), and maysir (gambling) (Juniyanto & Sari, 2022; Pratiwi & Nofiyasari, 2023). It is hence important for Islamic insurance companies to establish an investment portfolio that is not only financially gainful but also ethical and in compliance with sharia values. This has limited the scope of investment but also encouraged companies to look for more stable and ethical investment instruments, such as sukuk, Islamic stocks, and property (Naeem et al., 2023; Yunus et al., 2024a). The significance of investment in Islamic insurance is also expressed in regulations that encourage the secured and productive management of funds to ensure that the company can comply with its obligations to participants.

The role of investment portfolios in Islamic insurance companies is critical in achieving optimal results. A well-diversified portfolio can help companies manage risk and maximize returns. By opting for appropriate investment instruments, the company can improve liquidity, stability, and asset growth, which in turn will provide greater benefits for insurance holders (Crockett, 1996; Diamond & Kashyap, 2016; Sahay et al., 2015). Investment diversification in a number of Islamic assets, such as sukuk, Islamic stocks, property, and Islamic deposits, can alleviate the total risks faced by the company, including market risk, credit risk, and liquidity risk (Al Rahahleh et al., 2019; Alim & Ali, 2021; Iqbal, 2007). In addition, a well-managed investment portfolio can also enhance public confidence in Islamic insurance companies, which in turn will stimulate the growth of the industry as a whole.

The role of the investment portfolio in Islamic insurance is to assure the allocation of assets in line with the company's risk profile and investment goals. By managing a balanced portfolio, Islamic insurance companies can optimize investment returns, which will have an impact on increasing policy values and profit-sharing dividends for shareholders (A. Khan, 2016; H. Khan, 2019). An appropriate asset allocation is not only crucial for the stability of the company but also for it to fulfill participants' exposure to returns on their invested funds.

Investment portfolio optimization involves an in-depth analysis of various Islamic investment instruments, market conditions, and macroeconomic outlook. This strategy shall also consider existing regulations, including those from relevant authorities, such as the Financial Services Authority (OJK) in Indonesia, which govern the permitted types of investments and their constraints. This engagement ensures that Islamic insurance companies are not merely lawful but are also able to deliver competitive investment performance.

Under these circumstances, modern portfolio theories may be applicable to determine the most efficient combination of assets for Islamic insurance companies, albeit constrained by Shariah criteria. For example, Markowitz's Efficient Frontier can be applied to find the optimal portfolio that can maximize returns for a certain degree of risk (Agarwal & Muppalaneni, 2022; Chaweewanchon & Chaysiri, 2022; Chen et al., 2021). Thus, the importance of an investment portfolio is essential to supporting the company's long-term financial goals, stability of claim payments, and participant compliance.

Understandably, investment in Islamic insurance companies and managing their portfolios effectively is crucial to achieving long-term goals, both for the company itself and for the broader community (Kamso, 2013; Sabirzyanov & Hashim, 2015; Zain et al., 2022). This generates a synergy between financial gain and social contribution, which is at the core of the Shariah principles of doing business (Adnan Khurshid et al., 2014; Alsaadi et al., 2017; Salma Sairally, 2013; Yunus et al., 2024b).

In the overall general insurance, sharia life insurance, and sharia reinsurance, the largest investment portfolio is in the capital market with an average of 80%, while 17% is in the form of deposits and the remaining less than 2% is in other forms of investment. This research emphasizes investment portfolio variables regarding the crucial role of investment in Sharia insurance companies. From that point, this study aims to determine the impact of deposit variables, Islamic stocks, sukuk, State Sharia Securities (SBSN), Islamic mutual funds, direct investment, and other investments on the investment returns of Islamic insurance companies.

RESEARCH METHOD

This study uses a quantitative research method. This is the positivization method because it follows positivism (Ghozali, 2016; Sugiyono, 2017). This study used secondary data. Secondary data is a source of research data obtained indirectly but through intermediary media (obtained or recorded by other parties). The sources of data needed in this study were obtained through documentation techniques obtained from the Financial Services Authority (OJK), starting from January 2014 to December 2022. The analysis method applied in this study uses multiple linear regression analysis.

Regression analysis is used to forecast. In this research model, the independent variable is investment returns, while the dependent variables are deposits, Islamic equities, sukuk, SBSN, Islamic mutual funds, direct participation, and other investments. This model of equations is stochastic. An equation model that has a confounding variable or error term in addition to independent and dependent variables is known as a stochastic equation model. The equation model that follows is this one:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 \, e$$

Where:
Y: Investment Return
X1: Time Deposit
X2: Sharia Stock
X3: Corporate Sukuk
X4: SBSN
X5: Sharia Mutual Fund
X6: Direct investment
X7: Other investment
β_0: Constanta
$\beta_{1234567}$: Coefficient of Regression
e: error

According to the Financial Services Authority report, both independent and dependent variables are assessed using the original nominal, which is expressed in millions of rupiah.

Classical Assumption Test

Traditional Assumption Exam This test is one of a series to make sure the regression model being used satisfies the requirements of BLUE (Best Linear Unbiased Estimator). The normality, heteroscedasticity, autocorrelation, and multicollinearity tests are the standard assumption tests that were employed in this investigation.

1. F-Test

To concurrently examine the impact of the independent factors and the dependent variable, the F test analysis was used. It may also be used to determine if the regression model's significant (excellent) or not. For a hypothesis test, the F statistical test is employed.

2. T-Test

Variables X1, X2, X3, X4, X5, X6, and X7 were examined for their partial effects on variable Y using the t test methodology; other independent variables were held constant.

3. Coefficient of Determination

The percentage of variable Y that can be explained by the independent variables X1, X2, X3, X4, X5, X6, and X7 is found using the coefficient of determination. The following is the formula for the coefficient of determination: R squared (correlation coefficient) = $r2$, where r is the correlation coefficient and R is the coefficient of determination.

RESULT AND DISCUSSION

RESULT AND DATA INTERPRETATION

1. Classical Assumption Test

a. Normality Test

The normality test aims to test whether the regression model for the dependent variable and independent variables is normally distributed or not. A good model is a model that has a normal data distribution. There are two ways to test data normality using eviews 12, namely by using a histogram and the Jarque-bera test. Jarque-bera is a statistical test to find out whether the data is normally distributed or not. According to (Fadhilla et al., 2023) detection by looking at Jarque-bera is asymptotic (large sample and based on residuals (Ordinary Least Square).

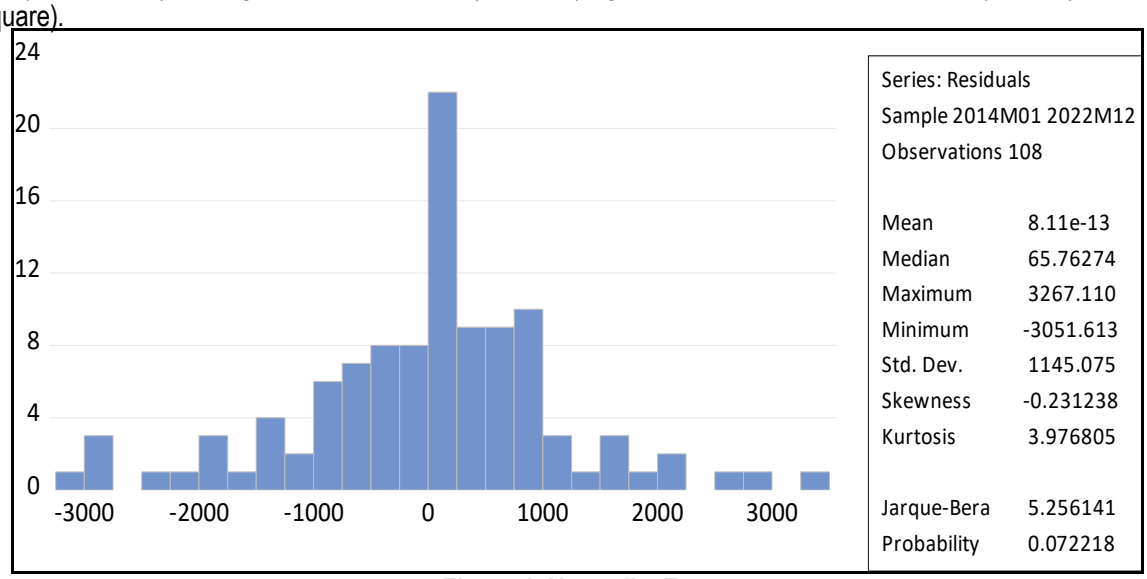

Figure 1. Normality Test

Figure 1 shows that the Jarque-bera probability value is 0.07 (> 0.05). It can be concluded that the data is normally distributed or (passes the normality test).

b. Multicollinearity Test

The multicollinearity test is used to determine whether the regression model found a correlation between independent variables. A good model is a model in which there is no correlation between the independent variables. Detection of the multicollinearity test can be seen from the Variance Inflation Factor (VIF) value. If the VIF value is <10, it can be concluded that there is no multicollinearity between the independent variables (Anita, 2022).

Table 1 Multicollinearity Test

Variance Inflation Factors
Date: 09/09/24 Time: 13:35
Sample: 2014M01 2022M12
Included observations: 107

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1983073.	159.9971	NA
X1	0.026501	129.8385	3.098102
X2	0.002377	25.19723	2.067917
D(X3)	0.615875	1.058638	1.031386
D(X4)	0.215678	1.203871	1.102766
X5	0.008737	25.64219	3.380180
X6	4.371794	1.780870	1.138841
X7	25.28444	12.23442	1.902972

If the Centered VIF value of the independent variable is <10, it can be concluded that the multicollinearity test assumptions have been met or passed the multicollinearity test.

c. Heteroscedasticity Test

This test was carried out using the Glejser test, namely regressing each independent variable with the absolute residual as the dependent variable. Residual is the difference between the observed value and the predicted value, while the absolute is the absolute value. The Glejser test is used for regression to regress the absolute value of the residual against the independent variable. If the results of the Glejser test confidence level are > 0.05 then there is no heteroscedasticity (Rosa et al., 2022).

Table 2 Heteroscedasticity Test

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	0.950878	Prob. F(7,99)	0.4714
Obs*R-squared	6.740809	Prob. Chi-Square(7)	0.4564
Scaled explained SS	7.502513	Prob. Chi-Square(7)	0.3785

Test Equation:
Dependent Variable: ARESID
Method: Least Squares
Date: 09/17/24 Time: 13:20
Sample: 2014M02 2022M12
Included observations: 107

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	977.3212	86.36872	11.31569	0.0000
D(X1)	-0.236776	0.353161	-0.670449	0.5041
D(X2)	-0.120411	0.143894	-0.836806	0.4047
D(X3)	-0.360278	0.569598	-0.632513	0.5285
D(X4)	-0.569242	0.324275	-1.755429	0.0823
D(X5)	0.299895	0.268416	1.117279	0.2666
D(X6)	1.047148	2.084528	0.502343	0.6165
D(X7)	3.791829	4.309041	0.879971	0.3810

R-squared	0.062998	Mean dependent var	930.1038
Adjusted R-squared	-0.003254	S.D. dependent var	823.5052
S.E. of regression	824.8442	Akaike info criterion	16.34009
Sum squared resid	67356421	Schwarz criterion	16.53993
Log likelihood	-866.1948	Hannan-Quinn criter.	16.42110
F-statistic	0.950878	Durbin-Watson stat	1.137595
Prob(F-statistic)	0.471402		

Table 2 shows that the Obs* R-squared probability value is 0.4564 (>0.05), so it can be concluded that the heteroscedasticity test assumptions have been met or the data has passed the heteroscedasticity test.

d. Autocorrelation Test

The autocorrelation test is a correlation test between one disturbance variable and another disturbance variable (Lestari et al., 2022). A good regression model is a regression that is free from autocorrelation. The test was carried out using the Breusch – Godfrey Serial Correlation LM Test with the condition that if the Obs*R-squared probability value is above 0.05 then it is concluded that there is no autocorrelation.

Table 3. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.051442	Prob. F(2,97)	0.9499
Obs*R-squared	0.113370	Prob. Chi-Square(2)	0.9449

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 09/09/24 Time: 13:11
Sample: 2014M02 2022M12
Included observations: 107
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.034797	69.22748	-0.014948	0.9881
D(X1)	-0.004907	0.283386	-0.017316	0.9862
D(X2)	0.009914	0.119687	0.082836	0.9342
D(X3)	0.021367	0.462065	0.046244	0.9632
D(X4)	-0.011029	0.261938	-0.042105	0.9665
D(X5)	0.018037	0.222314	0.081133	0.9355
D(X6)	-0.073498	1.694229	-0.043382	0.9655
D(X7)	-0.031109	3.487388	-0.008920	0.9929
RESID(-1)	-0.014717	0.103748	-0.141853	0.8875
RESID(-2)	-0.033202	0.113020	-0.293769	0.7696

R-squared	0.001060	Mean dependent var	-3.44E-14
Adjusted R-squared	-0.091626	S.D. dependent var	632.0584
S.E. of regression	660.3802	Akaike info criterion	15.91231
Sum squared resid	42301895	Schwarz criterion	16.16210
Log likelihood	-841.3084	Hannan-Quinn criter.	16.01357
F-statistic	0.011431	Durbin-Watson stat	1.989031
Prob(F-statistic)	1.000000		

Table 3 explains that the Prob. Chi-Square probability value is 0.9449 (> 0.05), so it can be concluded that the autocorrelation test assumptions have been met or have passed the autocorrelation test.

2. Hypothesis Test

a. Partial test (T-Test)

Table 4. Value of T. Test Results

VARIABLE X	PROBABILITY
X1 (Time Deposit)	0.0034
X2 (Sharia Stock)	0.0115
X3 (Corporate Sukuk)	0.0119
X4 (SBSN)	0.6553
X5 (Sharia Mutual Fund)	0.0000
X6 (Direct investment)	0.0007
X7 (Other Investment)	0.0656

Referring to the data in table 4 can be described as follows:

1. Based on the data processing carried out, the probability of the Time Deposit variable is 0.0034 This value means that individually the Time Deposit variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Time Deposit variable is 0.000 < (10% / 0.1).

2. Based on the data processing carried out, the probability of the Sharia Stock variable is 0.0115 This value means that individually the Sharia Stock variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Sharia Stock variable is 0.0115 < (10% / 0.1).
3. Based on the data processing carried out, the probability of the Corporate sukuk variable is 0.0119 This value means that individually the Corporate Sukuk variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Corporate Sukuk variable is 0.0119 < (10% / 0.1).
4. Based on the data processing carried out, the probability of the SBSN variable is 0.6553 This value means that individually the SBSN variable as the independent variable (X) not affects the Investment Return variable as the dependent variable (Y) because the probability value of the SBSN variable is 0.6553 > (10% / 0.1).
5. Based on the data processing carried out, the probability of the Sharia Mutual Fund variable is 0.0115 This value means that individually the Sharia Mutual Fund variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Sharia Mutual Fund variable is 0.0000 < (10% / 0.1).
6. Based on the data processing carried out, the probability of the Direct investment variable is 0.0115 This value means that individually the Direct investment variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Direct investment variable is 0.0007 < (10% / 0.1).
7. Based on the data processing carried out, the probability of the Other Investment variable is 0.0115 This value means that individually the Other Investment variable as the independent variable (X) affects the Investment Return variable as the dependent variable (Y) because the probability value of the Other Investment variable is 0.0656 < (10% / 0.1).

b. Simultaneous Test (F-Test)

The simultaneous test in this research is to see whether the independent variables together have a significant effect on the dependent variable. It is known that the value (F-statistic) is 8.430573 with the value Prob. (F-statistic) is 0.000000 (<0.05) so it can be concluded that the independent variables (X) Deposito Syariah (X1), Saham Syariah (X2), Sukuk Koorporasi (X3), SBSN (X4), Reksa Dana Syariah (X5), Penyertaan Langsung (X6) and Direct Investment (X7) have an influence simultaneously significant (at the same time) on the dependent variable (Y) Investment Return.

c. Determination Test (R^2)

Table 5. Test Results (Coefficient of Determination)

Description	Coefficient Value
R-Squared	37.3% or 0.3734
Adjusted R-Squared	0.3291

The data processing results carried out in this study resulted in an R-Squared value of 0.373473 This value means that the variable nominal value of Time Deposit, Sharia Stock, Corporation Sukuk, SBSN, Sharia Mutual Fund, Direct Investment and Other Investment can explain the Investment Return variable as the dependent variable (Y) of 37.3%. Other variables outside the model explain the remaining 62.3%.

Table 6 Multiple Linear Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4744.709	1408.216	3.369304	0.0011
X1	0.487959	0.162792	-2.997435	0.0034
X2	0.125489	0.048757	2.573773	0.0115
D(X3)	2.010886	0.784777	2.562367	0.0119
D(X4)	0.207929	0.464412	0.447727	0.6553

X5	0.427567	0.093474	-4.574181	0.0000
X6	-7.286149	2.090883	-3.484723	0.0007
X7	9.363061	5.028364	1.862049	0.0656

R-squared	0.373473	Mean dependent var	381.5941
Adjusted R-squared	0.329173	S.D. dependent var	1406.048
S.E. of regression	1151.609	Akaike info criterion	17.00753
Sum squared resid	1.31E+08	Schwarz criterion	17.20737
Log likelihood	-901.9030	Hannan-Quinn criter.	17.08854
F-statistic	8.430573	Durbin-Watson stat	0.500219
Prob(F-statistic)	0.000000		

Based on the results of Table 6, the following linear regression is obtained:

Y = 4744.708753 0.487958849713*X1 + 0.125488890674*X2 + 2.01088584517*D(X3) + 0.207929494392*D(X4) - 0.427566849404*X5 7.28614905062*X6 + 9.3630609543*X7.

Constants are variables whose data values are fixed and cannot be changed. In this model, the constant value is 4744.709, meaning that if time deposit, sharia stock, corporate sukuk, SBSN, sharia mutual fund, direct ivesment, and other investment variable is 0 then investment Return are 4744.709.

The equation of the multiple Linier reggresion model above is described as follows:

1. **Time Deposit Regression Coefficient**

The regression coefficient value of time deposit (β1) is 0.487959, meaning that for every one million rupiah increase in time deposit, the Investment Return rate will decrease by 0.487959%.

2. **Sharia Stock Regression Coefficient**

Sharia Stock regression coefficient value (β2) is 0.125489, meaning that for every one million rupiah increase in Sharia Stock, the Investment Return rate will increase by 0.125489%.

3. **Corporate Sukuk Regression Coefficient**

Corporate Sukuk regression coefficient value (β3) is 2.010886, meaning that for every one million rupiah increase in Corporate Sukuk, the Investment Return rate will increase by 2.010886%.

4. **SBSN Regression Coefficient**

SBSN coefficient value (β4) is 0.207929, meaning that an increase of one million rupiahs in the SBSN will increase the Investment Rate rate by 0.207929%.

5. **Sharia Mutual Fund Regression Coefficient**

Sharia Mutual Fund regression coefficient value (β5) is 0.427567, meaning that for every one million rupiah increase in Sharia Mutual Fund, the Investment Return rate will increase by 0.427567%.

6. **Direct Investment Regression Coefficient**

Direct Investment regression coefficient value (β6) is -7.286149, meaning that for every one million rupiah increase in direct investment, the Investment Return rate will decrease by -7.286149%.

7. **Other Investment Regression Coefficient**

Other Investment regression coefficient value (β7) is 9.363061, meaning that for every one million rupiah increase in Other Investment, the Investment Return rate will increase by 9.363061%.

DISCUSSION

Theoretically, the investment results of Islamic insurance companies are influenced by various investment instruments used, such as Sharia deposits, Sharia stocks, Sharia corporate sukuk, SBSN, Sharia Mutual Funds, direct participation, and other investments in accordance with sharia principles. For each investment instrument, there are different risk and return characteristics that affect the entire performance of the Islamic insurance company's investment portfolio. The following is an explanation of the impact of each investment instrument on the investment returns of Islamic insurance companies

Islamic time deposits are investment instruments that offer low risk and steady returns. This instrument is based on a mudharabah, or profit-sharing contract, between the customer and the Islamic bank. Even though

Islamic deposits offer a lower rate of return compared to other instruments such as stocks or investments, they provide stability to the investment portfolio. Islamic time deposits are appropriate for Islamic insurance issues that prioritize fund safety and high liquidity. Sharia time deposits are commonly employed as liquid assets and buffers in investment portfolios, alleviating the risk of a sharp decrease in investment returns when high-risk assets, such as Islamic stocks, experience volatility. This is in line with the results of this study, which show that the Islamic deposit variable has a significant positive effect on investment returns.

Islamic stocks are an equity shareholding in a company that is operated in a sharia-compliant manner. Islamic stocks have high volatility and potential returns but also come with a higher risk than deposits or sukuk. Islamic stocks have potentially higher returns through dividends and stock price appreciation. In Islamic insurance portfolios, Islamic stocks work to enhance potential returns, despite the higher risk that necessitates careful diversification. Islamic stocks have a positive correlation with economic growth but are sensitive to market volatility. Therefore, Islamic stocks can reinforce the company's investment returns when the market is growing but have the potential to diminish returns if the market is declining. This is in line with the results of this study, which show that the Islamic stock variable has a significant positive effect on investment returns.

Islamic securities known as corporate sukuk can be issued by businesses to raise money through a variety of contracts, including ijarah, mudharabah, and musyarakah. Sukuk offers a set return or profit sharing based on the terms of the agreement. Higher than Islamic savings but more stable than equities is the return on corporate sukuk. Because sukuk are backed by an underlying project or asset, they also offer more security. Corporate sukuk, which are more safe than equities and provide a consistent income stream, can increase investment returns while still outperforming low-risk options like Sharia deposits. This is consistent with the study's findings, which demonstrate that the corporate Sukuk variable significantly raises investment returns.

State Sharia Securities (SBSN) or sovereign sukuk are bond instruments that governments use to finance sharia-compliant projects. SBSN is considered very safe because it is government-guaranteed with fixed returns or profit sharing. SBSN offers a steady and secured rate of return, and this makes it an ideal option for Islamic insurance companies that are looking for an instrument with low risk and higher returns than deposits. SBSN's functional role as a conservative instrument in the portfolio ensures a steady income with minimal risk, which is important to maintain financial stability in insurance companies. Meanwhile, this study shows that the SBSN variable has no effect on investment returns.

Sharia Mutual Funds are a group of funds managed by investment managers that are invested in various instruments that comply with sharia principles, such as Sharia stocks, sukuk, and Sharia deposits. Sharia Mutual Funds provide portfolio diversification, which automatically allows Islamic insurance companies to gain exposure to various investment instruments with different risks and returns. Better diversification reduces total risk and provides the opportunity for more stable returns. Sharia Mutual Funds can generate investment returns for insurance companies with broad diversity, reducing the risk associated with stock market volatility or a decrease in individual assets. This is in line with the results of this study, which show that the Islamic mutual fund variable has a significant positive effect on investment returns.

A direct investment is a financial commitment made with the intention of making a profit and seeing a project through to completion. It typically takes the form of a stock interest or commercial partnership. Although direct investments often carry higher risks, they can yield substantial profits. Due to their obligation to adhere to Shariah laws, Islamic insurance firms frequently concentrate their investments in fields that further Islamic social and economic objectives. When a direct investment is effective, it may significantly boost investment returns, but it also entails a larger risk of volatility and liquidity. However, the study's findings indicate that there is a sizable negative impact of the direct involvement variable on investment returns. This demonstrates the significant risk associated with the direct involvement variable.

Another Shariah-compliant investment consists of other Shariah-compliant instruments or projects, such as property or infrastructure projects. An investment in property or infrastructure projects typically provides stable returns over the long term, especially if supported by strong market demand and good management. These investments will provide additional diversification in the portfolio and can mitigate the dependency on the capital market, but as with direct investments, they often carry a higher liquidity risk. This is in line with the results of this study, which show that other investment variables have a significant positive effect on investment returns.

CONCLUSION

All things considered, each investment vehicle has certain distinct risk and return characteristics that may impact an Islamic insurance company's investment outcome. While direct investments and Syariah stocks provide the possibility of larger profits at a higher risk, Syariah deposits, Sukuk, and SBSN offer stability with a lower risk. By spreading money over a variety of securities, sharia mutual funds and portfolio diversification assist sharia insurance businesses in achieving the best possible investment returns while lowering risk. Sharia

insurance businesses can continue sustainable growth in line with Sharia principles, meet participant duties, and preserve financial stability through the proper distribution of these instruments. There are restrictions on the data gathering in this study because it only includes data until 2022. Based on researcher observations on data published by the Financial Services Authority (OJK), data for 2023 is still incomplete.

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