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WHAT DRIVES THE FINANCIAL PERFORMANCE OF ISLAMIC INSURANCE COMPANIES IN INDONESIA?

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis faktor yang memengaruhi kinerja keuangan perusahaan asuransi syariah di Indonesia. Studi ini menggunakan pendekatan kuantitatif atas data-data laporan keuangan dari perusahaan asuransi syariah yang terdaftar di Otoritas Jasa Keuangan (OJK) pada 2016-2020. Pengujian regresi data panel digunakan untuk melihat pengaruh antar variabel. Variabel yang digunakan adalah modal, ukuran perusahaan, pendapatan premi, efisiensi operasional dan kinerja keuangan. Riset ini menemukan bahwa modal, pendapatan premi, efisiensi operasional dapat memengaruhi kinerja keuangan perusahaan asuransi syariah Indonesia. Ini dapat dijelaskan bahwa jumlah modal telah memenuhi persyaratan 100 miliar rupiah dan ini dapat meningkatkan pendapatan premi pada 2016-2020 dan perusahaan dapat berjalan efisien. Namun, ukuran perusahaan tidak dapat memengaruhi kinerja keuangan karena beberapa perusahaan asuransi syariah mengalami penurunan aset seperti Prudential dan AIA Syariah.

Kata kunci: kinerja keuangan; modal; ukuran perusahaan; pendapatan premi dan efisiensi operasional

ABSTRACT

This study aims to analyze the determinants of the performance of Islamic insurance companies in Indonesia. This research uses a quantitative approach by using secondary data in the form of financial statements of sharia insurance companies listed on Otoritas Jasa Keuangan (OJK) in the year 2016-2020. Furthermore, the statistical analysis technique uses influence test analysis through panel data regression tests. The variables used in this study are are volume of capital, firm size, premium income, and operational efficiency to improve the financial performance of Islamic insurance companies. The panel data show that the variables of the volume of capital, premium income, and operational efficiency influence the financial performance of Islamic insurance companies in Indonesia. This is because the company's capital has met the minimum requirement of 100 billion rupiahs this has an impact on increasing premium income from 2016-2020 and finally in the operations that are run efficiently. Meanwhile, the variables of firm size do not influence the financial performance of Islamic insurance companies. This is because several sharia insurance companies have experienced a decrease in their total assets such as Prudential and AIA Syariah

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1. INTRODUCTION

Sharia insurance is an effort based on sharia principles to help each other (*ta'awun*) and protect each other (*takaful)* by forming a collection of funds based on sharia principles. Health protection schemes in the form of fund claims are one of the main choices of the community, especially during the Covid-19 pandemic. The existence of this sharia model provides an option, especially for Muslims, to choose a risk-sharing scheme that is sharia-compliant and convenient. Because in principle everything related to muamalah the basic law is halal and allowed (Ananda et al., 2021). Having insurance can certainly minimize uncertain risks from business actors and the household environment. This is because the insurance institution takes over the risk, besides that humans cannot predict future events. It is based on the word of Allah in *Surat Luqman Ayat 34*.

إِنَّ ٱللَّهَ عِندَهُۥ عِلْمُ ٱلسَّاعَةِ وَيُنَزِّلُ ٱلْغَيْثَ وَيَعْلَمُ مَا فِى ٱلْأَرْحَامِ ۖ وَمَا تَدْرِى
نَفْسٌ مَّاذَا تَكْسِبُ غَدًا ۖ وَمَا تَدْرِى نَفْسٌۢ بِأَىِّ أَرْضٍ تَمُوتُ ۚ إِنَّ ٱللَّهَ عَلِيمٌ خَبِيرٌۢ

which means *"Verily Allah, only on His side is the knowledge of the Day of Judgment; and it was He who rained, and knew what was in the womb. and no one can know (for sure) what he will work on tomorrow"*.

The business performance of a business entity is determined by many factors that are behind it, ranging from economic conditions, profit generation, inflation rate, level of business competition, and much more. Currently, with the re-outbreak of Covid-19 that has hit almost all countries in the world, the most severe impact is on the health sector and the economy. These two sectors are of particular concern to all governments in each country for the recovery process. The policy of restrictions on community activities in various aspects has also influenced the decline in economic growth, as well as in Indonesia. In 2020, the government's restrictions such as restaurant closures, restrictions on mass transportation, and large-scale social restrictions resulted in a significant economic downturn (Prasaja et al., 2022).

In addition, in the Republika daily published on July 15, 2020, it was explained that there were three impacts of Covid-19 that occurred in 2020, namely the decline in people's purchasing power, weakening investment, and exporting activities abroad also stopped (Zuraya, 2020). Of course, the impact caused by the economy in Indonesia is declining. This was strengthened in a press release on January 11, 2021, published by the Ministry of Finance, the covid 19 has caused pressure on the global economy so that international institutions such as the IMF, OECD, and the World Bank conducted an assessment with a prediction of global economic growth in the range of -4% while in Indonesia it is estimated to contract -2.2%.

Although Indonesia's economic growth rate during the pandemic has decreased, the growth of the sharia insurance industry's performance shows a positive direction. This is shown from the publication of the Otoritas Jasa Keuangan (OJK) related to Statistics of the Sharia Industri Keuangan Non-Bank (IKNB) stated that financial performance as measured by Return On Asset (ROA) in 2018 was 5% and increased in 2019 to 5%. Furthermore, in terms of performance, all funds generated by sharia insurance also increased in 2021 every month in January to produce 51 trillion, February 91 trillion, and continue to increase in December to 247 trillion. This is also corroborated by a report by the Asosiasi Asuransi Syariah Indonesia (AASI) which states that in 2020 the gross contribution of sharia insurance in Indonesia recorded 7.6 trillion, which experienced a growth of 5% from the previous year. Then in 2021 it also experienced a positive performance for its gross contribution of 11.5 trillion. Of course, this reflects good financial performance considering that until now Covid-19 is still spreading and the discovery of the latest variants still affect economic activity in several fields that are still affected. Therefore, it is interesting to conduct research on what determinants affect the financial performance of the Islamic insurance industry during a pandemic.

Research related to the financial performance of sharia insurance conducted Safitri & Suprayogi (2017) entitled Analysis of the Financial Health Ratio of Tabarru' Funds Affecting Profitability in Sharia Insurance in Indonesia (2012-2014 Period). This study used financial ratios in determining the level of profitability of Sharia insurance. The results of the study explained that the Risk-Based Capital ratio influences the profitability of sharia insurance companies. Meanwhile, liquidity ratio, investment to liability balance ratio, net investment income ratio, claim expense ratio, and tabarru fund ratio does not affect the profitability of sharia insurance companies. The results of the study are also in accordance with the research conducted by Azhari & Sukmaningrum (2021) entitled Determinants of Profitability of Sharia Insurance Companies in Indonesia using meta-analysis from 12 total research samples, it shows that Firm Size, premium growth, investment, the volume of capital (VOC) robustly have a positive and significant effect on the profitability of Sharia insurance companies in Indonesia. Meanwhile, risk-based capital (RBC) and claim expense do not affect the profitability of sharia insurance companies in Indonesia. Furthermore, sharia insurance performance can not only be measured by the company's internal variables which are financial ratios. In research Akotey et al. (2013) find that the profitability of the insurance company can also be assessed at the microeconomic, and macroeconomic levels. One of the macroeconomic factors includes inflation, foreign currency value, and Gross Domestic Product. However, the result is different from those (Hasanah & Kamal, 2022). The results of the study found that contributions, investment returns, claims, and GDP had a significant effect on the underwriting deficit of tabarru' funds, while inflation had no effect.

The difference between the studies above is that the variables are different to analyze the influence of Islamic insurance financial performance.

Then the period of research used is generally three years, so the results shown have not been thoroughly revealed. Furthermore, in macroeconomic variables, there are still differences in the results of their research and the presence of Covid-19 yesterday also affected national financial performance. However, the research from Antoni (2021) entitled Comparative Analysis of Islamic Financial Performance Using the Early Warning System Ratio Before and During the Covid-19 Pandemic, shows that there is no difference between before and during the Covid-19 pandemic. Therefore, this study will combine several research variables above, namely the Firm Size and Volume of Capital variables to clarify the findings of previous research and increase the research period to five years to produce comprehensive and representative research based on measuring the financial performance of Islamic insurance.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 SHARIA INSURANCE

The sharia insurance program is a design that is used to help the community in solving problems and as an effort to anticipate uncertainty in the future. According to the National Sharia Council of the Majelis Ulama Indonesia (DSN-MUI) in fatwa No. 21/DSN-MUI/X/2001, sharia insurance (ta'min, takaful, and tadhamun). It is further described as a form of mutual protection and help among some people or parties through investment funds in the form of assets and or tabarru' which provide a pattern of return to face certain risks through sharia-compliant contracts or agreements.

According to Wali Ullah et al. (2016), insurance is a form of risk management, used to hedge against the risk of a contingent loss. It involves the transfer of the risk of potential loss from one entity to another, in exchange for a risk premium. Therefore, in general, sharia insurance is a protection scheme from companies to their consumers based on the sharia system which is expected to alleviate if things happen by the specified claim requirements. According to Azhari & Sukmaningrum (2021), there are nine basic principles in sharia insurance, namely tawhid, justice, help, cooperation, trust, willingness, prohibition of usury, prohibition of gambling, and prohibition of gharar. This principle is an indicator and guideline in the implementation of economic activities and events in the company. And this is one of the points that distinguish between conventional insurance and sharia insurance.

2.2 RESOURCE BASED THEORY (BRT)

According to Penrose (1959), resource-based theory believes that the company is a collection of capabilities in managing these resources. This theory shows how the company's performance can be optimal if the company has a competitive advantage so that it has an impact on the company. Competitive advantage is gained by managing and making good use of the company's resources (Maudina et al., 2020). Resources focus on everything owned and managed by the company from assets, employee expertise, technology, organization, and information used to apply company strategy. With this, it is expected to have an impact on the efficiency and effectiveness of the company. Therefore, in this theory, the determination of the company's financial performance factors is not only influenced by financial ratios, but other things related to supporting the company's performance can also have an impact on the company's financial performance as well as sharia insurance companies.

2.3 FINANCIAL PERFORMANCE

Performance is information that shows the level of achievement of the implementation of an activity/program/policy to implement the goals, objectives, vision, and mission of the organization. According to Hansen & Mowen (2005), there are two types of performance, namely financial performance and non-financial performance. Financial Performance is an indicator that is widely used by many parties including management, creditors, investors, researchers, and many more. Users utilizing financial performance data vary, this is based on the needs of each one. In a business organization, the performance of its implementation can be done by, for example, looking at the level of profit it has managed to obtain (Nurlatifah & Mardian, 2016). In this study, financial performance was measured using Return on Asset (ROA) which is relevant to previous research. According to Nurlatifah & Mardian (2016), ROA is the most important ratio in comparing the efficiency and financial performance of insurance companies. This is because it shows the quality of management in managing the company's investment resources in making a profit.

2.4 PREMIUM INCOME

Based on the circular letter Otoritas Jasa Keuangan Number 27/SEOJK.05/2017 Premium income is based on gross premiums, including extra premiums due to additional medical risks, occupational risks, and other risks. This income comes from regular monthly contributions set by the insurer to the insured. In addition, premium income is also the main source of income from sharia insurance companies obtained from risk transfer or coverage activities. Several previous studies related to premium income and financial performance showed a significant influence. The study by Juwita & Rindiati, (2021) shows that premium income partially has a significant effect on the net profit of Asuransi Jiwasraya.

2.5 OPERATIONAL EFFICIENCY

Efficiency in operations will affect a company's performance to improve even better (Prasaja, 2018). The load account within the company becomes an indicator and measurement to determine efficiency related to the management of owned resources. In sharia insurance companies, operational efficiency is determined based on the ratio of claim expenses and the ratio of operating expenses/operations. According to Safitri & Suprayogi (2017), the claim expense ratio reflects claims that occurred during the current period and shows the quality of business in closing the claim that occurred.

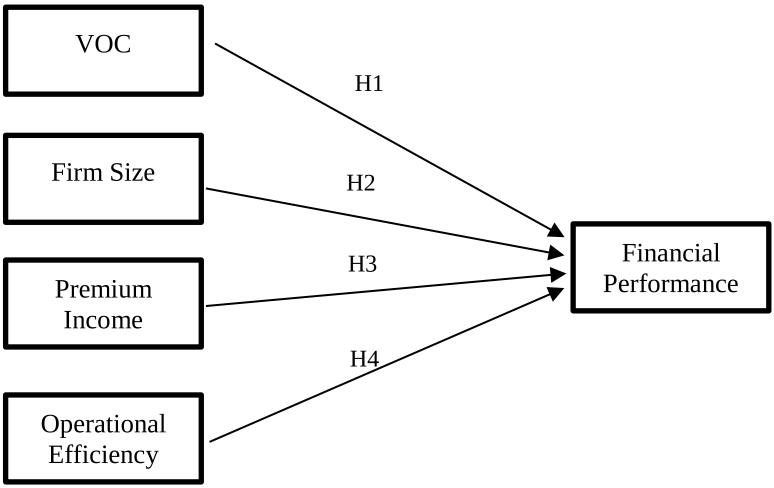
2.6 FIRM SIZE

Firm Size is the size of the company which is assessed from total assets, total sales, amount of profit, tax expense, and others n Resource-Based Theory, company size is a factor from within the company that can provide competitive advantage and added value for the company. This is with several records, namely that the insurance company can be managed properly which is based on the operational performance of the company's guarantee. Firm Size measurements are generally shown the physical condition and size of the company compared to its competitors. Hartono (2012) explained that the size of the company is the size of the company can be measured by the total assets or the size of the company's assets using the calculation of the logarithm value of the total assets. Based on PSAK Number 1 of 2007, assets are a series of economic benefits that contain the potential in a productive and are part of the company's operational activities.

2.7 VOLUME OF CAPITAL

The concept of the volume of capital implements the financial strength or fulfillment of the capital of an enterprise. This is because the volume of capital is measured based on the book value of the company's equity (Nurlatifah & Mardian, 2016). Fulfillment or capital adequacy in sharia insurance companies makes management more flexible in implementing company strategies to get maximum results. Therefore, similar to Firm Size, the volume of capital also provides a competitive advantage and increases added value for Sharia insurance companies through good management, especially about company capital.
Research Design
Based on the variables above, in this study the design is as follows:

Figure 1. Research Design



The formulation of the hypothesis test for this research is based on the research design above, which is as follows:

H1. Volume of capital has a positive effect on financial performance of sharia insurance

The volume of capital is the financial strength or fulfillment of capital of a company. This is because the volume of capital is measured based on the book value of the company's equity (Nurlatifah & Mardian, 2016). The existence of this volume of capital makes it easier for management to be more flexible in implementing company strategies to get maximum results. In research Nurlatifah & Mardian (2016) shows that the volume of capital negatively affects the financial performance of Islamic insurance companies in Indonesia. However, research conducted by Nurlatifah & Mardian (2016) show different results where the volume of capital does not influence the profitability of sharia insurance companies in Indonesia. Therefore, the VOC variable was reused in this study, hopefully getting comprehensive results from previous studies.

H2. Firm size has a positive effect on financial performance of sharia insurance

According to Brigham & Houston (2014), firm size are the large or small size of the company which is assessed from total assets, total sales, amount of profit, tax expense, and others. In Resource-Based Theory, company size is a factor from within the company that can provide a competitive advantage and added value for the company. Research from Maudina et al., (2020) shows that firm size has a positive effect on the profitability of sharia life insurance companies in Indonesia. These results are supported by research Nurlatifah & Mardian (2016) that size has a positive influence on the financial performance of sharia insurance companies in Indonesia. The larger the size of the company, of course, the total assets, equity, and others are also the greater which will have an impact on the resulting financial performance.

H3. Premium income has a positive effect on the financial performance of sharia insurance

Premium income is one of the main incomes from sharia insurance which comes from periodic contributions set by the insurer to the insured. This type of income is based on gross premiums, including extra premiums due to additional medical risks, occupational risks and other risks. On research Juwita & Rindiati, (2021) there is a very strong relationship between premium income and inderwriting results to the net profit before tax of PT Asuransi Jiwasraya (Persero). When revenue increases, the financial performance of a company is also getting higher as well as sharia insurance.

H4. Operational efficiency negatively affects the financial performance of sharia insurance

Operational efficiency shows how much burden the company spends on day-to-day operational use. It is said to be efficient when the expenses incurred are relevant to the profit on the performance of the company. Research Safitri & Suprayogi (2017) shows that the claim expense ratio in sharia insurance does not affect its profitability. Meanwhile, several studies related to operational efficiency and financial performance influence each other. It is in line with research from Prasaja, (2018) that operational efficiency affects the financial performance of Islamic banks in Indonesia. This study adds the ratio of operating expenses as an indicator of operational efficiency. It is hoped that with the addition of indicators of sharia insurance burden, it will be able to produce more comprehensive information.

3. RESEARCH METHOD

The method in this study uses a quantitative method. Furthermore, for the population, this study uses Sharia Life Insurance Companies that have been registered with the Financial Services Authority (OJK) from 2016 to 2020. The sampling technique uses purposive sampling with criteria in which the Sharia Insurance company has published its financial statements at the OJK, the financial statement period, starting from 2016-2020. Furthermore, Sharia Insurance companies have operated in Indonesia for at least five years and the financial statements of sharia insurance companies are presented in full and can be downloaded in the 2016-2020 period. This is so that the research results can be verified directly through the company's financial statements that have been published publicly so that references and comparisons can be used in assessing the financial performance of Islamic insurance in Indonesia.

The population used in this study was all sharia insurance companies contained in the Financial Services Authority (OJK). Based on OJK data issued in the IKNB Syariah directory as of December 2020, the number of Sharia Insurance is 14. The sampling technique uses purposive sampling and obtained company data from as many as 11 sharia insurances that have been relevant and can be used based on the object of study, namely:

Table 1. Sharia Life Insurance Companies

No	Company Name
1	Asuransi Jiwa Syariah Al Amin
2	Allian Syariah
3	Takaful
4	Prudential Syariah
5	BNI Life Asuransi Syariah
6	Bumiputera Syariah
7	CAR Syariah
8	Sinar Mas Syariah
9	Panin Syariah
10	AIA Syariah
11	Jasindo Syariah

The research variables used in the study are:

1. Dependent Variables

The dependent variable used is the financial performance that uses return on asset (ROA) measurements generated by sharia insurance.

$$\frac{\text{Earnings Atfer Tax}}{\text{Total Assets}} \text{ x } 100\%$$

2. Independent Variables

Furthermore, for independent variables, four variables are volume of capital, premium income, firm size, and operational efficiency. as for how to calculate these variables, there are as follows:

Table 2. Independent Variables Based On Previous Research

No	Variabel Independen	Description
1	*Volume Of Capital*	*Log Natural Book Volume of Capital*
2	Pendapatan Premi	$\frac{\text{Premium Income}^{t} - \text{Premium Income}^{t-1}}{\text{Premium Income}^{t-1}}$ x 100%
3	*Firm Size*	*Log Natural Total Asset*
4	Efisiensi Operasional	$\frac{\text{Operating Expense}}{\text{Operating Income}}$ x 100%

Measurement of performance indicators and financial health is one of the important factors for the company. The performance and financial health of a company can be measured by financial statements that can be used as a benchmark for whether the company is good in terms of finance and non-finance. Financial performance in Islamic insurance companies can be measured by the profitability ratio.

Furthermore, the level of financial health is seen based on the level of solvency that the company produces. In addition, based on OJK regulation Number 1/SEOJK.05/2021, in addition to solvency, the determination of the financial health size of sharia insurance can also be determined by the ratio of premium income/contribution, claim expense ratio, operating expenses/operating expenses ratio, and asset impairment ratio. The premium/contribution income ratio is a ratio to measure the level of income generated by sharia insurance. Furthermore, the ratio of operating expenses/operations measures operational efficiency.

Factors that determine the financial performance of Islamic insurance can also be measured by firm size and volume of capital (VOC). Firm size or company size is a scale used in determining the size of a company (Jekwam & Hermuningsih, 2018). The size of this company will interpret how operations are carried out. The measurement of firm size determination can be known by the number of assets owned by the company. According to the assets owned by this company describe the rights and obligations as well as the company's capital. Furthermore, for companies as company objects in this study, there are 9 Sharia Insurance Companies.

The research data used is secondary data in the form of financial statements of each sharia insurance company. Statistical analysis techniques use influence test analysis through panel data regression tests. According to Suryani & Hendrayani (2015) panel data is a combined data of periodic data (time series) and cross data (cross section). By using the eviews application testing this regression model will combine time series with cross sections into one observation.

The methods used in the panel data generally have three methods that can be used including the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Furthermore, model selection was carried out on panel data regression to select the model that is best used in this study. There are two tests carried out, namely as follows:

a) Chow Test

In the regression of panel data, a chow test will be carried out which is to select the most suitable model for use in the study. In this chow test, choose between common effect and fixed effect. If the chi-square value is smaller than 0.05, the right model to choose is to use fixed effect so it is necessary to do the next test, namely the Hausman test.

b) Hausman Test

After choosing the most suitable model to wear, step next by doing Hausman testing. This test was carried out because the chow test of the selected model could not use the common effect model. This test, it is used to choose the right model through a comparison between fixed effect and random effect models. If the test results have an alpha value smaller than 0.05, it can be concluded that the most appropriate model is to use a fixed effect model.

c) Langrage Multiplier (LM) Test

This test aims to determine whether the common effect model is better than the Random Effect Model. The assumption used in this test is by looking at the probability value of cross-section chi-square. If the value > 0.05 then the selected model is a Random Effect Model. In contrast, if the probability value is cross-section chi-square < 0.05 the best model is the common effect model.

According to the estimation method, the random effect panel model uses the generalized least square (GLS) method, while the common effect panel model and the fixed effect panel model use the ordinary least square (OLS). For the GLS method, namely random effects, there is no need to test classical assumptions, which means that there is no need to meet classical assumptions. This is because this method can overcome the existence of time series autocorrelation and correlation between observations (cross-section) (Lestari & Setyawan, 2017). Meanwhile, the OLS method only needs to be tested for classical assumptions, namely the autocorrelation test and the heteroscedasticity test. Disruptive problems for cross-sectional data and such as heterochedasticity and time series problems such as autocorrelation (Gujarati & Porter, 2009). This is in line with research from (Melati & Suryowati, 2018) and (Kosmaryati et al., 2019).

Then, after choosing the best model for this research, the next step is to carry out a statistical hypothesis test, namely the F test and the t-test.

a) F Test

The F test is used to determine the simultaneous influence of variables against dependent variables. If the significance value is below 0.05 then there is a simultaneous influence between the independent variable on the dependent variable and vice versa if the significance value is above 0.05, there is no simultaneous influence.

b) T Test

The t test aims to see how the influence shown variables are partially independent of dependent variables. If the value of the variable after testing, has a significance value below 0.05 then there is a significant influence can be partial positive or negative between the independent and dependent variables and vice versa if the significance value is above 0.05, there is no partial significant influence between the independent variable and the dependent variable.

4. DISCUSSION

4.1 SELECTION OF PANEL DATA REGRESSION MODEL

Chow Test

Chow test is a test on panel data regression to select both models, namely common effect and fixed effect which are most suitable for use in the study. The results of the chow test are known that the value of the chi-square is 0.0000 which makes the result of the value smaller than the alpha value of 0.05. It is therefore inferred for the exact model in panel data regression using the Fixed Effet Model, meaning that H_0 is processed and H_1 is accepted.

Hausman Test

At the stage of the Hausman test, it is carried out if the parameters in the study cannot be with the Common Effect Model. The thirst test is used to select the right model in the panel data regression test through a comparison between fixed effect and random effect models. The test results show that the chi-square probability value is 0.7765, which is greater than the alpha value of 0.05. From the above results, it can be concluded that the right model is the regression of the random effect model panel data. The Lagrange multiplier test was not carried out because the Hausman test obtained the best model, namely the random effect model (Kosmaryati et al., 2019). In addition, the random effect model includes the GLS model where there is no need to test classical assumptions, which means that there is no need to meet classical assumptions. This is because this method can overcome the existence of time series autocorrelation and correlation between observations (cross-section) (Lestari & Setyawan, 2017).

Table 3. Random Effect Model Result

Variable	Coefficient	Std. Error.	Prob
C	20.27114	0.0864158	4.666133
VOC	0.1813467	1.302665	0.0119747
Firm Size	2.483302	0.0275975	-0.069875
Pendapatan Premi	0.0580249	0.0120669	0.0039347

Variable	Coefficient	Std. Error.	Prob
Efisiensi Operasional	0.0232378	7.961887	-0.0004129

R-Square	: 0.564991
Adjusted R-Square	: 0.383737
F-Statistic	: 3.117125
Prob (F-Statistic)	: 0.010902
Durbin-Watson stat	: 1.536245

Source: Research Result Data, 2022

Based on Table 3, the results of the estimation of the formed model are as follows:

Y = a + VOC + Firm Size + Pendapatan Premi + Efisiensi Operasional

Y = 20.27114 + 0.1813467X1 + 2.483302X2 + 0.0580249X3 + 0.0232378X4

4.2 STATISTICAL HYPOTHESIS TEST

Simultaneous Test (Uji F)

The statistical F test serves to determine the influence of independent variables on the dependent variables simultaneously. As for the criterion for simultaneous influence, the significance value for the F value is below 0.05 and vice versa there is no simultaneous influence if the significance value is above 0.05. The results of the F test can be shown from the results below:

Table 4. F Test Result

F-statistic	3.117125
Prob (F-statistic)	0.010902

Source: Research Result Data, 2022

Based on the results shown in table 6 that the prob value (F-statistic) is smaller than 0.05, namely 0.010902. It can therefore be concluded that there is a simultaneous influence between independent and dependent variables, in addition regression models can be used in making decisions.

Partial Test (t-test)

The t-test is used to determine the partial or individual influence of each independent variable on the dependent variable. In this partial test, it will analyze the resulting probability value compared to the significance level of 5% ($\alpha = 0.05$). As for the results of the t test in this regression model, they are as follows:

Table 5. t Test Result

Variable	Coefficient	Std. Error.	Sig
VOC	0.1813467	1.302665	0.0119747
Firm Size	2.483302	0.0275975	-0.069875
Pendapatan Premi	0.0580249	0.0120669	0.0039347

Efisiensi Operasional	0.0232378	7.961887	-0.0004129

Source: Research Result Data, 2022

The results of the t-test above show that:

1) Volume of capital (VOC) influence analysis has a probability level of 0.0119747 and is below the 0.05 significance standard. This meant that the VOC had a significant positive effect on Islamic financial performance.
2) Firm size influence analysis has a probability level of -0.069875 and is above 0.05 significance standard. This means that firm size has no effect on Islamic financial performance.
3) Analysis of the effect of premium income has a probability level of 0.0039347 and is below the 0.05 significance standard. This means that premium income has a positive effect on Islamic financial performance.
4) Operational efficiency influence analysis has a probability level of -0.0004129 and is below 0.05 significance standard. This means that operational efficiency negatively affects the performance of Islamic finance.

4.3 RESULT AND ANALYSIS

4.3.1 Volume of capital has a positive influence on the financial performance of sharia insurance

In the actual data obtained in 2016-2020, the value of the financial strength of Islamic insurance companies has broadly fluctuated and some have fallen for the value of the VOC. Those that experienced a decline were Prudential and AIA Sharia companies in the 2016-2020 period. Based on the results of partial calculations, shows that the Volume of Capital has a positive effect on the financial performance of Islamic insurance. These results are in line with the resource-based theory which states the company is a collection of capabilities in managing these resources (Penrose, 1959). Based on the results of partial calculations, shows that the volume of capital has a positive effect on the financial performance of Islamic insurance. These results are in line with the resource-based theory which states the company is a collection of capabilities in managing these resources. In this case, the volume of capital is an internal factor that contributes to competitive advantage and is an added value for the insurance company if the capital owned by the company can be managed properly and optimally. In addition, based on data on financial statements at sharia insurance companies in 2016-2020, several companies have met the minimum capital requirements that have been determined by the Financial Services Authority (OJK), which is a minimum of 100 billion rupiahs. Therefore, it can be concluded that in covering financial losses, sharia insurance companies can use their capital.

The results of this study support research from Zainudin et al. (2018) and Rafi & Syaichu (2019) which state that the Volume of Capital influences on Return on Assets in Sharia insurance companies in Indonesia. Meanwhile, the results of this study are not in line with research from (Maudina et al., 2020) where the of Capital does not influence the financial performance of sharia insurance because sharia insurance capital has not reached IDR 100 billion, where the research period used is 2014-2019. This is certainly different from this study which used the 2016-2020 period and added the number of sharia insurance companies so that the research results were comprehensive. Furthermore, the results of this study also do not support research from Kriswanto & Siddik (2018) which shows that own capital has no influence on ROA in this case profitability. Therefore, based on the findings in this study with empirical facts that occur, it can be stated that the Volume of Capital influences the financial performance of Islamic insurance companies in Indonesia.

4.3.2 Firm size does not have a positive influence on the financial performance of sharia insurance

Based on actual data obtained in 2016-2020, the value of financial strength for Firm Size from sharia insurance companies also fluctuates. Those that experienced a decline were Prudential Syariah, Jasindo Syariah, and AIA Syariah companies in the 2016-2020 period. The results of partial statistical data processing show that Firm Size does not affect the financial performance of Islamic insurance. These results are inconsistent with the resource-based theory that states companies as a collection of capabilities in managing these resources Penrose (1959). In this case, firm size is the size of the company which is assessed from total assets, total sales, amount of profit, tax expense, and others Brigham & Houston (2014). The financial statements of Islamic insurance companies for quarterly data between 2016-2020, tend to fluctuate. Moreover, in 2019 and 2020 there was Covid-19 had an impact on all fields including the economic sector, one of which was the insurance sector. This is shown in several sharia insurance companies such as Prudential and AIA experiencing a decrease in the value of firm size, namely from 2019 (6.90 & 6.80) to (5.50 & 5.94) in 2020.

The results of this study do not support previous studies that stated that Firm Size has a positive influence on ROA. This is like in the research by Maudina et al. (2020) titled Profitability of Sharia Life Insurance Company in Indonesia; Analysis of Investment Returns, Volume Of Capital and Firm Size. Furthermore, the research Rafi & Syaichu (2019) has the title Analysis of Factors Affecting the Profitability of Sharia Insurance Companies in 2014-2017. The difference between this study and previous studies is the period used. Maudina et al. (2020) used research data from 2014-2019 and Rafi & Syaichu (2019) form 2014-2017. Meanwhile, this study used the research period for 2016-2020. Thus the results of this study do not support the theory of Resource Based Theory and previous research. This is because this research data used combines the period before and during the occurrence of Covid-19 which is very influential on the economic field, including the company's financial performance. Some companies have also been forced to terminate employment for employees due to the economic downturn. Meanwhile, two sharia insurance companies also experienced a decrease in their total assets, including Prudential and AIA Sharia. Therefore, firm size does not always determine the improvement of company performance, this is because asset management is not optimal and sometimes sharia insurance companies invest in the wrong place so that it does not have an impact on the financial performance of sharia insurance companies.

4.3.3 Premium income has a positive influence on the financial performance of Sharia Insurance

Premium income is the main source of income from sharia insurance companies obtained from risk transfer or coverage activities. The results of actual data obtained in 2016-2020 from the premium income of sharia insurance companies show fluctuating figures. The results of partial statistical data processing show that Premium Income has a positive effect on the financial performance of Islamic insurance. These results are relevant to the resource-based theory which states the company is a collection of capabilities in managing these resources (Penrose, 1959). In this study, premium income was measured annually and presented the current year's premium income minus the previous premium income, then divided by the previous premium income. Financial Services Authority (OJK) Regulation Number 27 / SEOJK.05 / 2017, explains that premium income is based on gross premiums, including extra premiums due to additional medical risks, occupational risks, and other risks. This income comes from regular monthly contributions set by the insurer to the insured.

The results of this study support previous research conducted Juwita & Rindiati (2021) which states that premium income partially has a significant effect on PT Asuransi Jiwasraya's net profit before tax. Premium income has a direct influence on financial performance for insurance companies, both conventional and sharia insurance. This is shown by PT Asuransi Jiwa Al-Amin, Panin Syariah and Takaful for five consecutive years recording premium income increased from 2016-2020. This result was strengthened by an increase in gross premiums of sharia insurance from 14.45 trillion in 2019 to 15.37 trillion in 2020. Furthermore, the research of Sihombing (2021) related to the development of sharia insurance in Indonesia as of December 2020 recorded a growth of 5% from the previous year. Thus, sharia insurance premium income is one of the main sources of sharia insurance income and has a major impact on financial performance.

4.3.4 Operational efficiency has a negative influence on the financial performance of sharia insurance

Operational efficiency in Sharia Insurance Companies is shown by the ratio of claim expenses. According to Safitri & Suprayogi (2017) this expense ratio reflects claims that occurred during the current period and shows the quality of business in closing claims that occur. The results of the data in the financial statements obtained in 2016-2020 from operational efficiency for sharia insurance companies show fluctuating figures. The results of partial statistical data processing show that Operational Efficiency negatively affects the financial performance of Islamic insurance. This means that the lower this ratio as a measure of operational efficiency, the financial performance has increased, which means that sharia insurance companies have good operational efficiency. Based on these statistical results, it is relevant to the resource-based theory which states companies as a collection of capabilities in managing these resources (Penrose, 1959).

In the sharia insurance financial statement data that has been collected, most of the claim expense ratio has decreased and only one company has an increased claim expense ratio. This result certainly supports the research Sihombing (2021) yang menyatakan per desember 2020 asuransi syariah di Indonesia which states that as of December 2020, sharia insurance in Indonesia recorded a growth of 5% from the previous year. Then in 2021 it also experienced a positive performance for its gross contribution from 7.6 trillion to 11.5 trillion. Furthermore, it also supports the research conducted by Safitri & Suprayogi (2017) showing that the claim burden ratio in sharia insurance does not affect its profitability. Therefore, the more the company's operational efficiency increases, the claim expense ratio of sharia insurance companies will decrease so that it will have greater implications for Islamic financial performance and vice versa.

5. CONCLUSION

In the results of the research that has been carried out, it can be concluded that in general, the financial performance of Sharia insurance companies tends to fluctuate in 2016-2020. Furthermore, 2019 and 2020 also still showed positive performance amid the Covid-19 pandemic, and only a few Sharia insurance companies whose financial performance has decreased. This study used four independent variables and one dependent variable. For the firm size variable, it does not have a significant influence on the financial performance of sharia insurance companies. This is because several sharia insurance companies have experienced a decrease in their total assets such as Prudential and AIA Sharia. Meanwhile, for the volume of capital, the variables of premium income and operational efficiency have a significant effect on the financial performance of Islamic insurance companies in Indonesia. The company's capital has met the minimum requirement of 100 billion rupiah so this has an impact on increasing premium income from 2016-2020 and finally in the operations that are run efficiently.

These influential results support resource-based theory and corroborate several previous studies related to the financial performance of Islamic insurance. The limitation of this study is that the period used is only 5 years and is the same as previous studies for the duration of the study. In addition, the research objects for sharia insurance companies used are limited to only 7 companies, while based on data from the Financial Services Authority in 2019 the number of sharia insurance is 13. Therefore, future research can increase the research period carried out, namely 10 years or more and the object of insurance research is also added so that the research results are more comprehensive and reflect the financial performance condition of Sharia insurance objectively.

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