A COMPARATIVE ANALYSIS OF THE PERFORMANCE OF SHARIA AND CONVENTIONAL EQUITY MUTUAL FUNDS IN INDONESIA: A REVIEW OF REPUTATION, STOCK SELECTION, AND MARKET TIMING

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Abstract

This study examines the comparative performance of Sharia and conventional equity mutual funds in Indonesia by assessing the influence of reputation, stock selection ability, and market timing on risk-adjusted returns as measured by the Sharpe Ratio. The research is motivated by the increasing demand for Sharia-compliant investment alternatives and the growing competition with conventional financial products. The core problem addressed in this study is whether managerial strategies and reputation significantly differentiate the performance of Sharia-based funds from their conventional counterparts. The primary objectives are to analyze the effects of fund reputation, stock selection skills, and market timing on mutual fund performance and to identify whether significant differences exist between Sharia and conventional funds. This quantitative study employs a comparative and causal associative approach using secondary data from 18 mutual funds (9 Sharia and 9 conventional) over the period 2020–2024. The Sharpe Ratio was calculated to measure performance, while stock selection and market timing abilities were evaluated using the Treynor-Mazuy model. The findings reveal that conventional mutual funds outperform Sharia mutual funds in terms of risk-adjusted return. However, no statistically significant differences were observed in stock selection and market timing abilities between the two fund types. Moreover, fund reputation did not significantly influence performance in either category. These results suggest that external market factors and strategic alignment may have a greater impact than past ratings or technical timing. The study contributes to both academic and practical investment discourse, offering insights for investors and fund managers seeking to optimize performance within ethical and financial constraints.

Keywords: Mutual Fund, Sharia Finance, Stock Selection, Market Timing, Reputation

INTRODUCTION

Investment is generally categorized into two types: direct investment and indirect investment (Fatkhurrozi, 2024). Direct investments include instruments such as gold, stocks, bonds, sukuk, and deposits. In contrast, one of the most common forms of indirect investment is mutual funds, which are managed by professional fund managers. Mutual funds serve as investment instruments that pool various financial assets into a single portfolio, including equities and bonds. This strategy aims to diversify risk and enhance the potential return for investors (Winingrum, 2011). According to the Indonesian Capital Market Law of 1995, mutual funds are defined as a pool of securities or a portfolio consisting of several instruments such as stocks, bonds, or other financial assets managed by investment managers (Retnowati, n.d.-a).

Investors who purchase mutual fund units do not have direct control over the selection of instruments in the portfolio, as those decisions lie entirely with the investment manager (Tilaar, n.d.). The investment manager bears full responsibility for the fund's performance and, therefore, must be equipped with professional competence and a capable team (Retnowati, 2003). The primary function of an investment manager is to collect capital from a wide range of investors—both individual and institutional—and reinvest it in financial instruments such as equities, bonds, sukuk, or foreign currencies like USD (Pandrio Akbar & Atikah, 2021). Mutual fund products can only be purchased through securities firms or broker platforms registered with the Financial Services Authority (OJK). Typically, investment managers collaborate with selected brokers to market their products. The credibility and reputation of these firms often influence investor trust and decisions. A company's strong reputation can positively shape investor perceptions and, in the long term, reflect in the rise of its stock price (Jao et al., 2020).

Portfolio management is one of the most critical aspects of mutual fund investment, as it determines both the return and the associated risks (Putra & Jaharuddin, 2024). The portfolio management process carried out by investment managers generally involves three major steps. First, fund allocation must align with the mutual fund scheme selected by the investor. As mutual funds carry varying degrees of risk and return, the allocation strategy significantly impacts overall performance. Second is stock selection (stock picking), which involves choosing the most profitable investment instruments—whether stocks, bonds, mutual funds, or others. Third is determining the optimal market entry timing, based on macroeconomic conditions, market index performance, and other influential factors (Istavirti et al., 2008).

To achieve optimal returns, investment managers must carefully consider both stock selection and market timing strategies (Panjaitan, n.d.). The performance of mutual funds can be evaluated using metrics such as the Sharpe ratio and Net Asset Value (NAV), which serve as indicators of effective fund management (Ramayanti & Purnamasari, 2018). Market timing reflects the manager’s ability to accurately anticipate price movements and determine ideal entry and exit points in the market. This skill is evidenced when mutual fund returns exceed the benchmark, such as the performance of the Jakarta Composite Index (JCI) (Widya Kharisma Felix Wisnu Isdaryadi & Atma Jaya Yogyakarta Abstrak, 2017). On the other hand, stock selection is an investment strategy focusing on selecting individual stocks based on thorough analysis, including company performance, market conditions, and growth

potential. This often involves both fundamental analysis**,** such as financial reports and corporate governance, and technical analysis**,** which identifies price trends and market momentum (bull or bear) to enhance the possibility of outperforming the JCI.

Market timing, in particular, is a strategy aimed at maximizing returns by executing buy or sell decisions at the most opportune moments. It takes into account macroeconomic variables such as gold price movements (XAUUSD), fluctuations in the U.S. Federal Reserve interest rates, coal and oil prices, as well as geopolitical tensions between countries.

Tandelilin said Furthermore, portfolio management also encompasses setting investment objectives, policy formulation, instrument selection, and performance evaluation to ensure that these objectives are achieved. Thus, investment managers play a crucial role in optimizing the management of investor portfolios to achieve the highest possible return on entrusted funds (Muchtiari et al., 2020).

One of the most vital indicators in mutual fund performance is Assets Under Management (AUM)**,** which represents the total value of assets managed by the investment manager, usually reflected through the fund's NAV. AUM also serves as a proxy for investor trust. A decline in the portfolio's asset value would result in a lower NAV, potentially undermining investor confidence (Adira et al., 2017).

REVIEW OF LITERATURE

Previous research by (Pandrio Akbar & Atikah, 2021). highlighted the critical role of stock selection as a strategy in equity mutual fund portfolios. Their findings emphasized that the success of equity mutual funds is significantly influenced by the investment manager's ability to manage assets, select an optimal stock composition, and determine appropriate market timing for investment decisions. Based on a sample of ten mutual funds, the study revealed that Net Asset Value (NAV) could serve as a key indicator of performance. Furthermore, the magnitude of the NAV was considered a valid metric for assessing the performance of equity mutual fund portfolios (Pandrio Akbar & Atikah, 2021).

Another study by (Adelia & Ryandono, 2020) found that stock selection skill had a significant positive effect on the performance of Sharia mutual funds. The ability of investment managers to actively select high-performing stocks contributed directly to improved portfolio performance. In contrast, market timing ability was found to have a significant negative effect. This was attributed to the inherent difficulty in accurately predicting market movements, particularly during bearish conditions when prices tend to fall sharply (Adelia & Ryandono, 2020).

Similarly, the research conducted by (Widya et, al., 2017). demonstrated that none of the investment managers in the study possessed effective market timing skills in managing their portfolios. However, two mutual funds—Batavia Dana Saham Optimal and Pratama Ekuitas—exhibited superior stock selection capabilities. These funds successfully outperformed the benchmark return of the Jakarta Composite Index (JCI), indicating that strong stock selection strategies can compensate for weak market timing abilities (Widya et, al., 2017).

These findings provide a compelling basis for further research on how variables such as reputation, market timing, and stock selection influence the performance of equity mutual fund portfolios.

Portfolio Theory

Linguistically, the term portfolio refers to a collection of documents or a group of financial securities. In the context of investment, portfolio theory pertains to the study of strategies for investing across a variety of financial instruments (Ramayanti & Purnamasari, 2018). Portfolio theory, developed by Harry Markowitz in the 1950s, serves as a foundational framework in investment management. This theory centers on the optimization of expected investment returns by taking into account the level of risk assumed. One of its core principles is diversification, which involves allocating funds across a wide range of asset types or industry sectors to reduce or minimize investment risk (Muhammad Ario Putra & Jaharuddin, 2024).

Diversification is considered the most crucial element in investment risk management. It not only mitigates risk but also leverages the potential for varied returns across different assets, thereby enhancing overall portfolio performance. The portfolio theory approach applies not only to individual investors but also to institutional investment managers who oversee large-scale funds. These managers can apply the theory to formulate more efficient and effective investment management strategies (Wahyudi, n.d.).

Signaling Theory

Signaling theory, proposed by Spence (1973), posits that companies send information to external parties as signals to convey their internal condition. Accurate and reliable corporate information is essential for investors as it significantly influences their decision-making process. When a company possesses positive attributes or maintains a good reputation, it is expected that investors will respond positively—often by purchasing the company's securities—once the favorable information becomes public (Jao et al., 2020).

Mutual Funds

Conventional Mutual Funds

In general, mutual funds are alternative investment instruments for individuals with limited capital—commonly known as retail investors—who may lack the time or expertise to manage investment risk but still wish to invest with relatively low risk exposure (Gumilang & Subiyantoto Heru, 2008). Mutual funds function as pooled investment vehicles where investors' capital is managed and invested in a portfolio consisting of various securities (Muchtiari et al., 2020). Conventional mutual funds primarily aim for high returns and are not supervised by a Sharia supervisory board. As a result, they may engage in transactions that are prohibited in Islamic law. The portfolios of conventional mutual funds often include non-halal companies, such as conventional banks or firms involved in impermissible products and services (Indriani & Budyastuti, 2021).

Sharia Mutual Fund

Sharia mutual funds, or Islamic investment funds, are managed in accordance with Islamic principles and involve contractual agreements between the capital owner (*shahibul maal*) and the investment manager (*mudharib*). These funds adhere to Sharia-based investment policies, prohibiting activities that involve riba (usury), gharar (excessive uncertainty), and speculation. Only halal financial instruments are permitted in such portfolios (Riwayati, 2021). The most commonly used contract in Sharia mutual funds is *wakalah bil ujrah*, although other types of contracts may also be employed depending on the fund's asset composition (Suhada et al., 2024).

Types of Mutual Funds

In the context of the Indonesian capital market, mutual funds are classified based on their asset allocation strategies. The commonly found types of mutual funds include:

Fixed-Income Mutual Funds

These funds allocate at least 80% of their assets under management (AUM) into debt instruments such as bonds. The strategy aims to provide steady income with a moderate level of investment risk.

Equity Mutual Fund

Equity mutual funds invest a minimum of 80% of their total assets into stocks. They are designed to achieve long-term capital growth and typically exhibit higher volatility compared to other types of mutual funds.

Balanced Mutual Funds

These funds employ a diversified strategy by investing in a flexible mix of equities and debt instruments. They do not fall strictly under the categories of equity or fixed-income funds, allowing for adaptive asset allocation.

Money Market Funds

These funds invest entirely in money market instruments, such as time deposits and short-term debt securities with maturities of less than one year. The goal is to maintain liquidity while minimizing market risk.

Capital-Protected Mutual Funds

These funds allocate most of their portfolio to corporate bonds with an investment-grade rating. They are designed to preserve the investor's principal until the end of the investment period, provided that all terms and conditions are met (Adhianto, 2020).

Portfolio Placement Strategy

Portfolio Diversification

Portfolio diversification is a risk management strategy that involves allocating investments across multiple instruments or sectors to reduce exposure to any single asset and enhance both the stability and performance of the portfolio (Wea et al., 2024). In Indonesia, diversification can be implemented by investing in various instruments, such as Sharia-compliant stocks listed on the Jakarta Composite Index (JCI) or the Indonesia Sharia Stock Index (ISSI), as well as in government and corporate sukuk. Moreover, investors have the opportunity to diversify internationally by allocating funds into global equities from markets such as the United States, China, and Hong Kong (Wea et al., 2024).

Portfolio performance reflects the investment manager's strategy and is typically evaluated based on return and risk, often measured using the Sharpe ratio. Equity mutual funds provide the potential for higher returns but also carry greater risk, while instruments like sukuk tend to be more stable. A skilled investment manager balances return and risk through effective diversification strategy (Putra & Jaharuddin, 2024).

Mutual Fund Performance Indicators

Assets Under Management (AUM)

Assets Under Management (AUM) represent the total funds managed by a fund manager and serve as a critical indicator of investor confidence in the firm. The growth of AUM is strongly influenced by the number of fund units outstanding, which fluctuates depending on investor activity—specifically mutual fund subscriptions and redemptions (Hidayatul et al., 2016). In mutual fund performance, AUM often reflects not only the success

of the fund but also the management firm's reputation and experience. Investors generally interpret high AUM inflows as a sign of strong management quality and effective fund administration (Rapini et al., 2021).

Net Asset Value (NAV)

Net Asset Value (NAV) reflects mutual fund performance through the price per unit of participation. It is calculated by subtracting liabilities from the total value of securities held. NAV changes daily in response to portfolio fluctuations and provides a transparent view of the investment value held by unitholders (Khoiriyah et al., n.d.). NAV is a key indicator derived from the total portfolio value, which includes cash, deposits, equities, bonds, and other marketable securities (Zulva Rafika & Laila, 2016). According to Soemitra (Zulva Rafika & Laila, 2016), NAV can be calculated using the following formulas.

Total NAV = Total Assets – Total Liabilities,

NAV per Unit = Total Net Asset Value / Total Units Outstanding.

Factors Affecting Mutual Fund Performance

Reputation

Reputation, linguistically, refers to a behavior or reflection that results in a public judgment—either positive or negative. A strong reputation is essential for companies aiming to sell products or services at premium prices. It also helps attract and retain loyal customers (Jao et al., 2020). For investment firms, a positive reputation signals long-term sustainability and builds investor trust (Jao et al., 2020). Mutual fund ratings are crucial for attracting both individual and institutional investors. As such, reputation—often measured through ratings—can be used as a performance reference. The more investors purchase mutual fund products, the greater the AUM becomes, and AUM itself is a performance indicator for mutual funds.

Stock Selection

Stock selection is the manager's ability to filter and choose the most profitable stocks (Zulva Rafika & Laila, 2016). This ability reflects a manager's skill in selecting top-performing stocks that can deliver returns above the market benchmark (JCI). Strong stock selection skills positively influence the returns generated by fund managers (Adelia & Ryandono, 2020). According to Hani Sabila et al. (2019), stock selection ability can also be measured using the Treynor-Mazuy model. The alpha (α) parameter in this model indicates stock-picking ability. A positive alpha ($\alpha > 0$) signifies strong stock selection skills, while a negative alpha ($\alpha < 0$) indicates weaker capability.

Market Timing

Tandelilin said Market timing is an active investment strategy in which fund managers buy and sell securities to take advantage of price differentials. Managers may analyze price movements using technical indicators and assess fundamentals—such as identifying undervalued stocks trading below book value and selling overvalued stocks trading above book value. Mutual fund performance can improve when fund managers execute accurate market timing. In the Indonesian context, market timing ability is assessed using the spread between the Jakarta Composite Index (JCI) return and the Bank Indonesia (BI) rate (Sihombing et al., 2023).

The ability to time the market is vital because it reflects a manager's understanding of market conditions, such as uptrends and downtrends, and allows timely portfolio adjustments (Hani Sabila et al., 2019). This capability is shaped by both experience and skill, enabling accurate observations of price movements and supporting the performance of Sharia

equity mutual funds (Adelia & Ryandono, 2020). According to Hani Sabila et al. (2019), market timing ability can be measured using the Treynor-Mazuy model via the gamma (γ) parameter. A gamma value greater than zero ($\gamma > 0$) indicates positive market timing ability, and the higher the gamma, the stronger the skill.

Benchmark

Investment managers use benchmarks to evaluate the performance of the mutual funds they manage. These benchmarks are typically domestic market indices such as the Jakarta Composite Index (JCI), Jakarta Islamic Index (JII), Indonesia Sharia Stock Index (ISSI), or LQ45. A mutual fund is considered high-performing if its returns exceed those of its benchmark index (Muchtiari et al., 2020).

RESEARCH METHOD

This study uses quantitative descriptive comparative data. The comparative approach is employed to identify similarities and differences between research variables, aiming to understand how these variables correlate with or influence one another (Aida, 2025). The research specifically seeks to compare the performance (measured by the Sharpe ratio) of Sharia and conventional equity mutual funds based on key indicators: Reputation, Stock Selection, and Market Timing.

The study relies on secondary data collected from the following sources:

Monthly mutual fund reports are available on platforms such as Bibit, the Financial Services Authority (OJK), official company websites, and financial news portals.

Daily/monthly Net Asset Value (NAV) reports from Bibit or the official websites of investment management firms;

Market data such as the Jakarta Composite Index (JCI) and Indonesia Sharia Stock Index (ISSI), obtained from Yahoo Finance and Investing.com;

And other relevant and credible public sources.

The dataset covers a specific time period, namely January 2020 to December 2024, and includes nine Sharia equity mutual funds and nine conventional equity mutual funds, selected based on predefined criteria such as the largest Assets Under Management (AUM) as listed on the Bibit platform.

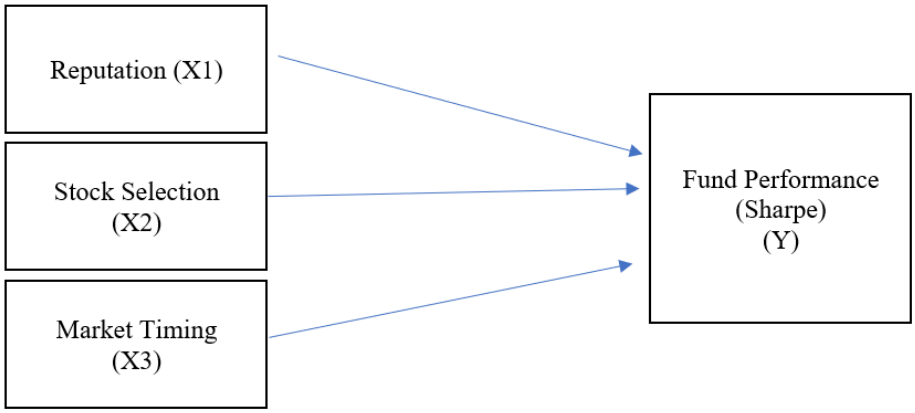

Figure 1.
Model Analysis

This research employs a quantitative approach with a comparative and causal associative design, based on secondary data. This approach aims to answer the research

problem through precise measurement of the variables involved, enabling the formulation of generalizable conclusions that are not constrained by time, location, or situation.

According to (Aida, 2025), the comparative method is a research approach that can be used to compare variables in order to identify similarities or differences between them. In this study, the purpose is to examine whether and how certain independent variables influence the dependent variable.

This approach was chosen specifically to investigate the influence of the independent variables—Reputation (X1), Stock Selection (X2), and Market Timing (X3)—on the dependent variable, which is the Performance of Mutual Funds (Y).

A study by (Jao et al., 2020). found that a positive corporate reputation significantly influences customer decision-making in product selection. The results suggest that when a company maintains a strong reputation, investors are more likely to trust and invest in that company's securities.

H1: Reputation has a significant influence on the performance of mutual funds.

Research conducted by (Adelia & Ryandono, 2020). revealed that stock selection, when tested partially, has a significant impact on returns. The better the quality of stock selection, the higher the return achieved by the portfolio.

H2: Stock Selection has a significant influence on the performance of equity mutual funds.

A separate study found that market timing, when tested partially, significantly affects the returns of Sharia equity mutual funds. This is achieved by analyzing daily price charts and making decisions based on the difference between buy and sell prices.

H3: Market Timing has a significant influence on the performance of Sharia equity mutual funds.

Data Analaysis Method

This research applies a multiple linear regression analysis to determine the influence of reputation and the fund manager's skills on the mutual fund performance (Y) as measured by the Sharpe Ratio. The regression model used is as follows:

$$Y=\beta 0+\beta 1X1+\beta 2X2+\beta 3X3+\epsilon$$

Where:

Y: Performance of the mutual fund (measured by Sharpe Ratio)

X1: Mutual fund rating (as a proxy for reputation)

X2: Stock Selection ability (α) – obtained from the Treynor-Mazuy model estimation

X3: Market Timing ability (γ) – also obtained from the Treynor-Mazuy model estimation

The regression analysis is conducted separately for the following two groups of mutual funds: Nine Sharia equity mutual funds and nine conventional equity mutual funds.

Multiple Linear Regression (OLS)

To examine the impact of independent variables X1, X2, and X3 on mutual fund performance Y, the following statistical tests are applied:

F-Test: To assess the overall significance of the regression model (simultaneous effect of independent variables).

t-Test: To evaluate the partial significance of each independent variable.

R^2 dan Adjusted R^2: To measure the explanatory power and goodness-of-fit of the regression model.

Independent Samples t-Test

To compare the mean values between Sharia and conventional mutual funds for the following variables:
Fund Performance (Sharpe Ratio)
Stock Selection Ability (α)
Market Timing Ability (γ)
This test aims to determine whether there are statistically significant differences between the two groups.

Reputation

In the context of mutual funds, reputation is typically represented by the rating assigned by investment platforms, such as Bareksa. This rating reflects a mutual fund's performance quality and is based on the following three key indicators:

Sharpe Ratio

This ratio evaluates the risk-adjusted performance of a mutual fund. It is calculated using the fund's return over a specific period and the volatility of its Net Asset Value (NAV). A higher Sharpe ratio indicates better return relative to the risk taken.

Excess Return over Benchmark

This measures whether the mutual fund outperforms its benchmark. For equity mutual funds, the benchmark is the Jakarta Composite Index (JCI); for fixed income funds, it is the 10-year government bond yield; and for balanced funds, a 1:1 weighted average of both JCI and bond yield is used.

Assets Under Management (AUM)

AUM represents the total value of assets managed and serves as an indicator of public trust in the fund manager's capability.
Each of the three indicators is assigned a weight in the overall rating calculation:
Sharpe Ratio: 40%
Excess Return over Benchmark: 40%
AUM: 20%

According to Bareksa's official website, mutual fund ratings are presented using a star-based scale ranging from 1 to 5 stars, with 0.5 intervals. A 5-star rating indicates the highest performance and reputation, while a 1-star rating reflects the lowest.

Treynor-Mazuy Model

To estimate the stock selection (α) and market timing (γ) abilities of fund managers, the following regression model is used:

$$Ri - Rf = \alpha + \beta(Rm - Rf) + \gamma(Rm - Rf)2 + \epsilon$$

Where:
RiRi: Return of the mutual fund
RfRf: Risk-free rate
RmRm: Market return

The resulting coefficients αα and γγ from this model serve as input values for the variables X2 and X3 in the main regression model.

RESULTS AND DISCUSSION

This study utilizes data from nine Sharia equity mutual funds and nine conventional equity mutual funds for the period 2020 to 2024. The data include the Sharpe Ratio as a proxy for fund performance, along with three independent variables: reputation (X1), stock selection (X2), and market timing (X3). Reputation is assessed using fund ratings sourced from reliable investment platforms, while stock selection and market timing are calculated based on the Treynor-Mazuy model.

Based on descriptive statistical analysis, the average Sharpe Ratio for Sharia mutual funds are -3.27 with a variance of 5.09. In contrast, conventional mutual funds show a higher average Sharpe Ratio of -0.11, though with a larger variance of 8.56. These figures suggest that conventional funds generally perform better in terms of risk-adjusted return. The standard deviation values also indicate a wide dispersion in the data, particularly among conventional funds, highlighting performance variability across samples.

Regarding the stock selection variable (X2), Sharia funds have an average value of -0.0256, while conventional funds average -0.0235. The lower variance found in conventional mutual funds implies a greater consistency in their stock selection capabilities. As for market timing (X3), Sharia funds record an average of -16.06 with a large variance of 1611.70, whereas conventional funds have a significantly smaller average of -0.72 with a variance of just 0.088. This stark contrast underscores substantial differences in how effectively fund managers from both categories time the market.

Table 1.
Description Statistics

Variable	Sharia (Mean)	Sharia (Var)	Conventional (Mean)	Conventional (Var)
Sharpe Ratio	-3,27	5,09	0,11	8,56
Stock Selection	-0,0256	0,0069	-0,0235	0,00012
Market Timing	-16,06	1611,70	-0,72	0,088

Source: Secondary Data 2020-2024

Reputation (X1), as measured by mutual fund ratings, yielded a negative regression coefficient in both Sharia and conventional funds (-0.199 for each). However, the significance values for both models were above the 0.05 threshold, indicating that the effect of reputation on the Sharpe Ratio is not statistically significant. This finding suggests that fund ratings or reputation do not necessarily guarantee higher risk-adjusted performance.

Data Analysis

The analysis was conducted using multiple linear regression to determine the effect of X1 (reputation), X2 (stock selection), and X3 (market timing) on Y (Sharpe Ratio), along with an independent samples t-test to assess differences between Sharia and conventional

mutual funds. Multiple linear regression is appropriate for examining the linear relationship between several independent variables and a dependent variable.

Table 2.
Sharia Fund

Variabel	Coeficiton	Std.Error	t-Stat	P-Value
Intercept	7,183957	5,560159	1,3157	0,245368
Reputation	-0,19973	0,114946	-1,672	0,155
Stock Selection	-74,1693	33,5379	-1,666	0,295
Market Timing	0,179136	0,12834	1,3858	0,2215

Source: Secondary Data 2020-2024

Table 3.
Conventional Fund

Variable	Coeficiton	Std.Error	t-Stat	P-Value
Intercept	23,43884	4,960553	4,724	0,0095
Reputation	-0,19902	0,097827	-2,043	0,105
Stock Selection	231,9891	116,4222	1,995	0,108
Market Timing	10,90732	4,625021	2,383	0,064

Source: Secondary Data 2020-2024

The independent samples t-test for the Sharpe Ratio shows a t-statistic value of -2.413 and a two-tailed p-value of 0.030, indicating a statistically significant difference in performance between Sharia and conventional mutual funds. In contrast, the t-test results for the stock selection and market timing variables yield p-values of 0.94 and 0.29, respectively. These values suggest that there is no significant difference in the stock-picking and market-timing capabilities of Sharia and conventional fund managers.

Table 3.
Sharia Fund

Variable	t-Statistic	P-Value (two-tailed)	Information
Sharpe Ratio	-2,4135	0,030	There significant differences
Stock Selection	-0,0704	0,944	There are no significant differences
Stock Selection	-1,0811	0,297	There are no significant differences

Source: Secondary Data 2020-2024

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The results of this study reveal that, in general, conventional equity mutual funds outperform Sharia equity mutual funds in terms of risk-adjusted returns as measured by the Sharpe Ratio. This performance gap is statistically significant, as indicated by the t-test results. One possible explanation for this difference is the broader and more flexible investment universe available to conventional funds, compared to Sharia funds that are constrained by ethical screening and Islamic principles.

Nevertheless, the regression results show that the variables of reputation, stock selection, and market timing do not significantly influence the Sharpe Ratio on an individual basis in either fund category. This implies that even when fund managers possess strong reputations or apply active strategies, performance outcomes may still deviate from expectations. These findings align with previous studies suggesting that capital markets are heavily influenced by external factors such as market volatility, macroeconomic conditions, geopolitical events, and investor sentiment.

The negative coefficient on the reputation variable further indicates that funds with high ratings do not always deliver superior risk-return performance. This could be attributed to the fact that ratings often reflect past performance, while the Sharpe Ratio captures current return efficiency relative to risk. Moreover, the high variance observed in Sharia funds' market timing ability suggests a lack of consistency or success in timing the market.

From the perspective of fund managers, the findings serve as a reminder that active strategies like stock selection and market timing do not inherently guarantee superior outcomes, especially over medium- to long-term investment horizons. Therefore, investors are encouraged to consider additional factors such as risk management practices, cost efficiency, and alignment with individual risk profiles when selecting mutual fund products—rather than relying solely on reputation or historical ratings.

CONCLUSION

This study aimed to analyze the comparative performance of Sharia and conventional equity mutual funds in Indonesia by examining three variables: reputation (rating), stock selection, and market timing in relation to the Sharpe Ratio. Based on the results of the analysis, it can be concluded that there is a statistically significant difference in the Sharpe Ratio performance between Sharia and conventional mutual funds, with conventional funds demonstrating superior outcomes. However, no significant differences were found between the two fund types regarding stock selection and market timing capabilities.

Theoretically, these findings suggest that active management strategies such as stock selection and market timing do not significantly enhance mutual fund performance over the observed period. Additionally, fund manager reputation, often used as a benchmark by investors, did not exhibit a significant impact on the funds' risk-return performance.

This study has several limitations, including a relatively small sample size and the use of only one performance indicator (Sharpe Ratio). Moreover, the selected time frame may have influenced the results, particularly in the presence of extreme market conditions.

Future research is encouraged to expand the sample size, incorporate multiple performance indicators such as the Treynor Ratio, Jensen's Alpha, and the Information Ratio, and include macroeconomic variables that may influence fund performance. Further studies could also explore ESG-based or thematic mutual funds to investigate emerging patterns in investment performance.

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