

SHARIA MUTUAL FUND PERFORMANCE, FOREIGN OWNERSHIP AND INVESTMENT ABILITY

SHARIA MUTUAL FUND PERFORMANCE, FOREIGN OWNERSHIP AND INVESTMENT ABILITY

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Abstract

This study aims to analyze sharia mutual fund performance approaches from the effect of Foreign Ownership and Investment Ability. This research was conducted at equity mutual fund companies listed in Financial Services Otoritas (OJK) for the period 2018-2019. This study used purposive sampling with a total sample of 33 equity mutual funds. The type of data used is quantitative data and the data source is in the form of company annual financial reports. The data analysis tools used were descriptive statistics and panel data regression. The results of this study indicate that Foreign Ownership has a not significant effect on and Investment Ability has a positive and insignificant effect on Mutual Fund Performance.

Keywords: *foreign ownership, investment ability, mutual fund performance*

1. INTRODUCTION

Mutual fund performance is considered important because it determines the ability of investment managers to manage portfolios by looking at returns and risks (Deb, 2019). Investment managers have to improve the performance of the fund and ensure that the invested survives over time so that the investment manager has prospects and can be the investor's choice in managing his portfolio (Fabozzi, 2003). Performance measurement is a control tool that includes the implementation and evaluation of the performance of employees and operations of the company by using information that can be financial and non-financial and can be based on internal or external measurements. The factors affecting mutual fund performance are foreign ownership and investment ability (Nanda, Narayanan & Warther, 2000; Lindemanis, Loze & Pajuste, 2019). Theoretically, foreign ownership in mutual funds, can improve the performance of the mutual fund itself (Bentivogli & Mirenda, 2017). However, in fact, this does not affect all mutual fund products, for example in BNP Paribas pesona Syariah stock foreign-owned mutual fund products, but the company's performance decreased with Sharpe ratio from 0.082 in 2018 to 0.530 in 2019.

Another factor that affects the performance of other mutual funds is investment ability, namely the ability of investment managers to manage portfolios through returns and risks (Deb, 2019). Two factors affect the ability of investment managers. The first factor is market timing ability, market timing is a measure of the ability of portfolio managers in terms of anticipation of market changes where if the market is going down then the manager changes the composition of the portfolio he manages to a lower

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volatility security and vice versa (Shanmugham & Zabiulla, 2012). The second factor to be examined is stock selection, stock selection is the ability of portfolio managers to choose the right securities (Shanmugham & Zabiulla, 2012). Shanmugham & Zabiulla, (2012) in their research in India stated that stock selection capabilities based on the Jensen model have a significant alpha positive influence on mutual fund performance.

Theoretically if the ability of investment managers increases then the performance of mutual funds also increases (Nanda et al., 2000). However, in fact, this does not affect all other mutual fund products. For example, Lautandhana Saham Syariah mutual fund product, There is an increase in the ability of investment managers in 2018 by 0.000 to 0.010 in 2019 which is a measure of the value of Jensen Alpha. However, there was a decrease in mutual fund performance, in 2018 by -0.610 to 0.672 in 2019 as measured by Sharpe value (Grau-Carles, Doncel, & Sainz, 2019). This is inversely proportional to the theory described earlier.

2. LITERATURE REVIEW

Berkowitz & Qiu, (2003) argues that managers' incentives to maximize shareholder value increase in line with their level of ownership. The greater the concentration of ownership, the better the performance of the company as well as the impact on the decreased risk-taking rate (Yuan, Xiao, & Zou, 2008) The relationship between mutual fund performance and foreign ownership of management companies is through the relationship between historical fund performance and demand for funds by investors. As the fund's performance increases, investors increase their ownership of the fund so that the net asset value (NAV) of the fund increases. Since management companies receive a fixed percentage of NAV, improved performance increases the flow of costs to management companies incurred after fees to management company owners (Lindemanis et al., 2019).

Carney et al., (2019) found a negative relationship between the company's performance (Tobin's Q) and ownership. Morck, Shleifer, & Vishny, (1989); Lindemanis et al., (2019) found a significant positive relationship between the company's performance (measured by Tobin's Q) and ownership concentration.

The ability of investment managers to manage portfolios can be determined by the performance of mutual funds by looking at the rate of return and risk (Deb, 2019). Investment managers carry out risk-containing strategies that will improve the company's performance. when companies with assets in place have committed investment opportunities, there will be less need to motivate managers to seek risky but profitable investments (Nanda et al., 2000).

Previous research has shown that companies with good investment management tend to outperform similar companies, with high investment opportunities and low management shareholdings (Hutchinson & Gul, 2004). According to investment management theory, the greater the sacrifice (risk) then the greater the profit that will be earned, and the higher the rate of return and risk from the investment than the better the performance of the mutual fund (Deb, 2019). It was found from previous research that

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there was a significant positive relationship between investment ability and mutual fund performance (Chevalier & Ellison, 1999; Hutchinson & Gul, 2004).

3. RESEARCH METHODS

In this study, two types of variables, namely dependent variables, and independent variables. Dependent variables are Mutual fund performance and independent variables consist of Ownership and Investment ability. As for this research mutual fund company in Indonesia period 2018 - 2019 that we use. Furthermore for variable measurement can be seen as follows: Table 1. Variable Measurement of Mutual Fund Performance, Foreign Ownership, and Investment Ability

No	Variable	Variable Measurement	Source
1	Dependent Variables; Mutual fund performance (Y)	$S_{rd} = \frac{R_{rd} - R_{rf}}{\sigma}$ Ket : S_{rd} = sharpe performance index R_{rd} = return fortfolio or market rate of return R_{rf} = return risk-free σ = standard deviation return	(Grau-Carles et al., 2019)
2	Independent Variables; Foreign Ownership (X1)	Foreign and Non-Foreign ownership measured by variable dummy; 1 = Foreign 0 = Non- Foreign	(Chevalier & Ellison, 1999)
3	Independent Variables; Investment ability (X2)	$\alpha = \bar{R}_P - (\bar{R}_f + \beta (\bar{R}_m - \bar{R}_f))$ Dimana: α = Jensen alpha \bar{R}_P = Average monthly return on mutual funds \bar{R}_f = Average monthly risk-free investment return \bar{R}_m = Market Performance (β) = Portfolio Beta Value	(Panjaitan, 2012)

The population in this study is all companies registered in money market mutual fund companies in Indonesia listed on the website www.ojk.co.id period 2018 -2019. The sample used is purposive sampling i.e. using samples with certain criteria.

The type of data used in this study is quantitative data. While the data source used in this study is secondary data derived from the website www.ojk.co.id www.pasardana.id www.idx.co.id www.ojk.co.id. The data required in this study include financial statements of mutual fund companies in Indonesia.

The method of data collection in this study is obtained from the population in stock mutual fund companies, with sharia type and research samples in the form of companies

that publish prospectus published by the Financial Services Authority (OJK) during the period 2018-2019 or internet access in www.pasardana.id. calculation of mutual fund performance using the value of Sharpe ratio on the daily data of mutual fund products. Calculation of ownership using variable dummy seen from the prospectus data of mutual fund products. Meanwhile, investment ability uses Jensen Alpha value in daily data of mutual fund products.

The analysis tools that this research has are two descriptive statistics and regression data panels. Descriptive statistics are used to analyze an event that occurs at present and occurs in mutual fund companies registered in www.ojk.co.id period 2018-2019. Furthermore, there will be a regression data panel where there are three approach models: Common Effect Model/CEM, Fixed Effect Model/FEM, and Random Effect Model/REM and Random Effect Model/REM. Of these three models can be selected by conducting the chow test and the Hausman test (baltagi, 2002). Before conducting the hypotheses test, the classic assumption test is done by doing three tests namely; multicollinearity test, heteroscedasticity test, and autocorrelation test. The model used for this study is as follows;

$$MFP = \alpha_1 + \beta_1 K + \beta_2 IB + e$$

where, MFR: *Mutual fund performance*, α_1 : Constant, $\beta_1 \dots \beta_3$: Coefficient, K: Foreign Ownership, IB: *Investment ability*, e: Variable Disruptor

Furthermore, hypothesis testing with Test F and Test t. Statistical test F shows whether all independent variables included in the model have a simultaneous influence on dependent variables.

4. RESULTS AND DISCUSSIONS

Stock mutual funds are one of the most widely diminasti investment instruments by the public due to the high return offer. Stock mutual funds there offer a type of sharia mutual fund, which is the researcher's choice to research. Sharia mutual funds are a type of investment in which the whole process qualifies halal. Sharia mutual funds are the choice of researchers because the population in Indonesia is more majority Muslim. The annual growth of sharia mutual funds also increased judging by NAB's total. The overall development of sharia mutual funds in 2019 has increased. But compared to other types of stock mutual funds, sharia stock mutual funds are at least interested in investors. This is due to various things such as low performance compared to other types of mutual funds.

Table 2. Descriptive Statistics

	<i>MFP</i>	<i>KPAS</i>	<i>INVA</i>
Mean	-1.323.680	0.090909	-0.039773
Median	-0.160500	0.000000	0.011500
Maximum	1.422.000	1.000.000	1.039.000
Minimum	-2.896.000	0.000000	-0.844000
Std. Dev.	6.104.261	0.289683	0.286915

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Observations	66	66	66
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The performance of mutual funds is a reflection of the ability of investment managers in managing their portfolios. Therefore, the performance value of mutual funds is one aspect to attract the interest of potential investors. With the value of a good performance, the increase from year to year indicates that this fund has a positive outlook. Mutual fund performance can be driven by increasing human resources as well as existing technologies providing added value and high competitiveness, making it attractive for investors to invest. In addition, the investment manager needs to increase his ability to choose the right shares to put in his portfolio to potentially generate returns as expected by investors.

Descriptive statistics are used to view an overview of the data used in the form of the amount of data, the minimum value, the maximum value, the average value, and the standard deviation of each variable. The results of descriptive statistics show that mutual fund performance (MFP), Foreign Ownership (KPAS) and Investment Ability (INVA) variables have a mean value below the standard deviation value.

Models using data panel regression techniques can use three alternative approach methods in their processing. Based on Chow's test output results from the Eviews tool occurs near the singular matrix, so the OLS method is used compared to the fixed model. The Hausman test was then carried out. Based on Hausman test output results with Eviews tool version 9, it appears that the p-value is greater than 0.05 which is 0.7073. Thus the null hypothesis is accepted, so the better use of methods in this study is the OLS method compared to FEM.

The classic assumption test in this study uses the multicollinearity test, heterocedasticity test, and autocorrelation test. In the multicollinearity test, there was no relationship between free variables with a value of more than 0.90 so the panel data model in this study had no multicollinearity issues. In this study, there was also no heterocedasticity where the probability value of $Osb \cdot R$ -squared was 0.1257 (greater than 0.05). Furthermore, in the autocorrelation test of DW value of 1.937305 which then refers to the Durbin-Watson benchmark, then the test results show that the DW value of 1.937305 is between $-2 < DW < 2$ where there is no autocorrelation. Based on the results of the data regression analysis panel by using the Eviews tool version 9 obtained the following results:

Table 3. Results of Data Panel Regression Analysis on Mutual Fund Performance (MFP) Variables, Foreign Ownership (KPAS), And Investment Ability (INVA)

Dependent Variable	Independent Variable	Regression Coefficient	t-count	Prob.	Direction	Description
	constant	-101.9329	-1.392457	0.1687		
Mutual Fund Performance	Foreign Ownership	105.9337	0.440362	0.6612	(+)	Insignificant

Investment Ability	1007.360	4.245070	0.0001	(+)	Significant
R-Square	0.226982				
Adjust RSquare	0.202442				
F-Statistik	9.249393				
F Signifikan	0.000301				

In the REM model, the determination coefficient value (R2) is 0.226982. This means dependent variables (MFPs) can be affected by 22.6 percent by independent variables (KPAS and INVA), while the remaining 77.4 percent is explained by other variables outside the study model.

The data panel's regression test results show that the statistical F value is 9.249393, with the same significance (F) value of 0.000301 which is smaller than 0.05 (0.0000 <0.05). The results explain that two independent variables namely KPAS and INVA simultaneously or simultaneously affect MFP on sharia stock mutual fund products 2018-2019 and have demonstrated a viable model.

In Test t, the KPAS variable (X1) has a calculated t value of 0.440362 and a probability rate of 0.6612 > 0.05 which means partially the variable has a positive but insignificant effect on the MFP, at a significant rate of 5%. The INVA variable (X2) has a calculated t value of 4.245070 with a probability value of 0.0001 <0.05 which means partially the variable has a significant positive effect on the MFP, at a significant rate of 5%.

Based on the results of the regression test in table 4.1 shown then the model of this study is as follows:

$$MFP = -101.9329 + 105.933 KPAS - 1007.360 INVA + e$$

The researchers' test results showed a foreign ownership value of 105.9337 against Mutual Fund Performance with a significance of 0.6612 >0.05. The results of the researchers showed an INVA value of 1007,360 against Mutual Fund Performance with a significance of 0.0001 <0.05.

Foreign ownership has a positive but insignificant effect on Mutual Fund Performance in sharia stock mutual fund products in Indonesia. The results of this study differ from the hypothesis that foreign ownership has a significant effect on mutual fund performance. This result is in contrast to gede & artini research, (2018) which stated that foreign ownership negatively affects mutual fund performance. These results are also in contrast to Lindemans, Loze, & Pajuste, (2019) Smirnova & Sprenger's research, (2009) which stated that foreign ownership has a positive and significant effect on mutual fund performance.

The theory says that foreign ownership in investment managers can improve the performance of mutual funds. The average foreign investment manager is a large

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company and is experienced in terms of investment. This is in line with Lindemans, Loze, & Pajuste's research, (2019) Smirnova & Sprenger, (2009) which stated that foreign ownership has a positive and significant effect on mutual fund performance. However, in this study, foreign ownership of investment managers had no or insignificant effect on mutual fund performance.

Foreign ownership does not affect the performance of mutual funds because foreign ownership is not the only ownership that moves the portfolio significantly. The absence of foreign ownership in an investment manager will not affect the performance of the mutual fund, as some local investment managers have an increased level of performance than the previous year. This is because the local investment manager offers sharia securities that are equity and have an increased Sharpe value (mutual fund performance). for example, pinnacle Indonesia sharia equity fund from 2018 (-0.134) to (0.113) in 2019.

Based on the results of this research, investment managers should be able to improve and maintain the level of performance of their mutual funds. The low interest of investors investing in sharia stock mutual funds makes the performance of this mutual fund one way to attract investors to invest in sharia stock mutual fund products. The more people who invest, the more mutual fund managers will get resources that can help the development of mutual fund managers.

Investment ability has a positive and significant effect on mutual fund Performance on sharia stock mutual fund products in Indonesia. The results of this study are similar to the hypothesis that Investment ability has a significant effect on mutual fund performance. This result is in contrast to gede & artini research, (2018) (Sari & Faisal, 2018) which stated that Investment ability does not affect mutual fund performance. However, the results of this study are the same as Lindemans, loze, & pajuste, (2019) Smirnova & Sprenger research, (2009) which stated that Investment ability has a positive and significant effect on mutual fund performance.

The theory says that when an investment manager's ability increases it will improve the performance of mutual funds. The ability of investment managers in the management of securities portfolios greatly affects the performance of a mutual fund. Investment managers who can choose the right shares to put in their portfolios and manage to generate the returns that investors expect can attract the interest of many other investors, so the more funds managed the higher the return will be received. This is in line with research (Panjaitan, 2012) which stated that investment managers who can choose the right shares for portfolios to be managed, will increase the performance value of the mutual fund.

Based on the results of this research, investment managers should be able to improve and maintain the level of performance of their mutual funds. An investment manager must have good stock selection ability to be able to select and manage the right portfolio to improve the performance of the managed mutual funds. The low interest of investors investing in sharia stock mutual funds makes this one way to attract investors to invest in sharia stock mutual fund products. The more people who invest, the more mutual fund

managers will get resources that can help the development of mutual fund managers in terms of improving the performance of mutual funds.

5. CONCLUSION

Positive and insignificant foreign ownership of Mutual Fund Performance in sharia stock recryedsadana products. The results of this study reject hypothesis 1 because foreign ownership is not the only ownership that drives portfolio significantly. The absence of foreign ownership in an investment manager will not affect the performance of the mutual fund, as some local investment managers have an increased level of performance than the previous year. This is because the local investment manager offers sharia securities that are equity and have an increased Sharpe value (mutual fund performance).

The results showed that Investment Ability had a positive and significant impact on Mutual Fund Performance. The results of this study received hypothesis 2. This is because the investment manager of sharia stock mutual fund in Indonesia can choose the right shares for the portfolio to be managed, thus increasing the performance value of the mutual fund. Sharia stock fund investment managers have good Stock selection skills in this case can improve the performance of their mutual funds by the expectations of investors.

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