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The Effect of Firm Size, Investment Return, Claims Expense Ratio, and Volume of Capital on the Profitability of Sharia Insurance Companies

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Abstract

Introduction: This study aims to examine how firm size, investment return, claims expense ratio, and capital volume influence the profitability of sharia insurance companies. **Research Methods:** The research method used in this study is a quantitative method, using panel data regression analysis. The number of samples studied is 10 sharia insurance companies and sharia business units registered with the Indonesian Sharia Insurance Association (AASI) that consistently reported positive profits and did not suffer losses during the 2019-2023 period. **Results:** Firm size has a partial effect on the profitability of sharia insurance companies. Investment return also has a partial effect on the profitability of these companies. The claims expense ratio, however, does not partially impact their profitability. Conversely, the capital volume does partially influence the profitability of sharia insurance companies. Together, firm size, investment return, claims expense ratio, and capital volume collectively affect the profitability of sharia insurance companies.

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INTRODUCTION

The insurance industry plays a significant role in supporting the wheels of the economy. In general, insurance functions as a risk mitigation instrument inherent in every activity, both for business entities and individuals. Overall, the strategic role of the insurance industry in managing risks and providing protection makes it a vital element in driving national economic growth (Direktorat Pengembangan IKNB dan Inovasi Keuangan Digital, 2023). As part of the insurance industry in Indonesia, sharia insurance has the potential to become a significant alternative for Muslim communities to meet their needs for insurance management that does not involve usury. Sharia insurance is governed by several distinct regulations, such as the existence of a sharia supervisory board, the types of contracts used in its operations, and the application of sharia principles (Nazla et al., 2024).

All businesses, insurance companies included, aim first and foremost to maximize their profits. A company's profit serves as a barometer for its operational and financial capabilities. Investors also rely heavily on profit as a key factor when assessing and deciding on possible investment prospects (Nasution & Nanda, 2020). Profitability plays a crucial role in dissecting financial statements and evaluating performance. This measure of profitability is employed by managers, creditors, and investors to assess a company's current performance and predict its future potential if operations are executed efficiently (Morshed, 2020).

When the profitability ratio dips under the benchmark set by the industry, the company's financial performance might be regarded as lacking health overall (Setianingsih et al., 2024). The higher the level of profitability achieved by a business entity, the more assured its long-term business sustainability (Ratnasari, 2020). Return on Assets (ROA) stands as a widely utilized profitability ratio by company management to evaluate the caliber of the company's financial performance and its efficiency in employing internal resources for operational effectiveness (Cahyaningrum & Antikasari, 2017). A high Return on Assets (ROA) ratio suggests that the company allocates a substantial amount of resources into productive assets, allowing these investments to enhance the return on investment (Asiyah et al., 2021). To maintain profitability levels and ensure that the company's financial performance remains in a healthy condition, an internal control system is required to ensure operational efficiency. According to research examining fraud cases in the accounting field, a well-implemented internal control system can reduce the risk of fraud and enhance the accuracy of financial reporting (Maharani et al., 2023).

Throughout 2019, the profitability of sharia insurance companies experienced a relatively stable increase until December 2019. However, in early 2020, there was a sharp decline, reaching its lowest point in March with a value of negative 10.92 percent. Thereafter, profitability gradually began to rise again with a relatively stable trend, although another decline occurred in mid-2021 and at the beginning of 2023. These fluctuations in profitability were undoubtedly influenced by various factors. According to research conducted on life insurance companies in Asia, the profitability of Asian life insurance companies, as measured by the return on assets ratio, is significantly affected by several factors, namely firm size, volume of capital, and the claims expense ratio (Zainudin et al., 2018). Meanwhile, another

study conducted on insurance companies in South Africa showed that firm size, investment income, and solvency have a significant effect on profitability. These factors drive profitability beyond the threshold level, thereby increasing the profitability of life insurance companies to a higher level (Horvey et al., 2024).

One of the important factors that potentially affects a company's profit level is firm size. Large insurance companies possess more significant advantages compared to smaller insurance companies. This is due to their higher profit-generating capacity and their ability to yield greater returns on assets (Charumathi, 2012). In addition, firm size, as measured by total assets, has a direct effect on the integrity of financial reporting. The larger the total assets of a company, the higher the integrity of the financial reports produced (Febrilyantri, 2020). Based on a study conducted by (Maudina et al., 2020) the profitability of insurance companies is positively affected by firm size. However, other studies state that firm size in the long run has a negative influence on the profitability of Islamic insurance companies. This means that the larger the size of the company, the smaller the company's ability to earn profits (Sanputra et al., 2024).

Another element that influences the profitability of insurance firms is investment returns, often known as investment income. For the company to achieve the highest possible profit, its managed investments must be maintained at an optimal level (Warto & Khumaini, 2022). The high level of customer trust in investing their funds to cover future risks in insurance companies, particularly in sharia insurance, can drive tabarru' fund income to its maximum potential (Dewi et al., 2021). Based on research by Nushaivi and Nasution the profitability of sharia insurance companies is positively influenced by investment returns (Nushaivi & Nasution, 2024). Consequently, an increase in investment earnings is anticipated to positively impact the return on assets (ROA). Nevertheless, research by (Setyaningsih et al., 2021), indicates that investment returns do not affect the profitability of sharia insurance companies.

The claims expense ratio is another important factor that can affect the profitability of insurance companies. By taking a proportion of premium income and applying it to claim payments, the claims expense ratio indicates the extent to which premium income is sufficient to cover claim submissions (Vitalis, 2024). According to a study conducted by Tanujaya and Rochdianingrum, claims expenses have a negative effect on profitability. A high level of claims expenses reflects a significant cost burden that must be carried by the company, thereby reducing the level of profitability (Tanujaya & Rochdianingrum, 2023). However, in another study conducted by Vitalis, the profitability of insurance firms remained unaffected by the claims expense ratio(Vitalis, 2024). A similar conclusion was reached in research conducted by Anita and Kusumaningtyas, which indicated that claims expenses have no impact on the profitability of sharia insurance companies (Anita & Kusumaningtias, 2024).

The next factor that affects the growth of profitability in sharia insurance companies is the volume of capital. Abundant capital, as one of the internal resources, can help enhance key aspects of company performance, particularly the level of profitability. A study that employed the Vector Error Correction Model (VECM) dynamic analysis technique stated that in the long term, the volume of capital can negatively impact sharia insurance companies (Sanputra et al.,

2024). On the other hand, a study by (Zainudin et al., 2018) found that capital volume has a positive and significant effect on profitability for life insurance companies in Asian countries. These results suggest that life insurance companies in these regions can boost their profits by increasing their equity capital.

The objective of this study is to analyze key elements in the operations of sharia insurance companies, such as firm size, investment returns, claims expense ratio, and volume of capital, that contribute to the growth of company profitability. The financial success of sharia insurance companies serves as an indication of their overall financial well-being and their capacity to reliably offer advantages to both policyholders and investors. Therefore, understanding the elements that affect profitability can help companies make better decisions related to investment, underwriting, and capital management. Academically, this study is important because it contributes to the growing body of literature in the field of Islamic finance, particularly in the sharia insurance industry.

The difference between the previous study and this study lies in the period of data used. Previous research generally only covered a narrower time period or used data before the COVID-19 pandemic, so the results are less relevant in describing the dynamics of Islamic insurance companies in the current conditions, namely the pre-pandemic period or year, when the pandemic occurred, and post-pandemic. This research presents novelty through a combination of independent and dependent variables used in the research. The main focus of this study lies on the influence of company size, investment results, claim expense ratio, and capital volume on Islamic insurance companies in Indonesia with the most recent time period, namely 2019 to 2023. Previous research often only highlighted one or two variables, such as company size or claims expense ratio, without examining the influence of other variables in a single research model.

RESEARCH METHOD

This study employed a quantitative research method, which is a systematic approach to analyzing events or phenomena by collecting or tabulating data that could be measured numerically, statistically, mathematically, or computationally. In quantitative research, data were typically analyzed using statistical techniques that applied mathematical frameworks and relevant theories (Abdullah et al., 2021). The data analysis method used in this study is panel data regression analysis, because this study combines two types of data, namely time series data and cross section data. The population in this study were the sharia insurance companies registered under the Indonesian Sharia Insurance Association (AASI). The study utilized secondary data extracted from the quarterly financial reports released by each AASI member company, which served as the research sample. The sampling approach implemented was the purposive sampling method. This is a technique where data is collected based on predetermined criteria, with these criteria being as follows:

Table 1. Criteria for Determining Research Samples

No.	Sample Selection Criteria	Number of Companies
1.	Sharia insurance companies and sharia business units registered with the Indonesian Sharia Insurance Association (AASI).	55
2.	Companies from criterion 1 that published financial statements for the 2019–2023 period and provided complete data for the tested variables.	31
3.	Companies from criterion 2 that consistently reported positive profits and did not experience losses during the 2019–2023 period.	10

Based on the table above, the following is the list of companies selected as samples in this study:

1. PT Capital Life Syariah
2. PT Asuransi Askrida Syariah
3. PT Asuransi Chubb Syariah Indonesia
4. PT BNI life Insurance
5. PT Chubb Life Insurance Indonesia
6. PT Asuransi Jiwa Manulife Indonesia Syariah
7. PT PFI Mega Life Insurance
8. PT BRI Asuransi Indonesia
9. PT Asuransi Reliance Indonesia
10. PT Asuransi Staco Mandiri.

Table 2. Operational Definition of Variables

No	Variable	Operational Definition	Indicator	Source
1.	(Y) Profitability	Profitability refers to a ratio that assesses a company's capacity to generate profits.	Return On Total Assets $= \frac{\text{Earnings After Tax}}{\text{Total Asset}}$	(Kasmir, 2008)
2.	(X_1) Firm Size	Firm size is a ratio that shows the size of a company which can be measured through total assets or total net sales.	Firm Size = Natural Logarithm of Total Assets	(Erkan, 2023)
3.	(X_2) Investment Return	Investment returns are income earned from management activities or investment of funds and capital in the present with the aim of obtaining profits through expected income streams in the future.	Return on Investment = Investment Income Earned by Insurance Companies	(Nuzula & Nurlaily, 2020)

No	Variable	Operational Definition	Indicator	Source
4.	(X_3) Claims Expense Ratio	The claim expense ratio is a ratio that describes the number of claims incurred during a certain period and assesses the company's effectiveness in managing and resolving claims filed.	Claims Expense Ratio $= \frac{\text{Net Claims Expense}}{\text{Net Premiums}}$	(Wulandari, 2024)
5.	(X_4) Volume of Capital	The Volume of Capital refers to a company's capital adequacy level, which is assessed by comparing the ratio of equity to the total assets the company possesses.	Volume of Capital $= \frac{\text{Total Equity}}{\text{Total Assets}}$	(Yona, 2012)

RESULT AND DISCUSSION

1. Descriptive Statistics Analysis

The descriptive statistical analysis in this study aims to provide an overview of the data structure used, with the results displayed in tabular form which includes the mean, median, maximum, and minimum values. The results of the descriptive statistical analysis test can be seen in table 3 below.

Table 3. Descriptive Statistics Analysis

	Profitability	Firm Size	Invesment Return	Claim Expense Ratio	Volume of Capital
Mean	0.042823	12.50076	14058.94	0.390515	0.762267
Median	0.024150	12.18000	2337.070	0.348000	0.718664
Maximum	0.168011	15.38200	159434.8	1.396000	0.983395
Minimum	0.000500	7.677000	-70686.59	-0.199000	0.325819

Source: Processed Secondary Data using EViews 13, 2025

For profitability variables (ROA), the average is 4.28% with a median of 2.41%, the highest value is 16.8% (PT Chubb Life Insurance Indonesia, Q4 2022) and the lowest is 0.05% (PT BRI Asuransi Indonesia, Q1 2019). The company size variable has an average of 12.50 and a median of 12.18, with the largest size of 15.382 (PT Capital Life Syariah, Q1 2022) and the smallest of 7.677 (PT Chubb Life Insurance Indonesia, Q3 2019). The average investment return variable is IDR 14.058 billion with a median of IDR 2.3 billion, the highest value is IDR 159.4 billion (PT Capital Life Syariah, Q4 2021) and the lowest is IDR 70.67 billion (PT Asuransi Jiwa Manulife Indonesia Syariah, Q1 2019). The claim expense ratio variable has an average of 39.05% and a median of 34.8%, with a maximum value of 139.6% (Capital Life Syariah, Q1 2020) and a minimum of -19.9% (PT Asuransi Reliance Indonesia, Q1 2020). Finally, the volume of capital variable has an average of 76.2% and a median of 71.9%, with the highest value of 98.33% (PT PFI Mega Life Insurance, Q3 2020) and the lowest of 32.58% (PT Asuransi Chubb Syariah Indonesia, Q1 2019).

2. Panel Data Regression Estimation Model

a. Common Effect Model (CEM) Estimation Method

The estimation of the Common Effect Model (CEM) in this study is presented in the following table:

Table 4. Results of Common Effect Model (CEM) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.102872	0.030997	-3.318777	0.0011
Firm Size	0.007164	0.002663	2.690311	0.0078
Investment Return	7.94E-09	1.12E-07	0.071122	0.9434
Claim Expense Ratio	-0.056313	0.011295	-4.985901	0.0000
Volume of Capital	0.102355	0.002034	50.32239	0.0000
R-squared	0.934699	Mean dependent var		0.042823
Adjusted R-squared	0.933359	S.D. dependent var		0.133476
S.E. of regression	0.034457	Akaike info criterion		-3.873552
Sum squared resid	0.231515	Schwarz criterion		-3.791094
Log likelihood	392.3552	Hannan-Quinn criter.		-3.840182
F-statistic	697.7895	Durbin-Watson stat		1.002353
Prob(F-statistic)	0.000000			

Source: Processed Secondary Data using EViews 13, 2025

b. Fixed Effect Model (FEM) Estimation Method

The Fixed Effect Model (FEM) estimation method in this study is presented in the following table:

Table 5. Results of Fixed Effect Model (FEM) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.509452	0.092616	-5.500715	0.0000
Firm Size	0.037579	0.007314	5.138235	0.0000
Investment Return	3.619308	8.70E-08	4.160348	0.0000
Claim Expense Ratio	-0.014266	0.010888	-1.310290	0.1917
Volume of Capital	0.108870	0.001984	54.87881	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.969511	Mean dependent var		0.042823
Adjusted R-squared	0.967380	S.D. dependent var		0.133476
S.E. of regression	0.024107	Akaike info criterion		-4.545190
Sum squared resid	0.108094	Schwarz criterion		-4.314308
Log likelihood	468.5190	Hannan-Quinn criter.		-4.451756
F-statistic	454.9629	Durbin-Watson stat		1.761758
Prob(F-statistic)	0.000000			

Source: Processed Secondary Data using EViews 13, 2025

c. Random Effect Model (REM) Estimation Method

The Random Effect Model (REM) estimation method in this study is presented in the following table:

Table 6. Results of Random Effect Model (REM) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.182909	0.057367	-3.188414	0.0017
Firm Size	0.012227	0.004572	2.674196	0.0081
Investment Return	3.21E-07	8.63E-08	3.724236	0.0003
Claim Expense Ratio	-0.027903	0.010419	-2.678137	0.0080
Volume of Capital	0.103979	0.001660	62.64332	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			0.023383	0.4848
Idiosyncratic random			0.024107	0.5152
Weighted Statistics				
R-squared	0.960412	Mean dependent var		0.009620
Adjusted R-squared	0.959600	S.D. dependent var		0.126741
S.E. of regression	0.025475	Sum squared resid		0.126547
F-statistic	1182.678	Durbin-Watson stat		1.547900
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.909442	Mean dependent var		0.042823
Sum squared resid	0.321057	Durbin-Watson stat		0.610115

Source: Secondary Data Processed with Eviews 13, 2025

3. Selection of Panel Data Regression Estimation Model

a. Chow Test

Table 7. Results of the Chow Test

Redundant Fixed Effects Tests
Equation: FEM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.596859	(9,186)	0.0000
Cross-section Chi-square	**152.327777**	**9**	**0.0000**

Source: Secondary Data Processed with Eviews 13, 2025

The conclusion drawn from the Chow test centers on the null hypothesis (H_0), which posits that the suitable model is the Common Effect Model (CEM), whereas the

alternative hypothesis (H_1) proposes that the Fixed Effect Model (FEM) is more appropriate. Referring to the test outcomes in Table 7 above, the decision reached is to reject H_0 as the Cross-section Chi-square value (0.000) is less than the alpha value (0.05). Consequently, it can be inferred that the model chosen according to the Chow test is the Fixed Effect Model (FEM).

b. Lagrange Multiplier Test

Table 8. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	268.9049	22.39051	291.2954
	(0.0000)	(0.0000)	(0.0000)

Source: Secondary Data Processed with Eviews 13, 2025

The outcome of the LM test hinges on the null hypothesis (H_0), which suggests that the Common Effect Model (CEM) is the suitable model, whereas the alternative hypothesis (H_1) proposes the Random Effect Model (REM) as being appropriate. From the test results shown in Table 8, it was decided to reject H_0 since the probability value from the Cross-section Breusch-Pagan test (0.000) is less than the alpha value of 0.05. Thus, the conclusion is that the Random Effect Model (REM) is the model chosen in the LM test.

c. Hausman Test

Table 9. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: MODEL_REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	26.751639	4	0.0000

Source: Secondary Data Processed with Eviews 13, 2025

The result of the Hausman test is centered on assessing the null hypothesis (H0), which states that the Random Effect Model (REM) is appropriate, against the alternative hypothesis (H_1), which argues that the Fixed Effect Model (FEM) is more suitable. Upon examining the findings presented in Table 9, it is decided to reject H0,

as the probability value for the cross-section random (0.000) is lower than the 0.05 significance level. This leads to the determination that the Fixed Effect Model (FEM) is the favored choice in this Hausman test. In light of the three prior tests, it becomes clear that the Fixed Effect Model (FEM) and the Random Effect Model (REM) are both considered more appropriate than the Common Effect Model (CEM) per the Chow test and the LM test. Therefore, the Hausman test was conducted to identify the most fitting model between FEM and REM. Based on the results of the Hausman test, the Fixed Effect Model (FEM) is selected. This ultimately signifies that the chosen model for this research is the Fixed Effect Model (FEM).

4. Classical Assumption Test

a. Residual Normality Test

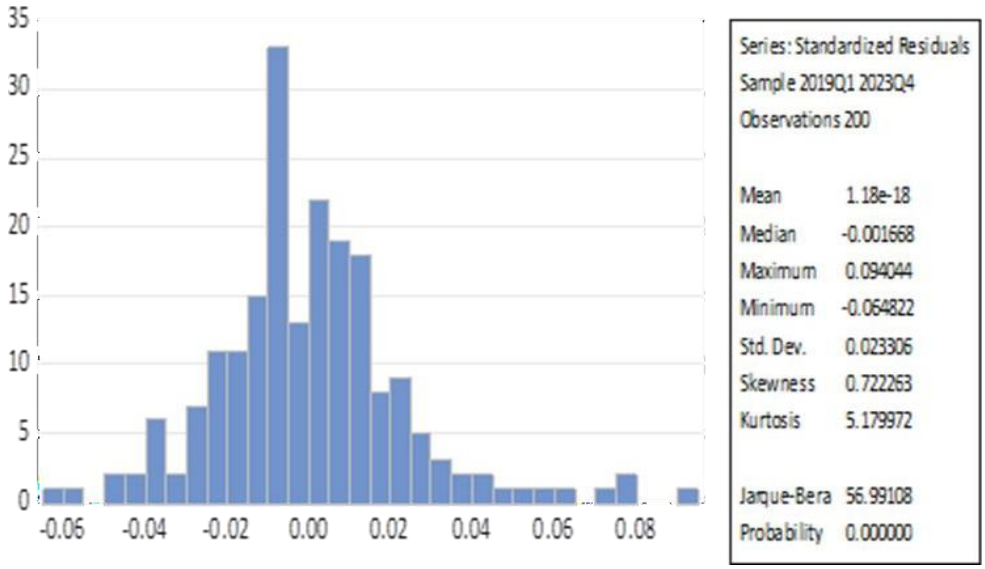

Figure 1. Normality Test Results

Source: Secondary Data Processed with Eviews 13, 2025

In Figure 1, the p-value for the normality test is 0.000. This indicates that the probability value is below the significance level (0.05), which suggests that the residuals do not follow a normal distribution. However, based on the Central Limit Theorem as stated by Dielman in Pranadipta and Natsir, data with a large sample size, namely more than 30 (n > 30), are considered to be normally distributed (Ruth Pranadipta and Natsir, 2023). In this study, the number of samples used is 200, and therefore, based on the Central Limit Theorem, the normality assumption can be considered as fulfilled.

b. Multicollinearity Test

Table 10. Multicollinearity Test Results

	Firm Size	Investment Return	Claims Expense Ratio	Volume of Capital
Firm Size	1.000000	0.616366	0.675143	-0.229010
Investment Return	0.616366	1.000000	0.514446	0.015426
Claims Expense Ratio	0.675143	0.514446	1.000000	-0.032217
Volume of Capital	-0.229010	0.015426	-0.032217	1.000000

Source: Secondary Data Processed with Eviews 13, 2025

The results of the multicollinearity test for the independent variables, as shown in Table 10, indicate that multicollinearity is not present. This is evidenced by the absence of any correlation coefficient values exceeding 0.8 among the independent variables.

c. Autocorrelation Test

Table 11. Selected Model Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.509452	0.092616	-5.500715	0.0000
Firm Size	0.037579	0.007314	5.138235	0.0000
Investment Return	3.619308	8.70E-08	4.160348	0.0000
Claim Expense Ratio	-0.014266	0.010888	-1.310290	0.1917
Volume of Capital	0.108870	0.001984	54.87881	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.969511	Mean dependent var		0.042823
Adjusted R-squared	0.967380	S.D. dependent var		0.133476
S.E. of regression	0.024107	Akaike info criterion		-4.545190
Sum squared resid	0.108094	Schwarz criterion		-4.314308
Log likelihood	468.5190	Hannan-Quinn criter.		-4.451756
F-statistic	454.9629	Durbin-Watson stat		1.761758
Prob(F-statistic)	0.000000			

Source: Secondary Data Processed with Eviews 13, 2025

This study includes 200 samples (n = 200) and utilizes 4 independent variables (k =

4), with an alpha level set at 0.05. Referring to the Durbin-Watson table, we find the lower bound (dL) at 1.73 and the upper bound (dU) at 1.81. Thus, the values for 4 - dU are 2.19 and for 4 - dL are 2.27. Based on the FEM model as the best model shown in Table 10, the Durbin-Watson value is 1.761758. If dL (1.73) ≤ DW (1.761758) ≤ dU (1.81), then no definitive conclusion can be drawn.

Since the results of the autocorrelation test do not allow for a definitive conclusion, the detection of autocorrelation can be guided by the theory proposed by Sigit Santoso. As shown in Table 11 above, the Durbin-Watson value is 1.761758. Since this value falls within the range of -2 and +2, it can be concluded that autocorrelation is not present (Santoso, 2019).

d. Heteroscedasticity Test

In this study, the method used to detect symptoms of heteroscedasticity is the Glejser test.

Table 12. Glejser Test Results

Dependent Variable: ABSRES
Method: Panel Least Squares
Date: 02/04/25 Time: 21:15
Sample: 2019Q1 2023Q4
Periods included: 20
Cross-sections included: 10
Total panel (balanced) observations: 200

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.024002	0.014326	1.675333	0.0955
Firm Size	-0.000549	0.001231	-0.446062	0.6560
Investment Return	9.23E-08	5.16E-08	1.789975	0.0750
Claims Expense Ratio	-0.002474	0.005220	-0.473958	0.6361
Volume of Capital	-0.000633	0.000940	-0.673517	0.5014

Source: Secondary Data Processed with Eviews 13, 2025

In Table 12, the probability value associated with firm size (0.6560) exceeds the alpha threshold (0.05), indicating that the firm size variable does not influence the absolute residual. Similarly, the probability value for investment return (0.0750) surpasses the alpha value (0.05), suggesting that the investment return variable also does not impact the absolute residual. Additionally, the claims expense ratio probability value (0.6361) is higher than the alpha value (0.05), implying the claims expense ratio variable has no effect on the absolute residual. The probability value for the volume of capital (0.5014) also exceeds the alpha value (0.05), thus the volume of capital variable does not influence the absolute residual. Consequently, there is no evidence of heteroscedasticity present in the model.

5. Hypothesis Testing Results

The results of the hypothesis test can be seen as follows:

a. Individual/Partial Parameter Significance Test (t-Test)

Table 13. Partial Test Results (t-Statistic Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.509452	0.092616	-5.500715	0.0000
Firm Size	0.037579	0.007314	5.138235	0.0000
Investment Return	3.619308	8.70E-08	4.160348	0.0000
Claim Expense Ratio	-0.014266	0.010888	-1.310290	0.1917
Volume of Capital	0.108870	0.001984	54.87881	0.0000

Source: Secondary Data Processed with Eviews 13, 2025

Based on the partial test results in the selected model, the Fixed Effect Model (FEM), as shown in Table 13, it can be concluded that:

1) The effect of firm size on profitability of sharia insurance companies

The p-value for the firm size variable, which is 0.000, is less than the alpha level of 0.05. Because the probability value is below 0.05 (5%), we reject the null hypothesis (H_0), suggesting that firm size has a partial influence on the profitability of sharia insurance companies. The coefficient for the firm size variable (X_1) is 0.037579, demonstrating that firm size positively impacts the profitability of sharia insurance companies. If firm size increases by 1%, then the profitability of sharia insurance companies will increase by 0.0376%. The results of this are in line with the findings in research conducted by (Adhikari & Ghosh, 2024; Ahmeti & Iseni, 2022; Sayekti & Santoso, 2022), which explain that firm size has a positive influence on the profitability of Islamic insurance companies. However, the findings of this study do not align with the research carried out by (Sanputra et al., 2024), Certain studies indicate that the scale of a firm adversely impacts the profitability of insurance companies. In other words, as an insurance company grows in size, its profitability tends to decrease.

2) The effect of investment return on profitability of sharia insurance companies

The p-value for the investment return variable, which is 0.000, is lower than the alpha level of 0.05. As this p-value falls below 5% (0.05), we reject the null hypothesis (H_0), implying that investment return partially influences the profitability of sharia insurance companies. The coefficient for the investment return variable (X2) is 3.619308, indicating a positive effect on the profitability of sharia insurance firms. A 1% increase in investment return is expected to boost the profitability of these companies by 3.619%. This finding aligns with the research by (Horvey et al., 2024; Nushaivi & Nasution, 2024; Pamungkas et al., 2024) which

emphasize a positive relationship between investment returns and insurance company profitability. Conversely, it contradicts (Setyaningsih et al., 2021), who found that investment returns do not affect insurance company profitability.

3) The effect of the claims expense ratio on the profitability of sharia insurance companies

The p-value associated with the claims expense ratio variable is 0.1917, which exceeds the alpha level of 0.05. With the p-value surpassing 0.05 (or 5%), the null hypothesis (H_0) is accepted, suggesting that the claims expense ratio does not have a partial effect on the profitability of sharia insurance companies. The coefficient of the claims expense ratio variable (X_3) is -0.014266, indicating a negative impact on the profitability of these companies. Consequently, if the claims expense ratio rises by 1%, the profitability decreases by 0.014266%. These findings contrast with studies by (Afiifah & Prajasari, 2022; Hasibuan et al., 2020; Noroozabad et al., 2023; Tanujaya & Rochdianingrum, 2023), which suggest that the claim expense ratio negatively affects insurance company profitability, implying that a higher claims expense ratio results in lower profitability. Nonetheless, this study's results align with those of (Vitalis, 2024) who concludes that the claim ratio does not impact insurance companies' profitability.

4) The effect of volume of capital on the profitability of sharia insurance companies

The probability value for the capital volume variable is 0.000, which is less than the alpha threshold of 0.05. With the p-value being under 0.05 (5%), we reject H_0, suggesting that capital volume has a partial impact on the profitability of sharia insurance companies. The coefficient for the capital volume variable (X_4) is 0.108870, indicating a positive influence on profitability. A 1% increase in capital volume will boost the profitability of sharia insurance companies by 0.1089%. This aligns with studies by (Azhari & Sukmaningrum, 2021; Kumar et al., 2022; Samina, 2024), who found a positive effect of capital volume on insurance profitability. Contrarily, research by (Sanputra et al., 2024; Shikur et al., 2022) suggests a negative impact, meaning higher capital volume leads to reduced profitability in insurance companies.

b. Simultaneous Significance Test (F-Test)

Table 14. Simultaneous Test Results (F-Test)

F-statistic	454.9629
Prob(F-statistic)	0.000000

Source: Secondary Data Processed with Eviews 13, 2025

According to the simultaneous test results presented in Table 14, the F-statistic is

454.9629 and the probability value is 0.000, which is below the alpha level of 0.05. Given that the probability value (p-value) is under 5% (0.05), the null hypothesis (H0) is rejected. This indicates that firm size, investment return, claims expense ratio, and capital volume collectively or jointly influence the profitability of sharia insurance companies.

c. Coefficient of Determination (R^2) Analysis

Table 15. R-squared Test Results

R-squared	0.969511
Adjusted R-squared	0.967380

Source: Secondary Data Processed with Eviews 13, 2025

Referring to Table 15, the R-squared value obtained from the analysis is 0.969511. This implies that 96.9511% of the variation in the dependent variable (profitability) can be accounted for by the independent variables considered in the research, which include the volume of capital, investment return, claims expense ratio, and firm size. Conversely, the remaining 3.0489% (calculated as 100% minus the R^2 value) is attributable to other factors or variables not addressed in this study.

CONCLUSION

The study's results, as detailed in the discussion and data analysis sections, indicate that the size of a firm has a partial impact on the profitability of sharia insurance companies. Similarly, investment return influences their profitability to some extent. However, the claims expense ratio does not seem to have a partial effect on profitability. Meanwhile, the volume of capital also plays a role in affecting profitability. Simultaneously, firm size, investment return, claims expense ratio, and volume of capital have a joint impact on the profitability of sharia insurance companies. The R-square value of 0.969511 shows that the dependent variable (profitability) can be explained by the independent variables used in the study, namely capital volume, investment returns, claim expense ratio, and capital volume of 96.9511%.

For upcoming researchers and studies, it is advised to explore additional variables that weren't examined in this study but could potentially have a stronger effect on the profitability of sharia insurance companies. In addition, it is also necessary to conduct more in-depth research on external factors beyond company operations that may affect profit or earnings growth in sharia insurance companies. External factors that potentially influence insurance company profitability include macroeconomic conditions (such as inflation, GDP, and interest rates), industry competition, government regulations, and others. Sharia insurance companies should continuously monitor and evaluate fluctuations in their financial performance to detect potential imbalances between income and expenditure, as well as to identify risks that may affect profitability and business sustainability. Through careful monitoring, companies

can take effective measures such as adjusting premium policies, diversifying investments, and managing claims more efficiently.

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