AL-AMWAL: JURNAL EKONOMI DAN PERBANKAN SYARI'AH (2024) Vol 16, No. 2
DOI: 10.70095/alamwal.v16i2.17061

Al-Amwal: Jurnal Ekonomi dan Perbankan Syariah
ISSN: 2303-1573 e-ISSN: 2527-3876
Homepage: https://www.syekhnurjati.ac.id/jurnal/index.php/amwal
email: jurnalalamwal@syekhnurjati.ac.id

The Impact of Islamic Banks Productive and Consumptive Financing on Indonesia Economic Growth

Muhammad Hilmy Khoirun Nafi,[1*] Ahmad Fawaiq Suwanan[2]

Fakultas Ekonomi Universitas Negeri Malang[1,2]
E-mail: *muhammad.hilmy.1904326@students.um.ac.id,*[1] *ahmad.suwanan.fe@um.ac.id*[2]

Abstract

This research aims to determine the role of Islamic banks institution financial programs encourages the Indonesia's real economy. The financing variable is explained in more detail through the type of financing channeled, namely productive financing, consumptive financing, third-party funds (ID) as one of the sources of funds for financing distribution by Islamic banks, and gross fixed capital formation (GFCF) variables as control variables. Panel data regression is used in this research to investigate the influence of variables in 33 provinces in Indonesia in the period 2013-2023. It was found that the growth of productive financing, third-party funds, and GFCF had a significant positive effect on GRDP growth partially, while the consumptive financing growth variable had an insignificant negative impact. Simultaneously, all four independent variables successfully influence the dependent variable significantly. According to this study findings, researchers urge Islamic bank institutions to encourage the distribution of productive type financing to increase the productivity of economic activities in Indonesia, considering that most of the Islamic financing channeled is consumptive.
Keywords: *Islamic Productive Financing; Islamic Consumptive Financing; Third Party Funds of Islamic Banks; Productivity; Economic Growth.*

Abstrak

Penelitian ini berfokus untuk mencari tahu peran pembiayaan pada lembaga bank syariah dalam mendorong perekonomian riil Indonesia. Variabel pembiayaan dijelaskan secara lebih detail melalui jenis pembiayaan yang disalurkan, yakni pembiayaan produktif, pembiayaan konsumtif, dana pihak ketiga (DPK) sebagai salah satu sumber dana penyaluran pembiayaan oleh bank syariah serta variabel pembentukan modal tetap bruto (PMTB) sebagai variabel kontrol. Analisis dalam penelitian ini menggunakan regresi data panel untuk menganalisis pengaruh variabel pada 33 provinsi di Indonesia tahun 2013-2023. Secara parsial, ditemukan bahwa pertumbuhan pembiayaan produktif, dana pihak ketiga, dan PMTB mempengaruhi pertumbuhan PDRB secara positif signifikan, sedangkan pada variabel pertumbuhan pembiayaan konsumtif tidak memiliki pengaruh

pada PDRB secara signifikan. Secara simultan, keempat variabel independen mampu mempengaruhi variabel dependen dengan signifikan. Berdasarkan hasil penelitian ini, peneliti menghimbau kepada pihak lembaga bank syariah untuk mendorong penyaluran pembiayaan berjenis produktif untuk meningkatkan produktifitas kegiatan ekonomi masyarakat di Indonesia, mengingat sebagian besar pembiayaan syariah yang disalurkan bersifat konsumtif.
Kata kunci: *Pembiayaan Produktif Syariah; Pembiayaan Konsumtif Syariah; Dana Pihak Ketiga Bank Syariah; Produktifitas; Pertumbuhan Ekonomi*.

INTRODUCTION

The halal economy, also referred to as the "Islamic economy", consists of products and services that are structurally influenced by Islamic ethics and laws (sharia), including food, pharmaceuticals, cosmetics, finance, media, transportation, and tourism (Safitri & Afandi, 2023). The halal economic sector in Indonesia itself has increased quite rapidly in recent years, including the halal food and beverage sector, halal cosmetics, fashion, Islamic banking, and other sectors (Financial Services Authority, 2022) . Globally, the Islamic finance sector as one of the halal economic sectors experienced the highest growth among all other economic sectors, in 2023 the Islamic finance sector experienced an increase of 33.7%, followed by the Islamic insurance sector with a growth of 17.7% (Salaam Gateway, 2024). Notably, 81% Islamic finance assets are concentrated in three countries: Iran, Saudi Arabia, and Malaysia. As one of the countries with the most significant potential for the halal finance sector, Indonesia experienced an increase of 15.5% by 2022 (Salaam Gateway, 2024; Wartoyo & Nur Haida, 2024).

The worldwide Islamic finance sector is expected to expand due to the growing openness of the global economy; by 2026, its total assets are expected to reach US $5.90 trillion (Financial Services Authority, 2022). The licensing of conventional commercial banks to create branch offices of Islamic business units is the strategic step in the growth of Islamic banking that has been undertaken. This step is a reaction and initiative from the revision of Law Number 10 of 1998 (Rahmatika, 2014; Wartoyo & Nur Haida, 2023).

Based on the Indonesia Islamic Finance Report 2023, the Islamic banking sector in Indonesia experienced significant growth, where Islamic banking assets in 2023 increased by 11.10% (yoy) with a value of 868.98 trillion rupiah and total Islamic financing increased by 15.59% (yoy) with a financing value of 567.39 trillion rupiah. Still, this financing growth was not better than the growth that occurred in the previous year, namely in 2022, with an increase of 19.94% (yoy). The development of Islamic bank financing is an accumulation of numerous financing growth channeled to the public. Business capital-type financing in 2023 experienced an increase of 16.03% (yoy), with a transaction value of 144.88 trillion rupiah. Investment-type financing also experienced the most significant increase, at 19.38% (yoy), with a transaction value of 132.81 trillion rupiah. Consumption-type financing as the largest financing value, has increased by 13.85% (yoy), with a transaction value of 290.74 trillion rupiah.

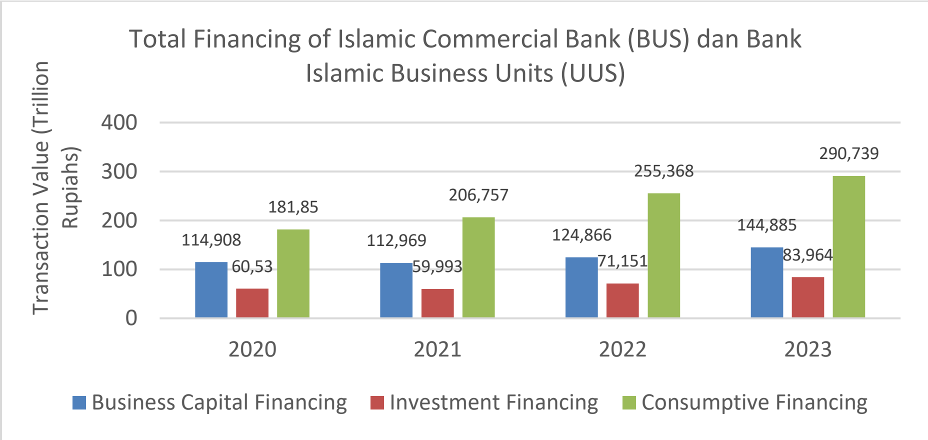

Figure 1. Graph of total financing types of Islamic banks in 2020-2023.

The distribution of Islamic bank financing is expected to increase Indonesia's economic growth through increasing the productivity of economic actors and the economic purchasing power of the Indonesian people. For example, the business world usually uses Islamic banking productive financing for production purposes such as building new factories and machinery or buying raw materials to benefit the production process that can produce goods and services. Meanwhile, the community usually uses Islamic banking consumptive financing to meet consumption needs such as purchasing vehicles, housing, etc. Productive financing has an impact on the business sector productivity, while consumptive financing has an impact on increasing people's purchasing power, and both of these contribute to the economic growth of a country (Sudrajat & Sodiq, 2018; Wartoyo et al, 2024).

The empirical literature on the connection between financing and economic development has been extensively researched both country and across country level. Previous studies demonstrate a positive and linear correlation between finance growth and GDP growth (Benczúr et al., 2019). Goldsmith (1969) pioneered the empirical investigation of the connection between financing and growth. He discovered a favorable relationship between finance and development using a sample of 35 nations.

Several studies that found a positive impact of financing on the economy at the country level have also been conducted in several parts of the world. These countries include Malaysia by Kassim (2016), Indonesia by Sudrajat & Sodiq (2018), United Arab Emirates (UAE) by Zarrouk et al. (2017), Turkey by Ledhem & Mekidiche (2022). At the cross-country or state union level, there are countries in the Organization of Islamic Corporations (OIC) by Al-Fawwaz et al. (2015) and Maamor et al. (2019), countries in the Middle East and North Africa (MENA) by Boukhatem & Ben Moussa (2018), GCC countries by Mohd. Yusof & Bahlous (2013), and sub-Saharan Africa (SSA) by Asongu et al. (2021). The effect of financing on the economy does not always get positive results, many studies find results that show that the relationship between financing and the economy is inconsistent and still varied (An et al., 2021; Deb et al., 2019; Herwartz & Walle, 2014; Sehgal et al., 2012). Odhiambo and Nyasha, (2019) explain the connection as a complex one, where varying research results depend on the analytical model that used, several region-specific factors, and the development of the banking finance sector in the country under study (Ustarz & Fanta, 2021).

In their studies of 65 countries throughout the world, Narayan & Narayan (2013), and Ayadi et al. (2015), who concentrated on 11 Mediterranean nations between 1985 and 2009 period, discovered a negative correlation between the funding of the banking industry and economic development. Jude (2019) concluded that there is no significant correlation between the growth of the islamic banking sector and Nigeria's economic expansion. According to Barajas (2016) who examined 150 countries in the period 1975-2005 showed that the relationship between financing-economic growth differs between regions, where the effect of financing is weaker in countries/regions with lower income levels. The difference in the relationship is due to the characteristics of people with lower incomes who tend to use financing for consumptive activities.

Based on this background, the researcher concluded that there have been many studies that raise the topic of the effect of financing in general on the economy with different results, but there are still very few that discuss the effect of Islamic financing in more detail through the types of financing channeled by bank institutions. Therefore, the author are interested in conducting research on the impact of productive financing and consumptive financing as separate variables on the Indonesian economy.

LITERATURE REVIEW

Financing Theory

Murari (2017) found that there are numerous theories and empirical investigations discuss how the financial sector affects economic growth. According to Chuah et al. (2004), the theoretical study between finance and economic growth relation has led to three main arguments. The similarity of three main arguments that already found is in the function of financing to boost the economic and how the finance and economic growth affect to each other, but the process of how it works found to be different in some different places with a different economic conditions.

Schumpeter (1934) presented the first argument regarding the correlation between financing and economic growth. He stated that financing beneficially impacts economic growth, an argument known as the "supply-leading" theory. Finance's impact on economic expansion occurs through investment activities, where banking institutions mobilize stored funds and channel them as productive investments (Ustarz & Fanta, 2021). Based on Gurley and Shaw (1955), finance institution's actions in distributing a surplus unit to other units that experiencing deficits can increase economic growth rates. With financing, economic actors are able to increase economic activity through the addition of business capital assets, increase innovation as an effort to expand a business and accelerate the money flows movements by increasing people's purchasing power (Gurley & Shaw, 1955; Schumpeter, 1934).

The second argument was introduced by Foster & Robinson (1981) in his hypothesis said that the financing and economic growth has "demand-following" relationship. The idea Robinson stated contradicts the first argument regarding the role of financing that is able to increase economic growth, where financing activities that occur follow the flow of economic growth itself (Atici, 2018). This argument explains the concept of real economic growth being able to trigger the demand of economic actors for financing products, which in turn leads to the transformation of the increase in financing institutions and financing instruments to meet the demand for financing services (Atici, 2018). This "demand-following" argument has been supported by Jung (1986), Goldsmith (1969), and Gurley & Shaw (1967).

The difference of opinion in the two previous arguments has led to a new argument, where the connection between financing and economic growth is a combination of "supply-leading" and "demand-following". This opinion was initiated by Patrick (1972) in his theory known as "the stage of development". This theory explains that the financing and economic growth connection is divided into two stages. According to Patrick, financing has a role in the early stages of economic growth by adding to ongoing economic activities, which is in line with Schumpeter's (1934) "supply-leading" hypothesis. As the economy grows, demand for financing products to expand economic activities will occur, in line with the "demand-following" hypothesis by Foster and Robinson (1981).

Productive Financing

Productive financing is financing that is given to facilitate the production process, for example, financing used for the purchase of business machines (Suyatno et al., 2007). According to Karman et al. (2023), productive financing has many benefits both micro and macro. Micro, productive financing aims to maximize business profits, as an effort to minimize risk and economic empowerment. In the macro side, productive financing is useful for opening new jobs, increasing income distribution, increasing productivity, and the economy of the people. There are also other objectives related to financing, the first function is profitability, namely the aim of obtaining results from financing in the form of profits achieved from the profit sharing of jointly managed businesses, another function is safety, namely security if there are business risks (Karman et al., 2023).

Productive financing includes the investment financing programs and working capital financing programs. Investment financing is a form of financing that can be used by companies to add and expand their business activities both in the form of current assets and fixed assets (Karman et al., 2023). Working capital financing is utilized to support the company's daily operations, allowing it to run continually and consistently (Suyatno et al., 2007). Some uses of working capital financing and investment financing for business activities include the purchase of raw materials, payment of labor wages, purchase/replacement of production machinery, establishment of new projects, business expansion, and business relocation.

Consumptive Financing

Consumptive financing is a type of financing that is given to facilitate consumption process (Suyatno et al., 2007). Consumptive financing is included in one type of financing provided by banks or other financial institutions to individuals and groups to meet their consumption needs (Karman et al., 2023). This financing is often used to purchase consumer goods such as home ownership loans (KPR), motorcycle purchase loans, credit cards, electronic equipment, or household furniture (Sudrajat & Sodiq, 2018). Consumptive financing in this research model is financing channeled by Islamic banking to meet customer consumption needs in 33 provinces in Indonesia in 2013-2023.

Third-Party Funds

Third Party Funds more commonly referred to as deposits are one of the funding sources used by banking institutions in channeling financing. There are several types of third-party funds, namely deposits from other banks and from customers. After obtaining a source of funds from the public in the form of a deposit, the bank redistributes these funds to the economy through several types of financing (M. Anwar et al., 2020). The growth of deposits that received by Islamic banks encourages to increase investment, which promotes the economic growth (Mohamad et al., 2018). The bigger the amount of deposits in the bank, the greater the bank's ability to provide financing to customers, which is expected to positively affects the growth of economy in production and consumption activities (Kismawadi, 2024).

Third-Party Funds

Gross fixed capital formation (GFCF) is a macroeconomic measure that represents capital accumulation as total investment and business activity level (Abduh & Azmi Omar, 2012). GFCF also assesses the investment made by the industry in nation's economy in form of capital assets throughout a specific time period (Furqani & Mulyany, 2009). In this research models, GFCF used as one of the intermediate variables, representing the total economic investment of 33 Indonesian provinces. According to Gani and Bahari (2020) and Tabash et al. (2022), GFCF can boost Gross Regional Domestic Product (GRDP) via capital growth.. When capital creation increases due to greater investment, the economy's production and income rise, resulting in an increase in GRDP.

METHODS

This research is quantitative-type of research with an comparative approach, which is a type of research that uses numbers and data and is calculated mathematically to find the research results in the form of cause-and-effect relationships accurately. The data used in this research are secondaries data. Secondary-type data is type of data that indirectly obtained from the internet, journals, reports ,and other sources.

The secondary data that used in this study are Islamic bank financing reports and regional provincial economic balance sheets for the period 2013-2023 consisting of 33 provinces in Indonesia. The data sources used in this research were obtained from Islamic Banking Statistics report that released by the Financial Services Authority (OJK), and the Indonesian economic index from the Central Statistics Agency (BPS) for the period 2013-2023.

The analysis regression technique in this research using panel data analysis. Panel data is a combined analysis technique of time series analysis and cross-sectional analysis.

$$\Delta GRDP_{it} = \beta_0 + \beta_1 \Delta IFP_{it} + \beta_2 \Delta IFC_{it} + \beta_3 \Delta ID_{it} + \beta_4 \Delta GFCF_{it} + e_{it}$$

Where:

β_0	: Constant
$\beta_1 . \beta_2 . \beta_3 . \beta_4$	: Regression Coefficient
ΔGRDP	: Gross Regional Domestic Revenue Growth (billion)
ΔIFP	: Productive Financing Growth of Islamic Bank (billion)
ΔIFC	: Consumptive Financing Growth of Islamic Banks (billion)
ΔID	: Growth of Third Party Funds of Islamic Banks (billion)
ΔGFCF	: Gross Fixed Capital Formation Growth (billion)
i	: Province (33 provinces of Indonesia)
t	: Year (period 2013-2022)
e	: error term

In panel data analysis, there are multiple data estimation models can be used, notably the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). The three models will be chosen using a model selection test. The best possible model would selected by performing the Chow, Hausman, and Lagrange Multiple (LM) tests (Gujarati & Porter, 2009).

RESULT AND DISCUSSION

Model Selection Test

Table 1. Model selection test results

Model Selection Test	Results	Selected Model
Chow Test (FEM/CEM)	0.0000	FEM
Hausman Test (FEM/REM)	0.3634	REM
LM Test (REM/CEM)	0.0000	REM

Source: STATA 17, processed

Panel data regression has three main models that can be used to interpret the results of the research being tested, namely the common effects, fixed effects and random effects. The best model selection test results are obtained after multiple steps, including the Chow Test, Hausman Test, and LM Test. The Chow test in this study showed Prob F = 0.0000, indicating that the Fixed Effect model is preferred to the Common Effect model. The analysis continued with the Hausman Test, which resulted Prob Chi2 = 0.36346 (> 0.05), indicating that the Random Effect Model betters the Fixed Effect Model. Following the results of model selection testing, the most suitable approach to choose is the random effect model.

Classical Assumption Test

The next necessary test in panel data regression is the classical assumption test on the selected model. The test includes for classical assumption is the multicollinearity and the heteroscedasticity test. According to Kuncoro (2016), the normality test on panel data does not need to be done to get the Best Linear Unbiased Estimator (BLUE) results. Based on Gujarati and Porter (2009), the autocorrelation test is best to be used in time-series research, but if it’s used in cross-section type of research then the results will not be accurate. Therefore, normality tests and autocorrelation tests do not need to be done in panel data research.

Table 2. Multicollinearity test results

Variable	VIF	1/VIF
ID	2.94	0.340013
IFC	2.40	0.416350
IFP	2.16	0.462341
GFCF	1.45	0.687941
Mean VIF	2.24	

Source: STATA 17, processed

Multicollinearity VIF test used to find the correlation between the variables, if the VIF value > 10 points, then there's multicollinearity problem. The test above shows that all of the variable VIF point are < 10, therefore no multicollinearity problem between the variables that used in the equation. But, the Breusch-Pagan heteroscedastisity test find the prob value is 0.00000 (below alpha 0.05), it's show that the data used in this research have heteroscedasticity problems. However, because the chosen model is a random effect model that is using generalized least squares (GLS), the error of classical assumption testing can be ignored because it is already reach BLUE (Best Linear Unbiased Estimators)(Gujarati & Porter, 2009).

Hypothesis Test

Table 3. Random Effect Model (REM) Regression Results

Variable	Coefficient	t	Prob.
IFP	1.151699	3.45	0.001
IFC	-.4086852	-0.71	0.479
ID	.8176455	3.74	0.000
GFCF	1.696159	21.78	0.000
C	5427.605	5.61	0.000

Source: STATA 17, processed

According on the REM regression results above, in this research has obtained the equation as follows

$$\Delta GRDP_{it} = 5427.61 + 1.15\, IFP - 0.41\, IFC + 0.82\, ID + 1.69\, GFCF + e_{it}$$

Islamic banking productive financing growth (IFP) variable has a probability of 0.001, which below the alpha points (0.05). The T value of the IFP variable is 3.45, which is above the T table (363-5) with a value of 1.967. So it could be determined that the IFP variable has a significant impact on GRDP. Islamic banking consumptive financing growth (IFC) variable has a probability of 0.479 or more than alpha (0.05). The T value of IFC variable is -0.71, which is below the T table (363-5) with a value of 1.967. So it could be concluded that the IFC does not affect GRDP significantly.

The growth variable of Islamic banking third-party funds (ID) has a probability value of 0.000, which below the alpha points (0.05). The T value of the ID variable is 3.74, which is above the T table (363-5) with a value of 1.967. So it could be determined that the ID variable significantly affects GRDP. The probability value of the growth gross fixed capital formation (GFCF) variable is 0.000, which below the alpha points (0.05). The T value of the PMTB variable is 21.78, which is above the T table (363-5) with a value of 1.967. So it can be determined that the GFCF variable have significant impact on GRDP.

In this research, the prob>F probability value of 0.000 and is lesser than alpha points (0.05). The results also showed that the F value is 155.68, or above the F table value with a significance level of 0.05 which is 2.397. According to the results above, it could be stated that the growth of IFP, IFC, ID, and GFCF variables has simultaneous impact on the growth of GRDP. A determination test is performed to measure the contribution of dependent variables in determining the independent variable. The R-squared test shows 0.7468, which means that the dependent variables IFP, IFC, ID, and GFCF are able to explain 74.68% of the GRDP variable, while the 25.32% remaining is explained by other additional variables that is not used in this research.

Discussion

Productive Financing is one type of financing which aims to increase economic productivity by increasing community business capital through banking financing programs. Following the initial objectives of the establishment of the Islamic productive financing program, banking institutions, and the government should be able to play an active role in improving the community's economy through the distribution of business capital and investment. According to the findings of the research above, the coefficient value of IFP is 1.152 with a probability of 0.001, this result shows that the IFP variable affects GRDP in a significantly positive way, where if there is a growth in Islamic banking productive financing of 1 billion, the value of GRDP growth will increase by 1.152 billion rupiah. These results are in accordance with Kismawadi's (2024) research which states that Islamic bank financing is able to encourage real economic growth in seven developing countries in the world, namely Saudi Arabia, United Arab Emirates, Kuwait, Malaysia, Qatar, Bahrain, and Bangladesh. (Gani & Bahari, 2020) share similar research findings, stating that there is a significant positive relationships between Islamic bank financing and Malaysian economic growth, in both the short and long term.

In contrast to sharia productive financing, the results showed that the sharia consumptive financing variable negatively influenced the growth of GRDP in 33 provinces in Indonesia. The IFC coefficient value is -0.4087, indicates that every time consumptive financing value increased by 1 billion, there is a decrease in GRDP by 0.4087 billion. This findings are not in accordance with the Nawaz et al. (2019) studies which claims that consumptive financing has a significant positive impact on Pakistan's economic growth. According to Nguyen et al. (2019) in their research on the Islamic bank financing impact on the economy of 90 developed and developing countries, Islamic bank financing does not significantly affects the developing countries economic growth, it is because the financial services are not utilized effectively and cause other costs that risk reducing the economy.

Third-party funds (ID) have an important role in financing activities carried out by banks, the value of ID can be used as the parameter for the bank's ability to channel financing to the public (M. Anwar et al., 2020). According to the research results above, the growth of third-party funds in Islamic banking is able to significantly affect GRDP growth with a coefficient value of 0.8176, which indicates that every time when third-party funds received by Islamic banks value increased by 1 billion, it can increase GRDP growth by 0.8176 billion. The findings of this research are in accordance with the studies of Alghifary et al. (2021) which states that third-party funds has a significant positive impact to the growth Indonesia's economiy through an increase value of MSMEs output. Another study by Kismawadi (2024) on the Islamic banks contribution to developing countries economic growth also obtained similar results, where the Islamic banks total deposit significantly had a positive affects the economic.

The main objective of this research is to find out how the Islamic banks financing programs is able to encourage the economy in more detail by distinguishing types of financing based on the purpose of financing. According to the analysis obtained results, shows that the growth of Islamic banking productive financing variable, Islamic banking third-party funds, and gross fixed capital formation have a positive significant impact on GRDP growth, but on the contrary, the Islamic banking consumption financing variable affects GRDP growth negatively and insignificantly. This is in accordance with Schumpeter's (1934) argument which states that financing is able to encourage economic growth if it is utilized to increase the productivity of community economic activities, such as business expansion, addition/renewal of production machinery, and the establishment of new projects. Meanwhile, if financing services are utilized for consumption activities such as buying a house or vehicle, it will have a unsignificant impact on economic growth as they (customers) pays greater cost for the actual value they getting, while the value of things itself could potentially depreciates over time.

As rapidly industrial sector grows, Islamic banking is able to provide muslim peoples needs of banking services that follows the islamic laws (Hoque et al., 2022). Financing channeled by Islamic banks and business units at this time is mostly consumptive financing, the ratio of total Islamic financing in 2023 is 48% channeled for productive financing (276.65 trillion rupiah), while the other 52% is channeled for consumptive financing (290.74 trillion rupiah). The number of productive financing that is smaller than consumptive financing in Islamic banking must be increased more to encourage the real economy of society, especially in the MSME sector, which is the sector with the largest contribution to GDP (60% of Indonesia's GDP) and the largest contributor to the number of workers in Indonesia with a total of 116.9 million workers or 97% of the total workforce in Indonesia (Novitasari, 2022). As a sector that is very influential in the Indonesian economy, Islamic bank financing channeled to MSMEs in 2023 was only realized at IDR 95.41 trillion, or around 17% of the total financing channeled to the public.

Based on the results of the above research, the GFCF variable affects GRDP growth significantly positively with a coefficient of 1.981 and a probability of 0.000 or below alpha (0.05), this indicates that every time there is an increase in the value of GFCF by 1 billion, it can increase GRDP growth by 1.981 billion. This findings is in accordance with the research of Ledhem and Mekidiche (2022) which claims that the growth of gross fixed capital formation (GFCF) variables has a significant positive relationship with Turkey’s real economic growth. Abduh and Omar (2012) also share similar results by stating that there is a positive and significant relationship between the GFCF and Indonesia's economic growth. The findings of this research are in accordance with the study of Tabash et al. (2022) which founds that investments from GFCF have a positive impact on the growth of Nigeria economy.

CONCLUSION

Based on this research findings, there are several suggestions that the authors are able to provide that can be considered by Islamic banking institutions and the government. Researchers hope that Islamic banking and other banking institutions will further promote Islamic productive financing available to business actors such as MSMEs, SMEs, and society in general. Also, the application process for taking finance services has to be evaluated by the institution, it is because the requirements to apply the productive financing is harder than applying consumptive finance. The customers need to have the running business in physical first to apply the productive financing, if the customers did the business online and not have the physical business or still want to open a new business, then they cannot receive the financing services. It is need to be fixed and evaluated so the society especially MSME's can have the actual benefit for their business activity from islamic banking financing. By the growth of sharia-based financing demand, the author hopes that the government as a policyholder needs to take strategic steps to help the growth of Islamic banking institutions that can make a positive contribution to the Indonesian economy.

REFERENCES

Abduh, M., & Azmi Omar, M. (2012). Islamic banking and economic growth: the Indonesian experience. *International Journal of Islamic and Middle Eastern Finance and Management*, *5*(1), 35–47. https://doi.org/10.1108/17538391211216811

Al-Fawwaz, T. M., Alawneh, A. M., & Shawaqfeh, G. N. (2015). The Impact of Islamic Finance on Some Macro Economic Variables. (A case study of Jordan Islamic Bank). *Interdisciplinary Journal of Contemporary Research in Business*, *7*(1), 10–31.

Alghifary, M. S., Kadji, D., & Kornitasari, Y. (2021). Pengaruh Pembiayaan Bank Syariah Terhadap Nilai Output Umkm: Analisis Data Panel. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *8*(4), 518. https://doi.org/10.20473/vol8iss20214pp518-529

An, H., Zou, Q., & Kargbo, M. (2021). Impact of financial development on economic growth: Evidence from Sub-Saharan Africa. *Australian Economic Papers*, *60*(2), 226–260. https://doi.org/10.1111/1467-8454.12201

Asongu, S. A., Adegboye, A., & Nnanna, J. (2021). Promoting female economic inclusion for tax performance in Sub-Saharan Africa. *Economic Analysis and Policy*, *69*, 159–170. https://doi.org/10.1016/j.eap.2020.11.010

Atici, G. (2018). Islamic (participation) banking and economic growth: Empirical focus on Turkey. *Asian Economic and Financial Review*, *8*(11), 1354–1364. https://doi.org/10.18488/journal.aefr.2018.811.1354.1364

Ayadi, R., Arbak, E., Naceur, S. Ben, & De Groen, W. P. (2015). Financial development, bank efficiency, and economic growth across the mediterranean. *Economic and Social Development of the Southern and Eastern Mediterranean Countries*, 219–233. https://doi.org/10.1007/978-3-319-11122-3_14

Barajas, A. (2016). The Finance and Growth Nexus Re-Examined: Do All Countries Benefit Equally? In *Journal of Banking and Financial Economics* (Vol. 2016, Issue 1). https://doi.org/10.7172/2353-6845.jbfe.2016.1.1

Benczúr, P., Karagiannis, S., & Kvedaras, V. (2019). Finance and economic growth: Financing structure and non-linear impact. *Journal of Macroeconomics*, *62*(December 2017), 103048. https://doi.org/10.1016/j.jmacro.2018.08.001

Boukhatem, J., & Ben Moussa, F. (2018). The effect of Islamic banks on GDP growth: Some evidence from selected MENA countries. *Borsa Istanbul Review*, *18*(3), 231–

247. https://doi.org/10.1016/j.bir.2017.11.004

Chuah, H. L., Thai, W., & Chuah, L. (2004). *Financial development and economic growth: Evidence from causality tests for the GCC countries*.

Deb, S. G., Mishra, S., & Banerjee, P. (2019). Stock market, banking sector and economic growth: A cross-country analysis over different economic cycles. *Studies in Economics and Finance*, *36*(3), 348–364. https://doi.org/10.1108/SEF-02-2017-0046

Department of Islamic Banking Financial Services Authority. (2022). *Indonesian Islamic Finance Report 2022*. 181. https://www.ojk.go.id/en/berita-dan-kegiatan/info-terkini/Pages/Indonesian-Islamic-Finance-Report-2022.aspx

Foster, J., & Robinson, J. (1981). The Generalisation of the General Theory and Other Essays. In *The Economic Journal* (2nd ed., Vol. 91, Issue 364). Palgrave Macmillan London. https://doi.org/10.2307/2232514

Furqani, H., & Mulyany, R. (2009). Islamic banking and economic growth: Empirical evidence from Malaysia. *Journal of Economic Cooperation and Development*, *30*(2), 59–74.

Gani, I. M., & Bahari, Z. (2020). Islamic banking's contribution to the Malaysian real economy. *ISRA International Journal of Islamic Finance*, *13*(1), 6–25. https://doi.org/10.1108/IJIF-01-2019-0004

Gateway, S. (2024). State of the Global Islamic Economy Report 2023-2024. In *DinarStandard*. https://haladinar.io/hdn/doc/report2018.pdf

Goldsmith, R. W. (1969). Financial Structure and Development as a Subject for International Comparative Study. *National Bureau of Economic Research, The Compar*, 114–123. http://www.nber.org/chapters/c4417.pdf

Gujarati, D. N., & Porter, D. C. (2009). *Basic econometrics*. McGraw-hill.

Gurley, J. G., & Shaw, E. S. (1955). Financial Aspects of Economic Development. *The American Economic Review, Vol. 45, No. 4 (Sept., 1955), Pp.515-538*, *45*(4), 515–538.
http://www.jstor.org/stable/1811632%5Cnhttp://www.jstor.org/stable/1811632

Herwartz, H., & Walle, Y. M. (2014). Openness and the finance-growth nexus. *Journal of Banking and Finance*, *48*, 235–247. https://doi.org/10.1016/j.jbankfin.2014.06.031

Hoque, M. N., Rahman, M. K., Said, J., Begum, F., & Hossain, M. M. (2022). What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh? *Sustainability (Switzerland)*, *14*(8). https://doi.org/10.3390/su14084703

Jung, W. S. (1986). Financial development and economic growth: international evidence. *Economic Development & Cultural Change*, *34*(2), 333–346. https://doi.org/10.1086/451531

Karman, A., Ratnaningtyas, E. M., Aryanti, Y., Nurhakim, L., Nugroho, A. P., Sofyanty, D., & Zulfikar, M. (2023). *Perbankan Syariah*. Empatdua Media.

Kassim, S. (2016). Islamic finance and economic growth: The Malaysian experience. *Global Finance Journal*, *30*, 66–76. https://doi.org/10.1016/j.gfj.2015.11.007

Kismawadi, E. R. (2024). Contribution of Islamic banks and macroeconomic variables to economic growth in developing countries: vector error correction model approach (VECM). *Journal of Islamic Accounting and Business Research*, *15*(2), 306–326. https://doi.org/10.1108/JIABR-03-2022-0090

Kuncoro, A. (2016). Small and Large Firm Performance Gaps in Indonesia in the Era of Globalization: Evidences from Micro-Data on Manufacturing Establishments. *Globalization and Performance of Small and Large Firms*, *May*, 1–29.

Ledhem, M. A., & Mekidiche, M. (2022). Islamic finance and economic growth: the Turkish experiment. *ISRA International Journal of Islamic Finance*, *14*(1), 4–19. https://doi.org/10.1108/IJIF-12-2020-0255

M. Anwar, S., Junaidi, J., Salju, S., Wicaksono, R., & Mispiyanti, M. (2020). Islamic bank contribution to Indonesian economic growth. *International Journal of Islamic and Middle Eastern Finance and Management*, *13*(3), 519–532. https://doi.org/10.1108/IMEFM-02-2018-0071

Maamor, S., Hasan, H., & Abdullah, H. (2019). Evaluating the Effect of Islamic Financing To Financial Development: Evidence From Oic Countries. *International Journal of Management Studies*, *25*(2), 71–89. https://doi.org/10.32890/ijms.25.2.2018.10501

Mehrling, P. G. (2021). Financial Structure and Economic Development. *The Money Interest and the Public Interest*, *15*(3), 201–220. https://doi.org/10.2307/j.ctv23dxd61.16

Mohamad, A. A. S., Mohamad, M. T., & Arishin, S. S. A. (2018). Determinants of the asset structure of Malaysian Islamic Banks: A panel study. *New Developments in Islamic Economics: Examples from Southeast Asia*, 181–195. https://doi.org/10.1108/978-1-78756-283-720181012

Mohd. Yusof, R., & Bahlous, M. (2013). Islamic banking and economic growth in GCC & East Asia countries: A panel cointegration analysis. *Journal of Islamic Accounting and Business Research*, *4*(2), 151–172. https://doi.org/10.1108/JIABR-07-2012-0044

Murari, K. (2017). Financial Development–Economic Growth Nexus: Evidence from South Asian Middle-income Countries. *Global Business Review*, *18*(4), 924–935.

Narayan, P. K., & Narayan, S. (2013). The short-run relationship between the financial system and economic growth: New evidence from regional panels. *International Review of Financial Analysis*, *29*, 70–78. https://doi.org/10.1016/j.irfa.2013.03.012

Nawaz, H., Abrar, M., Salman, A., & Bukhari, S. M. H. (2019). Beyond finance: Impact of Islamic finance on economic growth in Pakistan. *Economic Journal of Emerging Markets*, *11*(1), 8–18. https://doi.org/10.20885/ejem.vol11.iss1.art2

Nguyen, Y. N., Brown, K., & Skully, M. (2019). Impact of finance on growth: Does it vary with development levels or cyclical conditions? *Journal of Policy Modeling*, *41*(6), 1195–1209. https://doi.org/10.1016/j.jpolmod.2019.05.006

Novitasari, A. T. (2022). Kontribusi Umkm Terhadap Pertumbuhan Ekonomi Era Digitalisasi Melalui Peran Pemerintah. *JABE (Journal of Applied Business and Economic)*, *9*(2), 184. https://doi.org/10.30998/jabe.v9i2.13703

Odhiambo, N. M., & Nyasha, S. (2019). Does bank-based financial development spur economic growth? Empirical evidence from the Democratic Republic of Congo. *International Journal of Sustainable Economy*, *11*(4), 378–393. https://doi.org/10.1504/IJSE.2019.103493

Ofili Jude, I. (2019). Do Banking Sector Reforms Drive Economic Growth in Nigeria. *International Journal of Business and Economics Research*, *8*(5), 273. https://doi.org/10.11648/j.ijber.20190805.14

Patrick, H. T. (1972). Financial Development and Economic Growth in Underdeveloped Countries: Reply. *Economic Development and Cultural Change*, *20*(2), 326–329. https://doi.org/10.1086/450553

Rahmatika, A. N. (2014). Dual Banking System di Indonesia. *At-Tahdzib: Jurnal Studi Islam Dan Muamalah*, *2*(2), 133–147.

Safitri, A., & Afandi, M. Y. (2023). Trends of Halal Industry Research: A Bibliometric Analysis. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *10*(6), 605–619. https://doi.org/10.20473/vol10iss20236pp605-619

Schumpeter, J. A. (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Harvard University Press.

Sehgal, S., Ahmad, W., & Deisting, F. (2012). A Re-Assessment of the Role of the Financial Sector in Driving Economic Growth: Recent Evidence from Cross Country Data. *International Journal of Economics and Finance*, *5*(1), 133–149. https://doi.org/10.5539/ijef.v5n1p133

Sudrajat, A., & Sodiq, A. (2018). Pengaruh Pembiayaan Produktif dan Konsumtif Perbankan Syari'ah Terhadap Pertumbuhan Ekonomi Di Indonesia Periode 2013-2017. *BISNIS : Jurnal Bisnis Dan Manajemen Islam*, *5*(1), 157. https://doi.org/10.21043/bisnis.v5i1.2956

Suyatno, T., MBA, D. T. M., Azhar, A., Aponno, J. T., Ananda, C. T. Y., & Chalik, H. A. (2007). *Kelembagaan Perbankan*. Gramedia Pustaka Utama.

Tabash, M. I., Abdulkarim, F. M., Akinlaso, M. I., & Dhankar, R. S. (2022). Islamic banking and economic growth: fresh insights from Nigeria using autoregressive distributed lags (ARDL) approach. *African Journal of Economic and Management Studies*, *13*(4), 582–597. https://doi.org/10.1108/AJEMS-03-2021-0138

Ustarz, Y., & Fanta, A. B. (2021). Financial development and economic growth in sub-Saharan Africa: A sectoral perspective. *Cogent Economics and Finance*, *9*(1). https://doi.org/10.1080/23322039.2021.1934976

Wartoyo, W & Nur Haida (2024). The Impact of Government Sukuk Emissions on Islamic Banking Activities in Indonesia. Equilibrium: Jurnal Ekonomi Syariah, [S.l.], v. 12, n. 1, p. 235-252. doi:http://dx.doi.org/10.21043/equilibrium.v12i1.28223.

Wartoyo, W., Haida, N., Komalasari, A., & Zaizafun, A. F. (2024). Analysis of the Effect of Fiscal and Monetary Policy on Economic Growth in Indonesia Pre and Post Covid-19. *PROFIT: Jurnal Kajian Ekonomi dan Perbankan Syariah*, *8*(1).

Wartoyo, W., & Haida, N. (2023). The Actualization of Sustainable Development Goals (SDGs) In Indonesia Economic Growth an Islamic Economic Perspective. *IQTISHADUNA*, *14*(1), 107-124.

Zarrouk, H., El Ghak, T., & Abu Al Haija, E. (2017). Financial development, Islamic finance and economic growth: evidence of the UAE. *Journal of Islamic Accounting and Business Research*, *8*(1), 2–22. https://doi.org/10.1108/JIABR-05-2015-0020