

THE INFLUENCE OF ISLAMIC BANKS, ISSI AND SBSN FINANCING ON INDONESIA'S GROSS DOMESTIC PRODUCT

Rafika Ananda Putri¹, Muhammad Lathief Ilhamy Nasution²,
Atika³

^{1,2,3}State Islamic University of North Sumatra

fikaananda704@gmail.com, mlathiefilhamy@uinsu.ac.id, atika@uinsu.ac.id

Abstract: *The purpose of this study is to find out how financing, ISSI and SBSN affect gross domestic product. The results of this study are expected to be useful for the government and industry players in Indonesia in knowing the picture of the state of the financial sector and formulating policy strategies in the future so as to create high and stable real sector growth to be able to encourage economic growth in Indonesia. The results of the study show that: 1) The influence of Islamic Banking Financing has no effect on GDP. 2) ISSI has no influence on GDP. 3) SBSN has no significant influence on GDP. 4) Sharia, ISSI, and SBSN banking financing simultaneously have an influence on GDP.*

Keywords: *Influence of Financing, ISSI, SBSN, PDB, Sharia Banking*

Introduction

As a developing country, Indonesia needs a lot of capital to increase its economic growth. There are many things that Indonesia has done in increasing its economic growth. One of Indonesia's efforts to be able to encourage rapid economic growth is to promote the investment sector, which is still a topic of discussion, especially in terms of the capital market (Nurafianti, 2019). Capital market developments are currently ongoing and will continue to increase. This can be shown by the increasing variety of instruments from the capital market. The capital

market is one of the important factors as a pillar of the country's economic development, because the existence of a well-developed capital market is one of the characteristics of developed and developing countries.

In Indonesia, where the majority of the population is Muslim, sharia-based investment has begun to develop, where the investment incorporates Islamic principles into investment activities by conducting a selection process in the selection of investment instruments. The sharia capital market is one of the means of investing in accordance with Islamic principles (Auliyatussaa'adah et al., 2021).

The Indonesia Sharia Stock Index (ISSI) is an indicator of the performance of Indonesia's sharia stock market which was launched on May 12, 2011. ISSI's constituents are all sharia stocks that have been listed on the IDX and are included in the Sharia Securities List (DES) issued by the OJK. This means that the IDX does not select sharia stocks that are included in ISSI. ISSI constituents are re-selected twice a year, every May and November, following the DES review schedule. Therefore, every selection period, there are always sharia stocks that come out and enter as ISSI constituents. The ISSI calculation method follows the calculation method of other IDX stock indexes, namely the weighted average of market capitalization using December 2007 data as the base year for ISSI calculation (idx.co.id, 2024). The Islamic capital market serves as a liaison between investors and companies or government institutions through the trading of long-term instruments such as bonds, stocks, and others

State Sharia Securities (SBSN) or commonly called state sukuk are government securities issued based on sharia principles, as proof of participation in the assets of State Sharia Securities (SBSN), both in

rupiah and foreign exchange. Meanwhile, in the Fatwa of the Indonesia Ulema Council (MUI) No. 69/DSN-MUI/VI/2008 concerning State Sharia Securities (SBSN) in general provisions, it is stated that State Sharia Securities (SBSN) or can be called State Securities are state securities issued based on sharia principles, as proof of the ownership of State Sharia Securities (SBSN) assets, both in rupiah and foreign currency.

The government's purpose in issuing State Sukuk itself is to finance the state budget, including financing project development. As stated in Article 4 of the State Sharia Securities Law (SBSN), the purpose of issuing State Sharia Securities (SBSN) is to finance the State Revenue and Expenditure Budget, including financing project development. (Imsar, 2023). Projects that can be financed with state sukuk are the energy, telecommunications, transportation, agriculture, manufacturing, and housing industries. In addition, it is also to expand the base of financing sources for the State Budget or APBD, encourage the development of the Islamic financial market, create benchmarks in the Islamic financial market, diversify the investor base, develop alternative investment instruments, optimize the use of state or company-owned funds, and utilize public funds that have not been captured by the bond system and conventional banking.

Table 1
Amount of PBD, Sharia Financing, ISSI, and SBSN for the 2019-2023
Period (in billions of rupiah)

| Year | PDB | Financing | DAD | SBSN |
|------|------------|-----------|--------------|-----------|
| 2019 | 10,949,155 | 37,035 | 3,744,816.32 | 529,322 |
| 2020 | 10,722,999 | 37,341 | 3,344,926.49 | 725,340 |
| 2021 | 11,120,060 | 38 388 | 3,983,652.80 | 863,260 |
| 2022 | 11,710,248 | 42 679 | 4,786,015.74 | 996,407 |
| 2023 | 12,301,394 | 49 897 | 6,145,957.92 | 1,062,485 |

Source: Central Statistics Agency (BPS), 2024

Government budget expenditure financing through State Sharia Securities (SBSN) is increasing through the development of instruments and deepening the Islamic financial market Based on the data in Table 1 above, the development of the issuance of State Sharia Securities (SBSN) has increased significantly. In an effort to increase the government's flexibility in financing the State Budget and in the context of national economic recovery, the financing strategy is focused on SBN which does not require underlying in the utilization of the financing received.

GDP is also an illustration for investors to know the economic condition of a country. In Indonesia, GDP data has historically been obtained from the Central Statistics Agency of Indonesia. GDP can be used to determine the economic growth of each country. Therefore, GDP plays an important role for the state in carrying out certain policies (Chandra & Winny, 2021).

Based on data from the Central Statistics Agency (BPS), Indonesia's Gross Domestic Product (GDP) growth from the 2019-2023 period has fluctuated up and down, indicating that Indonesia's economy is sluggish due to global economic uncertainty and financial issues such as the current account deficit, high inflation, and a weakening rupiah exchange rate. In 2020, GDP growth decreased with a value of

10,722,999 due to the Covid-19 pandemic that hit Indonesia, which resulted in a drastic decline in people's interest in buying.

The uncertain state of the economy and the influence of the world economy and other economic variables make economic growth uncertain (Kinanda, 2021). GDP growth is inseparable from the influence of macroeconomic factors. Changes in these macroeconomic factors will help determine whether a country's economy is growing or not. (Hendajany & Wati, 2020).

Based on the problems that have been described, the purpose of this study is to find out how financing, ISSI and SBSN affect gross domestic product. The results of this study are expected to be useful for the government and industry players in Indonesia in knowing the picture of the state of the financial sector and formulating policy strategies in the future so as to create high and stable real sector growth to be able to encourage economic growth in Indonesia.

Literature review

A. Gross Domestic Product

Gross Domestic Product (GDP) is the total revenue and total national expenditure on the production of goods and services in a given period of time.

Gross Domestic Product (GDP) is the total value of goods and services produced by all economic sectors in a country's territory. The value of the goods and services referred to here is the added value generated by the relevant economic sector. Added value is obtained from the difference between the output produced and the inputs used by the economic sector. The output produced is the

income obtained from the sale of goods or services while the input used is the expenditure or cost used to obtain the output. Gross domestic product is the same as national income in a country (Harjunawati & Hendarsih, 2020).

Basically, GDP is the amount of added value produced by all business units in a certain country or is the amount of final value of goods and services produced by all economic units. One of the important indicators to find out the economic condition of a country in a certain period is by using Gross Domestic Product (GDP) data both on the basis of prevailing prices and on the basis of constant prices. GDP on the basis of prevailing prices describes the added value of goods and services calculated using the prevailing price each year, while GDP on the basis of constant prices shows the added value of goods and services in a given year as a basis.

GDP on the basis of prevailing prices can be used to see shifts and economic structures, while GDP on the basis of constant prices is used to find out economic growth from year to year (Aribowo, Handy, S.T. et al., 2019). This GDP can reflect economic performance, so the higher the GDP of a country, it can be said that the better the economic performance in the country. Economic growth can be measured simply by looking at the value of Gross Domestic Product (GDP). The role of GDP in an economy is so important, it is necessary to analyze what factors can affect GDP (Susanto, 2018).

Actually, there are a lot of factors both directly and indirectly. Several factors affect GDP, including inflation. The inflation rate affects the development of the business sector, while the business

sector itself greatly affects economic activities and ultimately affects the country's Gross Domestic Income (Harjunawati & Hendarsih, 2020).

According to Keynesian theory, GDP is formed from four factors that positively affect it, the four factors are consumption (C), investment (I), government spending (G), and net exports (NX). These four factors are again influenced by various factors, including factors such as income level, price level, interest rate, inflation rate, money supply, exchange rate (Susanto, 2018).

GDP calculation can be done using three (3) approaches (Karlina, 2017):

- 1) The GDP production approach with the production approach is to sum the added value of goods or services produced from nine production units such as:
 - a) agriculture, animal husbandry, forestry and fisheries,
 - b) mining and quarrying,
 - c) processing industry,
 - d) electricity, gas and clean water,
 - e) Construction
 - f) trade, hotels and restaurants,
 - g) transportation and communication,
 - h) finance, real estate and corporate services, (9)
 - i) services (including government services).

2) Revenue approach

GDP is the amount of remuneration received by production factors that participate in a country's production process over a certain period of time (usually one year). The remuneration

for the production factor in question is wages and salaries, land rent, capital interest, and profits. Everything is before income tax and other direct taxes are deducted. In this definition, GDP also includes depreciation and net indirect taxes (indirect taxes minus subsidies).

3) Production approach

GDP is the total value of expenditure in the economy over a given period. The components consist of:

- a) Household consumption expenditure
- b) Government consumption expenditure
- c) Fixed capital formation
- d) Inventory changes
- e) Net exports (net exports are exports minus imports).

(Kamilah, 2019)

B. Sharia Bank Financing

Financing is the provision of funds to support investments that have been planned by one party to another party, both personally and institutionally (Hidayat and Irwansyah, 202). Meanwhile, Islamic banking is everything that includes institutions, business activities, and methods and processes in carrying out business activities based on sharia (Hidayat and Irwansyah, 2020). So, Islamic banking financing is the provision of funds by Islamic banks in carrying out business activities based on sharia principles. (Ilhamy, M. L. N, 2018).

The support from this legal and legislative aspect has made the growth of the Islamic finance sector in Indonesia even more rapid

because it has a clear legal foundation and certainty (Syahbudi, 2019). The principles of Islamic banking financing are generally divided into three forms. First, working capital financing, which is financing needed to meet working capital needs to increase production, for trade or to increase *utility of place* on an item. Second, investment financing, which is financing that intends to meet the needs of capital goods. Third, consumption financing, which is financing that is carried out to meet household and corporate consumption of goods or services that are not for business (Asngari, 2019).

In the banking system in Indonesia, there are two types of banking operational systems, namely conventional banks and Sharia banks. According to Law No. 21 of 2008 concerning Sharia Banking, Sharia Banks are banks that carry out business activities based on sharia principles regulated in the fatwa of the Indonesia Ulema Council (MUI) such as the principles of justice and balance, benefit, universalism, and do not contain *gharar* (ambiguity), *maysir* (speculation), usury, tyranny and haram objects. The presence of Islamic banking has a purpose, namely to support the implementation of national development in order to increase justice, togetherness, and equitable distribution of people's welfare. Furthermore, this is also supported by the existence of Law No. 21 of 2008 concerning Sharia Banking, where the presence of Sharia banking is expected to be able to encourage faster economic growth (OJK, 2017).

C. Indonesia Sharia Stock Index (ISSI)

The Indonesia Sharia Stock Index (ISSI) is an indicator of the performance of Indonesia's sharia stock market. The index was launched by IDX on May 12, 2011. This index contains shares that are on the list of Sharia Securities (DES) issued according to the registration of Bapepam-LK No. II.K.1 every 6 months starting from May and November. The base date used is December 2007 with a value of 100. This index is calculated the same as the JCI calculation, which uses the average method of market capitalization (value weighted) (Jogianto, 2017). The criteria for stocks that can be included in the index in accordance with Bapepam-LK regulation No.11, K.1 are as follows:

- a. Companies that do not carry out sharia principle activities
- b. Companies that do not carry out business activities that are contrary to Sharia principles as referred to in number 2 letter a of Regulation Number IX.A.13 as follows.
 1. Gambling and games that are classified as gambling or prohibited trades.
 2. Trades that are prohibited according to sharia such as:
 - a) Trade that is not followed by the delivery/transfer of goods and services.
 - b) Supply and demand trading
 - c) Organizing financial services that apply the concept of ribawi, such as: interest-rate-based banks, and interest-based financial companies.
 - d) Buying and selling risks that involve speculation (gharar) and gambling (maysir)
 - e) Produce, distribute, trade, and provide:

- 1) Goods and services that are haram because of their substance (haramli-dzatihi);
 - 2) Goods and services determined by DSN-MUI; and
 - 3) Goods and services that are morally damaging and harmful; and
3. Transactions that contain elements of bribery (risywah).
- c. The companies meet the following financial ratios:
- 1) Total interest-based debt compared to total assets is not more than 45%.
 - 2) Total revenue and other non-halal income compared to total revenue (revenue) is not more than 10%.
- (Ikhsan Harahap, 2020)

D. State Sharia Securities (SBSN)

According to the DSN fatwa No. 69/DSNMUI/VI/2008 concerning State Sharia Securities, it is explained that State Sharia Securities or commonly called State Sukuk are Government Securities issued based on sharia principles, as evidence of the ownership of SBSN assets, both in the form of rupiah and foreign currency. The definition of State Sharia Securities is also explained in Law No. 19

In 2008 concerning State Sharia Securities (SBSN), Sharia bonds (sukuk) are government securities issued based on sharia principles, as evidence of participation in SBSN assets, both in rupiah and foreign exchange.⁶³ Based on Law Number 19 of 2008 concerning

State Sharia Securities, the Central Government has the authority to issue SBSN and is implemented by the Minister of Finance.⁶⁴

Meanwhile, in the Fatwa of the Indonesia Ulema Council (MUI), State Sharia Securities (SBSN) or also known as State Securities are government securities whose issuance is based on sharia principles, as proof of the ownership of State Sharia Securities (SBSN) assets, both in rupiah and foreign currency.

According to the Financial Services Authority (OJK), State Sukuk is one of the instruments for financing the State Revenue and Expenditure Budget (APBN) in the form of Government Securities (SBN) and its issuance is based on Law Number 19 of 2008 concerning State Sharia Securities (SBSN).

State Sharia Securities (SBSN) or commonly referred to as State Sukuk are defined as Government Securities (SBN) issued based on sharia principles, as proof of participation in the assets of State Sharia Securities (SBSN), both in rupiah and foreign exchange. As a sharia-based instrument, the issuance of State Sukuk requires underlying assets which until now consist of State Property (BMN) in the form of land and/or buildings, Central Government projects in the State Revenue and Expenditure Budget (APBN), and hajj services. State Sukuk has been issued in the domestic market since 2008 and in the international market since 2009.

Method

This study uses quantitative data. The data used is panel data. The data panel is a time series data using the 2015-2023 period as the time series data. The focus of this study is how much impact the independent

variable has on the bound variable. Dependent variables are the variables described. The dependent variable in the study is gross domestic product. While the independent variable is an explanatory variable. The independent variables in the study were sharia financing, ISSI, and SBSN.

The scope of this research is how much the influence of independent variables, namely sharia financing, ISSI and SBSN on the bound variable, namely Indonesia's gross domestic product. The observation period used in this study is from 2015 to 2023. The reason for the selection of the research period is based on the assumption that during this period, the independent variables are expected to be able to explain and provide appropriate information regarding their impact on the bound variables. In addition, it is also due to considerations for data availability factors

Results and Discussion

A. Research Results

1. Classical Assumption Test

a. Normality Test

The normality test aims to test whether the regression model of the perturbing or residual variables has a normal distribution. To detect whether the values from the results of the histogram tester and the p-plot normal tester, as well as more details can be seen using Kolmogorow-Smirnov. It is said to meet normality if the resulting residual value is greater than 0.05.

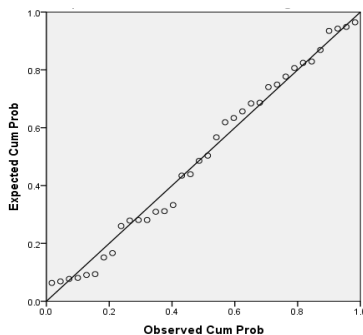


Figure 1

Normal Test Results *P-P Plot Regression Standardized*

Table 2

**Uji Normalitas One-Sample Kolmogorov-Smirnov Test
One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N | | 60 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 16.64967458 |
| Most Extreme Differences | Absolute | .100 |
| | Positive | .096 |
| | Negative | -.100 |
| Test Statistic | | .100 |
| Asymp. Sig. (2-tailed) | | .200 ^{c,d} |

Source: data processed by researchers 2024

From the table above, it is known that the level of significance of *the data fee based income* of gold pawn with profitability is $0.200 > 0.05$, so it can be concluded that the distribution of the two data is normally distributed. The

regression model can be said to be either normal or close to normal distribution.

b. Uji Autokorelasi

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the perturbation error in the t-period and the perturbation error in the t-1 period (previously). If there is a correlation, then it is called an autocorrelation problem. To detect the presence or absence of autocorrelation by looking at the value. D-W (Durbin Watson).

The basis for D-W (Durbin Watson) value decision making is:

- 1) If $d < dL$ or $> (4 - dL)$ then there is an autocorrelation.
- 2) If d is located between dU and $4 - dU$ then there is no autocorrelation.
- 3) If d is located between dL and dU or between $4 - dU$ and $4 - dL$ then it does not produce a definite conclusion.

The results of the Autocorrelation test can be observed in the table below by looking at the D-W (Durbin Watson) value:

Table 3
Autocorrelation Test Results Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------|----------|-------------------|----------------------------|---------------|
| 1 | .471a | .222 | .171 | 3.600 | 2.211 |

a. Predictors: (Constant), Pembiayaan, ISSI, SBSN

b. Dependent Variable: PDB

Source: Data processed using SPSS

| Value d | dL | dU | 4-dL | 4-dU |
|---------|-------|-------|-------|-------|
| | value | value | Value | value |
| 2.211 | 1.420 | 1.873 | 2.580 | 2.127 |

Based on table 1.3 above, the value of D-W (Durbin Watson) is 2.211, the results of the Autocorrelation test give the conclusion that the value of d is located between dU and 4-dU, where the upper limit value (dU) of 1.873 is smaller < than the value of Durbin Watson (d) which is 2.211 and smaller < than the value of 4-dU which is 2.127. This means that there are no symptoms of Autocorrelation.

2. Uji Hipotesis

a. Coefficient of Determination Test

Table 4 Coefficient Test of Determination

Model Summary

| Model | R | R Square | Adjusted Square | R Std. Error of the Estimate |
|-------|-------|----------|-----------------|------------------------------|
| 1 | .942a | .888 | .881 | 17.08983 |

a. Predictors: (Constant), Pembiayaan, ISSI, SBSN

Source: data processed by researchers 2024

Based on the table above, the Adjusted R Square value is 0.888, this means that 88.8% of the variation of the bound variable, namely GDP, can be explained by Financing, ISSI, and SBSN While the rest (100% - 88.8% = 21.2%) is explained by other variables outside the study.

b. Partial Test (T-Test)

Table 5 t-Test Results (Partial)

Coefficientsa

| Model | Unstandardized | | Standardized | T | Mr. |
|-------------|----------------|------------|--------------|-------|------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | | |
| (Constant) | 34.755 | 21.657 | | 1.667 | .077 |
| 1 Financing | .656 | .322 | .344 | 2.144 | .014 |
| DAD | .289 | .111 | .112 | 1.765 | .234 |
| SBSN | .343 | .221 | .103 | 1.667 | .010 |

a. Dependent Variable: PDB

Based on table 1.4 above, it can be concluded that the results of the hypothesis test through the t-test are as follows:

1) Financing

The results of the t-test show that the significant value (sig) for the influence of X1 on Y is $0.014 < 0.05$ and the tcount value (2.144) is greater $>$ ttable (2.014) so it can be concluded that there is an effect of financing on GDP.

2) DAD

The results of the t-test showed that the significant value (sig) for the influence of X2 on Y was $0.234 > 0.05$ and the tcount value (1.765) was smaller $<$ ttable (2.014) so it could be concluded that ISSI had no effect on GDP.

3) SBSN

The results of the t-test showed that the significant value (sig) for the influence of X3 on Y was $0.010 < 0.05$ and the tcal value (1.667) was smaller $<$ ttable (2.014) so it can be concluded that SBSN has no influence on GDP.

c. Simultaneous Test (Test F)

The statistical test F aims to find out whether or not there is a simultaneous (together) influence given by the independent variable (X) to the bound variable (Y), namely to find out whether there is an influence of financing, ISSI and SBSN on GDP, which is tested with a significance level of 0.05.

How to find the F Table before the results of the F test table, it is necessary to know the results of the Ftable, namely by using the following formula:

$$F_{table} = (k : n-k) = (3 : 60-2) = (3:58) = 2.18$$

The following is a table that presents the results of the F (simultaneous) test, which is as follows:

Table 6 F Test Results (Simultaneous)

ANOVA

| Model | Sum of Squares | df | Mean Square | F | Mr. |
|--------------|----------------|----|-------------|-------|-------|
| 1 Regression | 1354.764 | 2 | 677.454 | 5.766 | .021b |
| Residual | 4476.216 | 34 | 765.541 | | |
| Total | 8142.222 | 36 | | | |

a. Dependent Variable: PDB

b. Predictors: (Constant), Pembiayaan, ISSI, SBSN

Source: Data processed using SPSS

Based on table 1.5 above, it can be seen that the significance value (sig) for the influence of the independent variable on the bound variable is $0.021 < 0.05$ and the F_{cal} value is $5.766 > F_{table}$ (2.18), so it can be concluded that there is an influence on Financing, ISSI, SBSN together affect GDP.

B. Discussion

1. Sharia Banking Financing Affects Gross Domestic Product (GDP)

Based on the results of the regression of this study, it was found that financing variables have an effect on GDP.

Islamic banking financing is an important instrument in the financial system that is in accordance with Islamic principles, prohibiting usury and excessive speculation. These financing products include murabahah, mudharabah, musyarakah, and ijarah, all of which are designed to comply with sharia rules.

Islamic banking financing has a significant effect on GDP in the 2019-2023 period due to several factors. First, the proportion of Islamic banking in the national financial system is still small compared to conventional banking. Second, Islamic banking faces operational challenges such as lack of public understanding, product limitations, and less supportive regulations. Global and national macroeconomic conditions, a focus on certain segments such as MSMEs, and research methodologies that may not reflect the full impact also influence. Finally, if financing is not used efficiently and productively, its contribution to GDP will be limited.

In addition, financing carried out by Islamic commercial banks tends to be channeled for consumptive purposes. This type of financing does not have an impact on GDP but will make people more consumptive than productive. So regulators are obliged to make regulations that can expand Islamic bank financing, especially in the fields of productivity and investment.

Because Islamic banks are present as a medium that helps people to achieve prosperity in a good way.(Ramadhanty and Auwalin 2021)

The results of this study are in line with research conducted by Danil Syahputra and Supiah Ningsih in 2020 which stated that Sharia Banking Financing affects Gross Domestic Product (GDP).(Benefactor, Syarief, and Kristianingsih 2022)

2. *Indonesia Sharia Stock Index (ISSI) Has No Effect on Gross Domestic Product (GDP)*

Based on the results of the regression of this study, it was found that the ISSI variable had no effect on GDP.

ISSI's constituents are all sharia stocks that have been listed on the IDX and are included in the Sharia Securities List (DES) issued by the OJK. This means that the IDX does not select sharia stocks that are included in ISSI. ISSI constituents are re-selected twice a year, every May and November, following the DES review schedule. Therefore, every selection period, there are always sharia stocks that come out and enter as ISSI constituents. The ISSI calculation method follows the calculation method of other IDX stock indexes, namely the weighted average of market capitalization using December 2007 data as the base year for ISSI calculation (idx.co.id, 2024). The sharia capital market serves as a liaison between investors and companies or government institutions through the trading of long-term instruments such as bonds, stocks, and others.The Indonesia Sharia Stock Index (ISSI) measures the performance of all sharia stocks on the Indonesia Stock Exchange (IDX) and has a positive effect on the

Gross Domestic Product (GDP) through various mechanisms. First, ISSI offers halal investment options that are attractive to Muslim investors, increasing the flow of funds to the capital market and supporting the company's expansion and productivity. Second, increasing the liquidity of the Islamic capital market makes it easier for companies to access capital at lower costs, encouraging new investment and job creation, which has a direct positive impact on GDP.

In addition, ISSI supports the MSME sector by providing better access to capital, so that MSMEs can grow faster and increase their contribution to GDP. Sharia indices also tend to be more stable because they avoid speculative activities, increase investor confidence and attract domestic and foreign investment. Finally, ISSI helps diversify the economy by attracting investment to sectors with great potential, stabilizing the economy, and increasing resilience to external shocks. Therefore, the development of ISSI not only provides halal investment, but also significantly contributes to Indonesia's economic growth.

ISSI has no influence on GDP. This is in accordance with the theory that the higher the inflation, the higher the price of goods which causes a higher burden on the public and companies which results in a decrease in purchasing power and company profits so that stock prices fall. . From the information above, there are 2 (two) pairs of relationships that can be discussed further, namely: First, there is an opposite or negative relationship between ISSI and GDP. This is not in accordance with the theory that ideally ISSI and GDP have a unidirectional

or positive relationship. The reason is that the increase in people's income is not used to invest in the capital market but in the form of real investment or financial investment in banks such as savings or deposits.

3. State Sharia Securities (SBSN) Have No Effect on Gross Domestic Product (GDP)

Based on the results of the regression of this study, it was found that the SBSN variable had no effect on GDP.

State Sharia Securities (SBSN) or State Sukuk, which are issued by the government based on sharia principles, have a positive impact on Gross Domestic Product (GDP) through several mechanisms. First, SBSN allows the government to raise funds from the public and investors to support infrastructure development such as roads, bridges, and other public facilities. This not only increases the overall productivity of the economy but also creates jobs, which contributes to GDP growth.

Furthermore, SBSN also expands the base of the Islamic financial market by creating an important benchmark in the market. With increasing investor confidence and participation, the liquidity and stability of the Islamic financial market are increasing, encouraging greater investment. Diversifying the investor base of various segments such as retail, institutional, and international investors also improves overall financial stability and expands access to capital resources. All of this plays a role in increasing economic activity and contributing to GDP.

Overall, SBSN not only provides a safe and sharia investment alternative, but also supports inclusive financial

development by providing investment access to individuals who may not have previously been involved in the capital market. The sharia principles underlying SBSN, such as the prohibition on *riba*, *maisir*, and *gharar*, also support more responsible and stable investment, which contributes to sustainable and inclusive economic growth in Indonesia.

In the long term, the funds generated from the realization of SBSN issuance have a negative influence that is not significant on Economic Growth. So that no matter how much the increase in investment funds from the issuance of SBSN, it will not affect economic growth significantly. As previously explained, the government borrows to finance the state budget deficit, short-term cash flow financing, and refinancing old debt. In 2015, Indonesia experienced a high state budget deficit due to the large fuel subsidy and energy resources provided by the government, which amounted to Rp 241.5 trillion. The government considers that fuel subsidies are not right on target and are burdensome because they hinder programs to improve people's welfare. The allocation of funds to cover the cost of the deficit makes infrastructure development very limited. In fact, the government's main goal in carrying out debt policy is for infrastructure development which is expected to have an impact on Indonesia's economic growth in the long term.

The results of this research are in line with research conducted by Tya Ryandini in 2019 which stated that the issuance of State Sharia Securities (SBSN) has no influence on Indonesia's economic development. In the study on SBSN, the

realization of SBSN investment fund collection has a significant negative influence on economic growth in the short term, but does not have a significant effect in the long term. This negative influence is contrary to theories and opinions that suggest that investment can be a driver of economic growth in a country. With a negative influence between the realization of investment fund collection through SBSN instruments and GDP, it indicates that the funds have not been absorbed properly. The insignificant effect of fundraising through the SBSN instrument is due to the fact that the amount of funds that have been successfully raised is still too small when compared to Government Bonds.

4. Financing of Sharia Banks, *Indonesia Sharia Stock Index (ISSI)*, and State Sharia Securities (SBSN) Simultaneously Affects Gross Domestic Product (GDP)

During the 2019-2023 period, Islamic bank financing, Indonesia Sharia Stock Index (ISSI), and State Sharia Securities (SBSN) have become the main pillars in Indonesia's Islamic financial system, playing a simultaneous role in supporting Gross Domestic Product (GDP) growth. Islamic bank financing provides access to capital to individuals, MSMEs, and other productive sectors with a transparent and sustainable financial approach, which encourages business expansion and increases overall productivity. On the other hand, the Indonesia Sharia Stock Index (ISSI) reflects the performance of sharia stocks on the Indonesia Stock Exchange, increasing market liquidity and encouraging long-term investment from investors who prioritize

sharia values, which significantly contributes to economic growth and GDP.

Meanwhile, State Sharia Securities (SBSN) are a strategic investment instrument supported by the government, used to finance infrastructure and other development projects. The issuance of SBSN not only increases economic competitiveness but also creates new jobs, supporting long-term economic growth. The combination of these three factors, namely Islamic bank financing, ISSI, and SBSN, together strengthens Indonesia's economy by providing capital for sustainable investment, building the necessary infrastructure, and developing a broader and inclusive Islamic capital market. Thus, their contribution to increasing Indonesia's GDP during the period was very significant.

Conclusion

The study showed that Islamic bank financing did not have a significant effect on Indonesia's GDP in the period, in line with previous findings highlighting the limited contribution of Islamic banks despite providing access to capital in accordance with sharia principles. Factors such as a small proportion in the national financial system, operational challenges, and inefficient use of funds are the main factors influencing these results. On the other hand, the Indonesia Sharia Stock Index (ISSI) has proven to have a significant positive impact on GDP by increasing investor confidence in Islamic stocks on the Indonesia Stock Exchange and strengthening the liquidity of the Islamic capital market as a whole. Sharia-based investments in ISSI also play an important role in increasing

company productivity and creating new jobs, while helping to diversify the economy and increase resilience to external shocks. In addition, State Sharia Securities (SBSN) do not have a significant influence on GDP through issuance that has succeeded in raising funds to finance infrastructure and development, increase economic competitiveness, and expand the base of the Islamic financial market by increasing liquidity and market stability. Together, although Islamic bank financing itself does not make a major direct contribution, integration with the growth of ISSI and the issuance of SBSN has helped strengthen Indonesia's economy through sustainable investment, infrastructure development, and the expansion of the Islamic capital market. Better coordination between these three factors in the future, supported by appropriate regulations, is expected to increase the contribution.

REFERENCES

- Antonio, Muhammad Syafi'i. (2019). *Sharia Banks: From Theory to Practice*, Jakarta: Gema Insani
- Ardi, Muhammad. 2018. The Effect of Sukuk on Economic Growth Indonesia. *Iqtishaduna* 9, no. 1.
- Ardianto, T. (2016). Analysis of Factors Affecting the Poverty Rate of Regencies/Cities in East Java Province in 2007-2013. 9
- Arsyad, L. (2018). *Development Economics*. Yogyakarta: STIE-YKPN
- Bappenas. (2019). Attachment to the Presidential Regulation of the Republic of Indonesia Number 5 of 2018 concerning the National Medium-Term Development Plan (RPJMN) for 2010-2014. Jakarta

- BPS. (2016). Gross Regional Domestic Product of Provinces in Indonesia by Business Field. Jakarta: Central Statistics Agency
- Daulay, A. N, Syahbudi, M. & Lubis, F. A. (2019). *Economics Macro Islam* (M. Yafiz, ed.; 1st ed., Vol. 1) FEBI UIN-SU Press.
- Department of Social Affairs of the Republic of Indonesia. (2016). Principles of the Long-Term Development Plan (PJP) 2005-209 and Medium-Term Development (PJM) 2004-2009. Jakarta: Social Welfare Sector
- Benefactors, Ryhan Firdausy Noor, Mochamad Edman Syarif, and Kristianingsih Kristianingsih. 2022. "The Influence of Sharia Bank Financing, and Labor on West Java's GDP." *Indonesian Journal of Economics and Management* 2(2):368–78. doi: 10.35313/ijem.v2i2.3696.
- Benefactors, Ryhan Firdausy Noor, Mochamad Edman Syarif, and Kristianingsih Kristianingsih. 2022. "The Influence of Sharia Bank Financing, and Labor on West Java's GDP." *Indonesian Journal of Economics and Management* 2(2):368–78. doi: 10.35313/ijem.v2i2.3696.
- Elinur. (2019). Analysis of Energy Consumption and Supply in the Indonesia Economy. Dissertation.
- I Imsar, N Nurhayati. (2023). *Analysis Of Digital Economic Interactions, Economic Openness, Islamic Human Development Index (I-HDI) and Investment On Indonesia GDP Growth*. Jurnal Pendidikan Islam. 12(01).
- Ikhasan Harahap, M. (2022). Analysis of the Quality of Goods Delivery Services on Consumer Satisfaction at PT Pos Indonesia (Persero)

Regional I Sumatra. *Journal of Computer Science, Economics and Management (JIKEM)*, 2(1).

Ilhamy, M. L. N. (2018). *Sharia Bank Financing Management*. Febi Press

Jhingan, M. (2016). *Development Economics and Planning*. Jakarta: PT Raja Grafindo Persada

Kamilah, A. I. L. N. (2019). *The role of the Islamic microfinance institution industry in overcoming the problem of inequality and income distribution in the city of Medan*. *Journal of Islamic Economics and Business*, 6(1).

Kuncoro, M. (2017). *Development Economics Theory, Problems, and Policy*. Yogyakarta: UPP AMP YKPN

Latifah, Siti. (2020). *The Role of State Sharia Securities Sukuk (SBSN) in the Growth of Economic Development Indonesia*. *Islamic Economic Scientific Journal* 6, no. 3

Normasyhuri, Khavid, Budimansyah Budimansyah, and Eko Triyadi. 2022. "The Impact of the Issuance of Government Bonds (SUN) and State Sharia Securities (SBSN) on Indonesia's Economic Growth in the Covid-19 Pandemic Era: An Overview of Islamic Economics." *Scientific Journal of Islamic Economics* 8(1):688. doi: 10.29040/jiei.v8i1.4619.

Ramadhanty, Rifka Putri, and Ilmiawan Auwalin. 2021. "The Effect of Sharia Commercial Bank Banking Financing on Provincial GDP in Indonesia in 2010-2019." *Journal of Sharia Economics Theory and Applied* 8 (1):8. doi: 10.20473/vol8iss20211pp8-17.

Rafika Ananda Putri: THE INFLUENCE OF ISLAMIC BANKS [239]

Riduan, Adi. (2019). Analysis of the Influence of State Sharia Securities on Economic Development in 2015-2018 in the Perspective of Islamic Economics. I UIN Raden Intan Lampung

Roifah, Tri Nadhirotur, and Sukron Faris. 2022. "The Influence of the Islamic Capital Market on Indonesia's Economic Growth." *Scientific Journal of Islamic Economics* Vol.8 No.2(02):2110–19.

S, Burhanuddin. (2017). State Sharia Securities Law and Its Regulation. Jakarta: PT. King Grafindo Persada