



## THE INFLUENCE OF SHARIA CAPITAL MARKETS AND INFLATION TO ECONOMY GROWTH IN INDONESIA

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### Abstract

The purpose of this study is to determine the influences that can increase Indonesia's economic growth in the Islamic capital market, Indonesia's market Sharia stock in the Islamic capital market is good because Indonesia has a Muslim population. Therefore, this research is expected to add to the research and consider the improvement of PMS programs and policies in related institutions. The population of this study was 300 data related to Islamic capital market data, inflation, and economic growth in Indonesia. The number of samples used was 60 samples. This research is a quantitative research that uses secondary data. The analysis method used in this research is multiple linear regression, where the analysis method includes descriptive statistical analysis, classical hypothesis testing, multiple linear analysis testing and hypothesis testing. The results showed that simultaneously stocks, bonds, mutual funds and inflation have a significant influence on Indonesia's economic growth. However, partially it shows that Islamic stocks have a positive and significant effect, Mutual funds have a negative and significant effect, Sukuk have a negative and insignificant effect, and Inflation has a negative and insignificant effect on Indonesia's economic growth. The conclusion is that the Islamic capital market both simultaneously and partially has a positive and significant and negative influence on Indonesia's economic growth.

**Keywords:** Sharia Capital Market, Inflation, Economic Growth, Indonesia

## INTRODUCTION

A country's economy grows when economic activity is higher than before. New development occurs when the physical quantity of goods and services produced in the economy increases in subsequent years (Faroh, 2016). Rapid and sustainable economic growth is also a basic requirement or need for sustainable economic development, welfare and changes in the main factors of the country's economy in the long term. Economic growth is based on population growth, with population growth it will increase production or production (Sukmayadi and Zaman, 2020) .

Economic growth is important because it is related to welfare man. Economic growth also plays a role in increasing output per capita, the stronger a country's economic growth, the better the country is able to meet the welfare needs of its people. (Hodijah & Angelina, 2021) . The government and economic institutions are trying to encourage balanced, inclusive, and sustainable economic growth in various ways to achieve long-term public welfare. One of Indonesia's efforts to improve the quality of the economy is by increasing the investment sector through market instruments. capital. Therefore, the capital market is one of the sectors that is of great concern in Indonesia. Currently, the capital market and banking are platforms that can connect parties who have excess money with parties who need capital (Fauzan, 2019) .

Significant investment in infrastructure and industry drives economic expansion, while strong consumption strengthens domestic demand. Effective monetary policy, such as appropriate interest rate settings by central banks, can also influence overall economic activity. In addition, political stability and global economic uncertainty play a key role in creating a conducive environment for long-term economic growth. Some of the variables that are commonly considered include inflation, Islamic capital markets, Islamic stocks, Islamic funds, and sukuk. Research (Nurhidayah *et al* ., 2022) shows that this variable has a significant influence on Indonesia's economic growth.

The existence of capital markets is means important in activity economy . As a developing country , the majority of its population As a Muslim, Indonesia is developing a capital market based on sharia with choose instrument the right investment and not contradictory with principle sharia through the *screening* process (Auliyatusaa'adah *et al* ., 2021) . Appropriate capital markets sharia is one of instrument investment based on sharia

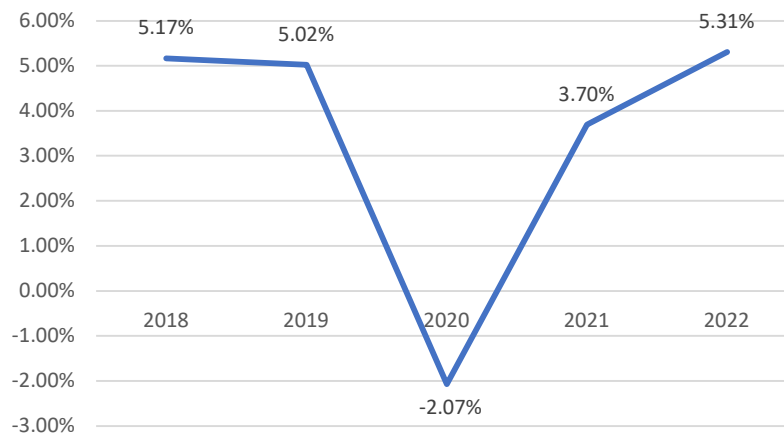
and is part important from system Islamic finance . Sector This to obtain prospects positive and attractive interest various investors and issuers For invest sharia . in the capital market (Widiyanti & Sari, 2019) . The sharia capital market which continues to grow is a sign that society is increasingly accepting sharia economics. The development of sharia Sharia stocks in Indonesia in the last seven years has grown very rapidly, as evidenced by the increase in investment value of each sharia capital market instrument from year to year. (Fathurrahman & Al-Islami, 2023) . The Indonesian sharia capital market includes various instrument finance sharia , such as Sharia stock sharia , sharia mutual funds , and bonds sharia (Syairozi & Cahya, 2016).

The position of the Indonesian sharia stock index has strengthened for several reasons, one of which is the resilience of sharia stocks to the crisis. Transactions that are halal and do not contain manipulative elements are one of the attractions of the sharia stock market. Investing in the sharia equity sector is also a trend among young investors, because the benefits of sharia investment do not include interest. With many investors, the company gets more fresh funds to increase the productivity of the company's performance. This shows a relationship between the growth of stock capital and the financial condition of the sharia economy. (Widiyanti & Sari, 2019) . In addition, (Fitriyani, 2020) shows that sharia stocks have a significant positive impact on the Indonesian capital market.

Sharia capital market instruments furthermore is sharia mutual funds . Investment funds is company founded For collect and manage funds received from public (Aini, YN, Lestari, B., & Oktora, 2022) . According to the fatwa of the National Sharia Council, investment funds sharia is an investment fund whose operations based on Islamic rules and principles and agreed upon between shohibul mal or capital owners and managers investment that represents shohibul mal or manager investment . shohibul mal and as a representative of the user of capital rating (Khairan, 2019) . Mutual Funds sharia run in accordance criteria investments regulated by the DSN and OJK whose duties are monitor every sharia capital market transactions For ensure in accordance with law sharia and not contain prohibited elements in Islam. In sharia fund theory have impact direct to growth economy , according to (Widiyanti & Sari, 2019) , sharia funds have impact positive and significant to growth economy in Indonesia.

Based on Aziz's theory , growth economy can caused by several factors , one of which is is sukuk. Sukuk operates based on principle sharia , which prohibits payment or reception

interest (riba). (Cupian *et al.*, 2021) Sukuk is one of instrument stable finances stable even at the time crisis in 2008, so that many investors are interested For invest the funds are in several sharia capital market products namely sukuk. This study purposes the influence of the Islamic capital market and inflation to growth Indonesian economy . The phenomenon of the Islamic capital market show positive growth , with sharia stocks experiencing a significant increase. Data shows that from 2018 to 2022, sharia stock growth reached an average of 15% per year, while sukuk also showed stable growth despite being affected by global market fluctuations.

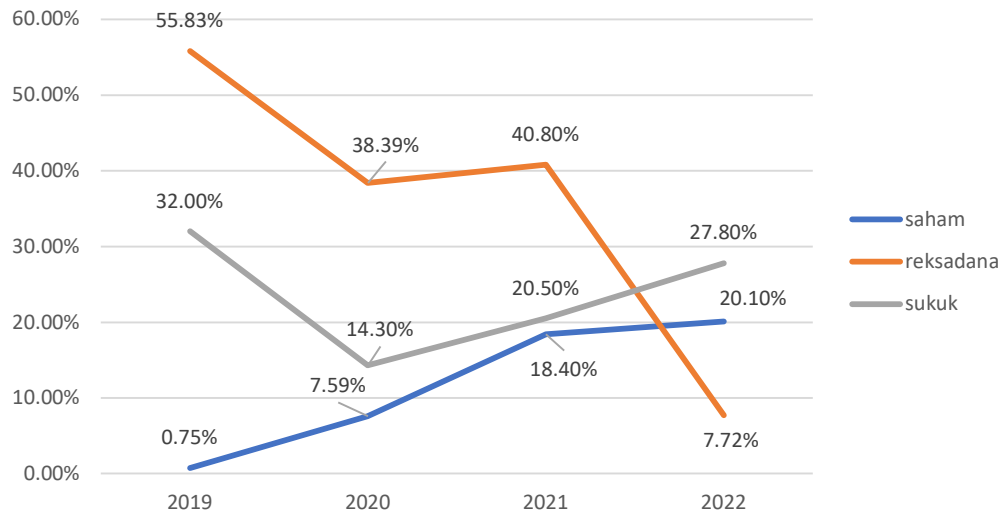


**Figure 1. Sharia Stock Growth Data in Indonesia 2018-2020**

Source: data processed by the author, 2024

Based on economic growth data that shows significant fluctuations from year to year, the problem phenomenon that arises is the instability in national economic growth. In 2018, economic growth reached 5.17%, but decreased to 5.02% in 2019. 2020 recorded an economic contraction of -2.07% due to the impact of the COVID-19 pandemic, which caused many economic sectors to stop. Although the economy began to recover with growth of 3.70% in 2021, this growth was still far from the pre-pandemic figure. In 2022, economic growth again showed signs of quite significant recovery, reaching 5.31%. However, economic growth is expected to slow down, reflecting the challenges that are still being faced. Several main factors causing this slowdown include: 1) Slowing household consumption due to high inflation and economic uncertainty, which has an impact on people's purchasing power; 2) Slowing investment along with global uncertainty and declining interest in foreign investment; and 3) Depressed export performance due to weakening global demand and commodity prices. Thus, although there are signs of

recovery, the challenges faced by the national economy need to be addressed to achieve sustainable growth.



**Figure 2. Growth of Sharia Capital Market in Indonesia 2018-2022 (as of December )**

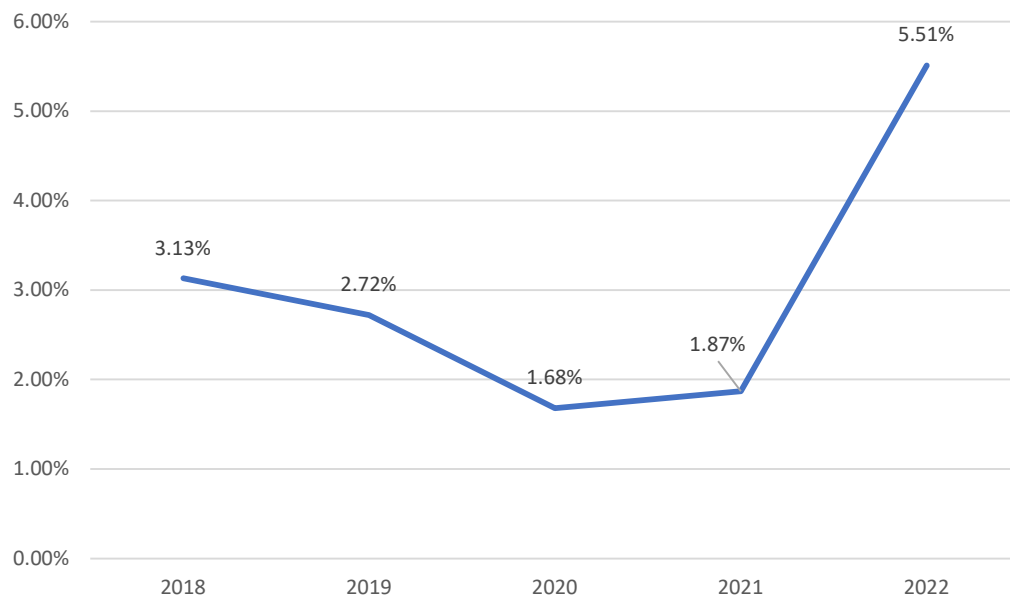
Source: data processed by the author, 2024

Based on Figure 2 shows growth of the sharia capital market in Indonesia from 2019 to 2022. In total general , sharia capital market experience positive growth , although There is a number of fluctuations . In 2019 , mutual funds sharia to record growth highest with 55.83%, followed by sukuk with 32.00%, and Sharia stocks sharia by 0.75%. In 2020 , growth mutual funds sharia experience decline to 38.39%, but sukuk and Sharia stocks sharia experience growth positive , 14.30% and 7.59% respectively. In 2021 , mutual funds sharia return experience growth to 40.80%, while sukuk and Sharia stocks sharia respectively reached 20.50% and 18.40%. In 2022 , mutual funds sharia experience decline significant to 7.72%, while sukuk experienced growth to 27.80% and Sharia stocks sharia reached 20.10%. In general overall , the Islamic capital market show positive growth and shows potential big For become choice attractive investment for future investors .

Several main factors of the problematic phenomena faced by the Islamic capital market in Indonesia can be seen from several aspects. Although the growth of the Islamic capital market shows a positive trend with a significant increase from year to year, there are several challenges that hinder the optimization of its growth: 1) although the Indonesian Islamic Stock Index (ISSI) recorded good growth, the portion of Islamic investors is still relatively small, with only around 114,116 investors out of a total of 10 million

investors in the capital market. This shows that the potential of the Islamic stock market has not been fully utilized ; 2) one of the main obstacles is the obligation to open a Sharia Customer Fund Account (RDN), which is a challenge for new investors. Several Islamic banks do not yet have technology comparable to conventional banks, which can complicate the investment process ; and 3) although the Indonesia Stock Exchange (IDX) is trying to optimize the growth of the Islamic capital market by introducing a sharia transaction system and investment gallery, the number of Exchange Members who have the Sharia Online Trading System (SOTS) service is still limited, which is only 17 members. The addition of new members is expected to increase accessibility for investors

Overall, despite the promising growth, challenges in terms of the number of investors, technological infrastructure, and accessibility of investment services are factors that need to be addressed to maximize the potential of the Islamic capital market in Indonesia. Based on Figure 3 , it shows inflation data in Indonesia from 2018 to 2022. Inflation is a measurement of changes in the prices of goods and services over time. In 2018, inflation reached 3.13%. Inflation then decreased to 2.72% in 2019. In 2020, inflation fell further to 1.68%. In 2021, inflation increased slightly to 1.87%. In 2022, inflation rose significantly to 5.51%.



**Figure 3. Inflation Data in Indonesia 2018-2022**

Source: data processed by the author, 2024

Inflation is expected to remain high, reflecting the challenges faced by the national economy. Several main factors causing this increase in inflation include: 1) Increases in the prices of basic commodities and energy triggered by global supply disruptions, including the impact of geopolitical conflicts and post-pandemic economic recovery; 2) Increased domestic demand that is not balanced by increased production, causing pressure on prices; and 3) Monetary policy that may not be fully effective in controlling inflation, given the still high economic uncertainty. Thus, although inflation was under control in previous years, the challenges faced in 2022 and beyond need to be addressed to maintain economic stability.

In general, although each of these Islamic capital market instruments contributes to Indonesia's economic growth, the results of the study show that not all instruments have a significant influence. Inflation, as one of the external factors, plays an important role in influencing people's purchasing power and capital market performance. High inflation rates can result in a decrease in purchasing power which has a negative impact on investment decisions, where investors tend to be more careful in choosing investment instruments and delay transactions until economic conditions improve to avoid the risk of high inflation (Cholidia, 2017) . According to the research theory created by (Fiqri Rizalti, 2023) , Inflation has a negative and significant effect on Indonesia's economic growth. However, the Islamic mutual fund variable has an insignificant negative influence on Indonesia's economic growth. On the other hand, research by (Nurhidayah *et al.* , 2022) found that sharia stocks, sukuk, and sharia funds significantly contributed to national economic growth, while inflation showed a significant negative impact. This is reinforced by the findings of (Melati & Nurcahya, 2022) , which confirm that sharia stocks, sukuk, and sharia funds have a positive and significant effect on economic growth.

Thus, the main point the problem that will discussed in study This is how high inflation can hamper the performance of the Islamic capital market and reduce people's purchasing power, thereby affecting investment decisions and overall economic growth. Based on matter the so objective from study This is For know the influence of the Islamic capital market and inflation to growth Indonesian economy .

## LITERATURE REVIEW

According to Keynes's theory of economic growth, investment is one of the supporting variables to influence economic growth. Stocks are one form of capital in investment instruments that have an important role in the economy as a form of increasing capital in productive capacity, increasing income and the nation and creating new jobs and increasing tax revenues for the government (irawan & Siregar, 2019). One of the factors that influences economic growth is by increasing the investment sector through sharia capital market instruments and inflation, the Indonesian sharia capital market consists of various sharia financial instruments such as sharia stocks, sharia mutual funds, and sharia bonds (Syairozi & Cahya, 2016). The first sharia capital market instrument, namely sharia stocks, is a certificate of ownership of a company that is in accordance with sharia principles issued by its authority (Choirunnisak, 2019).

The sharia principles referred to are principles that do not conflict with Islamic sharia, such as selling gulna usaha, producing haram products, gambling, and others. The *mulsyarokah* contract can be applied to public companies, while the *mulsyarokah* contract can be applied to private companies (Soemitra, 2014). Several studies have stated that sharia stocks have a positive effect on Indonesia's economic growth (Kartika et al, 2022), (Ulfa & Sari, 2022), (Nurhidayah et al., 2022), (Nur Arifianti & Hidayati, 2023), (Imam, 2021), (Kartika et al, 2022), (Zakiah et al., 2023). However, research from (Fajar et al., 2022) shows that sharia stocks have a negative effect on Indonesia's economic growth, other studies show that sharia stocks do not have a significant effect on economic growth (Nurfitriah 1 & 1, 2020). In addition, other sharia capital market instruments are sharia mutual funds, sharia mutual funds are investment instruments that adhere to the principle of return based on Islamic sharia standards and principles.

Sharia-based investment is an option for investors who in addition to getting profit also pay attention to sharia principles (Hasibuan et al., 2023). According to the DSN MUI Fatwa Number 20/DSN-MUI/IV/2001, sharia mutual funds are funds whose operations are in accordance with the principles and principles of Islamic law or in the form of an agreement between investors as owners (*shahibul*). and financial managers representing *Shahibul Mall* and also between investment managers representing *Shahibul Mall* and investment users (irawan & Siregar, 2019). Several studies have shown that sharia mutual funds have a positive



effect on Indonesia's economic growth (Nurhidayah et al., 2022), (Qisti & Budiman, 2023), (Nur Arifianti & Hidayati, 2023), but some have shown that sharia mutual funds have a negative effect on Indonesia's economic growth (Fajar et al., 2022), (Ulfa & Sari, 2022), (Imam, 2021). Several studies have shown that sharia mutual funds have no effect on Indonesia's economic growth Indonesia (Kartika et al, 2022), (Dermawan has putra, Shafa, 2023).

Other sharia capital market instruments are sharia bonds or sukuk. According to DSN MUIL Fatwa No: 32/DSN-MUIL/IX/2002, sukuk or sharia bonds are usually long-term bonds that are rounded up to sharia standards and issued by the issuer to the sukuk issuer and bound by the fund buyer. Payments to sharia bond issuers are subject to profit sharing/margin/fee and payment of bonds at maturity. Based on the understanding of sukuk, it can be concluded that sukuk is a letter that contains gratitude for cooperation whose scope is broader than the letter of acceptance of loans. Sukuk is influenced by various contracts such as muldharabah (profit sharing), mulrabahah (sale and purchase), salam, istishna' and ijarah (selwa melnyelwa) (Bahril Datuk, 2014). Several studies have shown that sukuk has a positive effect on Indonesia's economic growth (Kartika et al, 2022), (Ulfa & Sari, 2022), (Nurhidayah et al., 2022), (Nur Arifianti & Hidayati, 2023), (Imam, 2021). However, according to research (Fajar et al., 2022) shows that sukuk has a negative but insignificant effect on Indonesia's economic growth.

Another factor that affects economic growth is inflation. Inflation is a continuous increase in the price of goods and services, a decrease in purchasing power, or the value of money. If the price of an item increases while other goods do not increase, then this cannot be called inflation, but if the prices of most goods increase at the same time, then there is a decrease. has The exchange rate refers to the purchasing power of goods and price increases (Hawiwika, 2021). Several studies show that inflation has a negative effect on Indonesia's economic growth (Nurhidayah et al., 2022), (Nur Arifianti & Hidayati, 2023), while research (Qisti & Budiman, 2023) states that inflation does not have a significant effect on economic growth.

## RESEARCH METHODOLOGY

This research is a research quantitative and explanatory description . The data used in this study is secondary data, namely information obtained or collected by researchers from various sources.

**Table 1. Definitions Operational Variables Study**

Variables	Formula	Measuring Scale
Sharia	<i>Return</i>	%
Sharia stocks	$= \frac{\text{Harga Akhir} - \text{Harga Awal} + \text{Dividen}}{\text{Harga Awal}} \times 100\%$	
Sharia Mutual Funds	$\text{Return} = \frac{\text{nilai akhir} - \text{nilai awal}}{\text{nilai akhir}} \times 100\%$	%
Sukuk	$\text{Yield} = \frac{\text{Pembayaran kupon tahunan}}{\text{harga pasar sukuk}} \times 100\%$	%
Inflation	$\text{Tingkat Inflasi} = \frac{\text{IHK tahun ini} - \text{IHK tahun sebelumnya}}{\text{IHK tahun sebelumnya}} \times 100\%$	%
Growth Economy	$\text{pertumbuhan ekonomi} = \frac{\text{PDB thn ini} - \text{PDB thn sebelumnya}}{\text{PDB tahun sebelumnya}} \times 100\%$	%

Source : processed data author , 2024

This study uses secondary data obtained from the publication data of the Financial Services Authority (OJK) [www.ojk.go.id](http://www.ojk.go.id), namely information on sharia stocks, sharia funds, sukuk and BPS publications at [www.bps.go.id](http://www.bps.go.id). BI Report [www.bi.go.id](http://www.bi.go.id) is inflation , namely economic growth. The type of data used is time series data for the period January 2018 to December 2022. The number of samples used in this study was 60 samples. Variables research used in study This consists of from variable independent covering the sharia capital market among others Sharia stocks sharia , mutual funds sharia and sukuk, as well as inflation and variables dependent that is growth Indonesian economy . As for the definition operational of each variable study can explained in the table 1. Method analysis used in study This is analysis multiple linear regression . Analysis steps consists of from description statistics , assumption test classical, and hypothesis testing . with equation of line as following :

$$Y_t = \beta_{0t} + \beta_{1t} X_{1t} + \beta_{2t} X_{2t} + \beta_{3t} X_{3t} + \beta_{4t} \epsilon$$

Information :

$Y$  = Growth Indonesian Economy (GDP)

$\beta_0$  = Constants from Equality Regression

$X_1$  = Sharia Stocks

$X_2$  = Sharia Mutual Funds

$X_3$  = Sukuk (Sharia Bonds)

$X_4$  = Inflation

$\beta_{1234}$  = Coefficient regression

$\epsilon$  = residual or *prediction error*

$t$  = unit time / *Error Prediction t*

## RESULT AND DISCUSSION

Based on this research to determine the influence of sharia stocks ( $X_1$ ), sharia mutual funds ( $X_2$ ), Sukuk (sharia bonds) ( $X_3$ ), and inflation (4) on Indonesia's economic growth ( $Y$ ). The analysis tests used are based on the data obtained, starting with descriptive statistical analysis, classical hypothesis analysis tests, multiple linear analysis tests and hypothesis tests, each of which is described as following:

**Table 2. Descriptive statistical test results**

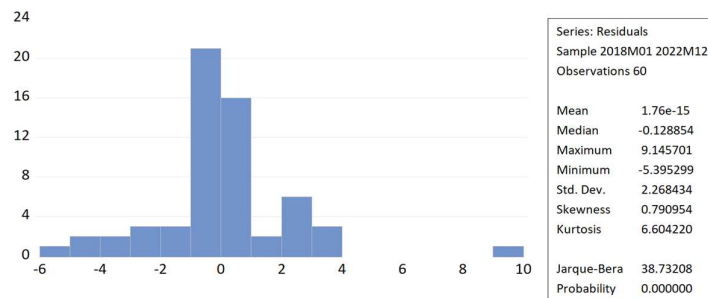
	<b>Economic Growth</b>	<b>Sharia Stock</b>	<b>Mutual Funds</b>	<b>Sukuk</b>	<b>Inflation</b>
Mean	36.65105	47.12807	52.60480	2.805667	3.128000
Maximum	47.86100	79.44000	84.97000	5.950000	7.070000
Minimum	26.88700	27.87700	26.39500	1.320000	-7,000,000
Std. Dev	4.545901	14.35776	16.10435	1.159330	4.006468
Sum	2199.063	2827.684	3156.288	168.3400	187.6800
Observation	60	60	60	60	60

Source: data processed by author, 2024

The results of the descriptive statistical test in table 2 show that the Economic Growth variable has a minimum value for 2018 - 2022 of 26.88700%, a maximum value of 47.86100%, and an average value of 36.65105%. Thus, the average economic growth of 36.65105% indicates relatively good economic growth, which means that the Indonesian economy is still growing strongly despite various challenges during that period . The results of the descriptive

statistical test of the Sharia Stock variable show that the minimum value of the Sharia Equity variable for 2018 – 2022 is 27.87700%, the maximum value is 79.44000%, and the average value is 47.12807%. So the average value of sharia stocks is 47.12807% which shows that the performance of sharia stocks during a certain period is quite good. This figure reflects the significant growth of sharia investment in the Indonesian capital market. The results of the descriptive statistical test of the Sharia Mutual Fund variable show that the minimum value of the sharia investment fund development variable for 2018 - 2022 is 26.39500%, the maximum value is 84.97000%, the average value is 52.60480% higher than the standard deviation value. 16.10435%. So mark The high average of 52.60480% shows that the performance of Islamic institutional funds in a certain period is quite good. This figure shows that Islamic funds meet Islamic investment objectives well.

The results of the descriptive statistical test of the Sukuk variable (Islamic bonds) show that the minimum value of the Sukuk variable for 2018-2022 is 1.320000%, the maximum value is 5.950000%, the mean value is 2.805667%, and the standard deviation value is 1.159330%. This shows that the average value of 2.805667% is the average profit or return the results received by investors from bond sharia during period the . The results of the descriptive statistical test of the stock inflation variable show a minimum value for 2018 - 2022 of -7.000000%, a maximum value of 7.070000%, a mean value of 3.128000%, and a standard deviation value of 4.006468%. This shows The average inflation value of 3.128000% cannot be considered too high or too low, so it is considered moderate and stable in the economic situation. This indicates that the price of goods and services will increase in a controlled manner, so that consumers and entrepreneurs can plan their consumption and investment more reliably.



**Figure 4. Normality test**

Source: data processed by author, 20

Based on the normality test, the probability is known to be 0.0000 which means it is less than 0.05 or  $0.0000 < 0.05$  so it can be concluded that the data is not normally distributed.

If the probability value of the normality test is less than the significance level, then the null hypothesis stating that the data is normally distributed is rejected. This means that statistical analysis techniques that require the assumption of normality cannot be used directly on the data. So it is necessary to use non-parametric techniques. The result of the multicollinearity test obtained the correlation value between independent variables (sharia stock, mutual funds, sukuk and inflation) less than 0.80, so  $H_0$  is accepted. Therefore, it can be concluded that there is no multicollinearity problem between independent variables in the model.

Furthermore, based on table 3 also show that the heteroscedasticity test that each independent variable such as stocks, sukuk, inflation probability value is greater than 0.05, then  $H_0$  is accepted, while the mutual fund variable experiences heteroscedasticity. Thus, it can be concluded that it is necessary to use a robust estimation technique against heteroscedasticity to obtain consistent and unbiased estimates. Based on results test autocorrelation on table 5 shows the Chi Square probability value as big as  $0.0009 < 0.05$  then  $H_0$  which states there is no autocorrelation in the data is rejected. This indicates that there is a relationship between consecutive time observations, which can affect the results of the regression model estimation. to overcome this autocorrelation problem, it is necessary to use an appropriate method, such as Generalized Least Squares (GLS) or Newey-West estimation.

**Table 3. Multicollinearity, Heteroscedasticity, and Autocorrelation Test**

<b>Multicollinearity Test</b>				
<b>Variables</b>	<b>Sharia stock</b>	<b>Mutual Funds</b>	<b>Sukuk</b>	<b>Inflation</b>
Sharia Stock	1,000,000	-0.454329	0.489631	0.708579
Mutual Funds	-0.454329	1,000,000	0.239409	-0.485241
Sukuk	0.489631	0.239409	1,000,000	0.205267
Inflation	0.708579	-0.485241	0.205267	1,000,000
<b>Heteroscedasticity Test</b>				
<b>Variables</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>T-Statistic</b>	<b>Prob.</b>
Sharia Stock	0.733550	0.563034	1.302853	0.1981
Mutual Funds	0.505765	0.135836	3.723380	0.0005
Sukuk	-0.153264	0.122780	-1.248281	0.2172
Inflation	-1.639319	1.754711	-0.934239	0.3543
<b>Autocorrelation Test</b>				
Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	8.053395	Prob. F(2.53)		0.0009
Obs*R-squared	13.98426	Prob. Chi-Square(2)		0.0009

Source: data processed by author, 2024

Simple regression analysis is used to determine the magnitude of the relationship between the independent variables and the dependent variables and is presented in table 4. Based on the multiple linear regression analysis test used in this study, it can be formulated as follows:

$$Economy\ Growth_t = -3.509_t + 0.455Stocks_t - 0.155Mutual\ Funds_t - 0.026Sukuk_t - 0.461Inflation_t + e_t \dots\dots\dots(1)$$

The constant value of 3.509 shows that without the variables of sharia stocks, mutual funds, sukuk, and inflation, economic growth is worth 3.509%. This indicates that the value of economic growth can be considered a good level . Positive and stable economic growth like this shows that a country's economic output is quite Good . The stock regression coefficient is 0.455, which means that every 1% increase in sharia stocks will also increase economic growth by 0.455 %, and vice versa, every 1% decrease in sharia stocks will reduce Indonesia's economic growth by 0.455%, assuming that other variables are held constant.

The mutual fund regression coefficient is 0.155, which means that every 1% increase in sharia funds will also increase economic growth by 0.155%, and vice versa, every 1% decrease in sharia funds will reduce Indonesia's economic growth by 0.155%, assuming that other variables are held constant. The regression coefficient of Sukuk is 0.026, which means that every 1% increase in Sukuk will also increase economic growth by 0.026% and vice versa, every 1% decrease in Sukuk will also decrease Indonesia's economic growth by 0.026% assuming other variables are held constant. The inflation regression coefficient is 0.461, which means that every 1% increase in inflation will also increase economic growth by 0.461% and vice versa, every 1% decrease in inflation will decrease Indonesia's economic growth by 0.461% assuming other variables are held constant. In addition that , the result testing hypothesis is described as following:

a. The Influence of Sharia Stock Variables on Economic Growth

Based on the results of the t-test in table 6 are visible that mark significance Sharia Stock variable  $0.0006 < 0.05$  then  $H_0$  is rejected and  $H_a$  is accepted which means that variable share sharia influential significant to growth economy .

b. The Influence of Mutual Fund Variables on Economic Growth

Based on the results of the t-test in table 6 are visible that mark significance variable Mutual funds  $0.0000 < 0.05$  then  $H_0$  is rejected and  $H_a$  is accepted which means that variable Mutual Funds influential significant to growth economy .

c. The Influence of Sukuk Variables on Economic Growth

Based on the results of the t-test in table 6 are visible that mark significance Sharia Stock variable  $0.3310 > 0.05$  then  $H_0$  is accepted and  $H_a$  is rejected which means that Sukuk variable no influential significant to growth economy .

d. The Influence of Inflation Variables on Economic Growth

Based on the results of the t-test in table 6 are visible that mark significance variable Inflation  $0.2404 > 0.05$  then  $H_0$  is accepted and  $H_a$  is rejected which means that variable Inflation No influential significant to growth economy .

e. The Influence of Sharia Stocks, Mutual Funds, Sukuk, and Inflation Variables on Economic Growth ( F-statistic )

Based on the results of the F-statistic test in table 6, it can be seen that the calculated F is  $29.14175 > F$  table 2.45 and the probability of the F-statistic is  $0.000000 < \alpha = 0.05$ , which means that  $H_0$  is rejected and  $H_1$  is accepted so that it can be explained that sharia stocks, sharia funds, sukuk and inflation have a simultaneous effect on economic growth in Indonesia.

f. The magnitude of the influence of sharia stock variables , mutual funds, sukuk, and inflation on economic growth ( R-square )

Based on the results of the determination coefficient in table 6, the adjusted R-square result is 0.656111, so that the results indicate that the variables of sharia stocks, mutual funds, sukuk, and inflation are able to explain 65.6% of the economic growth variable and the remaining 34.4% is explained by other variables that are not included in the research model.

On the results study show Sharia Stock Variables influential significant to growth economy . The development of sharia stocks has a positive and significant impact on Indonesia's economic growth. The results of this study are supported by Theory Islamic finance states that the stock market sharia play role important in economy with provide alternative appropriate investment with principles sharia . Sharia stocks , which are listed on the Indonesian Sharia Stock Index (ISSI), are not only give results financial but also contribute to the development sector real through appropriate financing with sharia (Ariff, 2016) . The results of this study are in line with research conducted by (Sukmayadi and Zaman, 2020) where the results show that when people's purchasing power is high, it has a positive effect on stock prices in the capital market.

On results study show variable mutual funds influential significant to growth economy . the development of sharia mutual funds has a negative and significant impact on Indonesia's economic growth. The results of this study are supported by The *Financial Development* Theory proposed by (Keynes, 2015) explains that investment, including Islamic mutual funds, can affect economic growth by increasing aggregate demand and reducing transaction costs. However, in the context of Islamic mutual funds, this theory can be explained that the unbalanced development of Islamic mutual funds can reduce aggregate demand and increase transaction costs, thus negatively affecting Indonesia's economic growth. The results of this study are in line with research conducted by (Nurhayati, S., & Suharsono, 2017) which states that when investment in sharia mutual funds increases, Indonesia's economic growth also increases.

Sukuk variables do not influential significant to growth economy . The development of sukuk has a negative and insignificant effect on Indonesia's economic growth. The results of this study are in line with research conducted by (Alvionita, 2021; Al-Azhar, 2015) which states that sukuk do not have an impact on national GDP. The results show that the development of sukuk does not have a significant impact on Indonesia's economic growth. On the variable Inflation No influential significant to growth economy . Inflation is not significant to Indonesia's economic growth . The results of this study are in line with research conducted by (Sclip *et al.* , 2016) .

## **CONCLUSION**

This study shows that simultaneously the variables of the Islamic capital market which include Islamic stocks, mutual funds, and sukuk and the inflation variable have a significant effect on Indonesia's economic growth. Partially, only the Islamic stock variable has an effect on Indonesia's economic growth, while Islamic mutual funds, sukuk and inflation have no effect on Indonesia's economic growth. The limitation of this study is that the use of independent variables is limited to the Islamic capital market and inflation. Based on the results of the study, it is recommended to pay attention to the significant effect of Islamic stocks on economic growth. Optimizing the role of Islamic stocks can be the main focus in investment strategies. In addition, although Islamic mutual funds and sukuk do not have a



significant effect, a more in-depth analysis is needed to understand the potential and constraints of these two instruments in the long term. It is also necessary to consider other variables outside of inflation that may have a greater impact on economic growth, considering that inflation in this study did not show a significant effect.

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