

ANALYSIS OF THE INFLUENCE OF SHARIA CAPITAL MARKET AND SHARIA MACROECONOMIC VARIABLES ON INDONESIA'S ECONOMIC GROWTH

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ABSTRACT

The research aims to determine the effect of the Sharia capital market and Sharia macroeconomic variables on Indonesia's economic growth in 2017-2021 in the short and long term. The research uses quantitative methods, and the data used is secondary data from time series. The data analysis techniques used are the vector autoregression (VAR) and the vector error correction model (VECM). The results show that in the short term, the Indonesian Sharia Stock Index (ISSI), corporate sukuk, household consumption, and inflation do not have a significant effect on economic growth. The variables of the Indonesian Sharia Stock Index (ISSI) and corporate sukuk have a significant negative effect on GDP in the long run. Meanwhile, inflation has a significant positive effect on GDP in the long run. Household consumption does not affect GDP in the long run. Simultaneously, all variables, namely ISSI, corporate sukuk, household consumption, and inflation, have no significant effect on GDP. GDP responds positively to shocks that occur in ISSI, corporate bonds, and inflation. Meanwhile, household consumption has a negative response from GDP. The variable that has the largest contribution is GDP, household consumption, ISSI, and inflation, and the smallest contribution is shown by corporate sukuk.

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1. INTRODUCTION

Progress and stability in the economy in a variety of spheres of life are

essential if economic growth is to resume. Meanwhile, the classical approach, which connects Smith and Ricardo to Keynes and

Harood-Domar's idea, holds that the investment sector typically supports an economic growth rate.¹ Increasing investment in Sharia capital market instruments is one of Indonesia's efforts to provide production variables as a benchmark for accelerating economic growth.²

The existence of the Sharia capital market gives both Muslims and non-Muslims the chance to invest their money in accordance with Sharia principles, fostering trust for halal transactions. Irwan Abdalloh, the head of IDX's Sharia Capital Market Division, claims that the proportion of Sharia capital market investors keeps rising over time. Even the number of investors in the Sharia capital markets increased by 367% between 2017 and March 2022.³

According to research by Mustaharuddin, Suryanto, Popi Kurnia Ningsih, et al., the Sharia capital market saw an increase during the pandemic in the short term.⁴ Additionally, in order to make the best decision for the ummah's benefit during the COVID-19 pandemic, stockholders must act quickly to invest in shares on the Sharia capital market. This

means that Sharia stock is regarded as the best option in economic downturns because Sharia stock has transaction strength, which keeps it stable and less volatile, allowing it to survive even during economic downturns.⁵

Sukuk, which are securities and one type of investment instrument issued in accordance with a Sharia-based transaction or contract, demonstrate the same idea. According to information made available by the OJK as of January 2021, corporate sukuk has made considerable progress throughout the pandemic.⁶ The total number of sukuk issuances between 2016 and 2021 rose from 102 to 274.⁷ As a result of the COVID-19 epidemic, the current economic situation has, as we all know, remained far from stable. However, given the data on the growth of corporate sukuk, it appears to have good potential for future growth.

Economic growth indicators, besides the investment sector, include household consumption factors, which have a big impact on Indonesia's economic development. Wahyu Hidayat Rianto and Syamsul Hadi claimed that home consumption has contributed to more than 50% of economic growth based on a study done by Ulin Nuhaella Almaya. Due to its significant economic weight and in accordance with Keynes's consumption theory, which holds that consumption expenditure can influence national

¹Dewi Mahrani Rangkuty, Lia Nazliana Nasution, and Arini Eka Ramadhani, "Analisis Variabel Makro Ekonomi Terhadap Pertumbuhan Ekonomi di Indonesia," *Jurnal Kajian Ekonomi dan Kebijakan Publik* Vol. 5, No. 1, 2020, p. 78.

²Hamdan Fathoni, and Gina Sakinah, "Peran Pasar Modal Syariah dalam Laju Pertumbuhan Ekonomi di Indonesia," *Khazanah Multidisiplin* Vol. 2, No. 1, 2021, p. 35.

³Abdul Malik, *BEI Targetkan Jumlah Investor Pasar Modal Syariah Naik 30 Persen*, at 10.30p.m, <https://www.bareksa.com>.

⁴Mustaharuddin, et. al., "Urgensi Investasi pada Pasar Modal Syariah dalam Mengatasi Resesi Ekonomi Indonesia di Masa Pandemi Covid-19," *Prosiding Seminar Pascasarjana UIN Sulthan Thaha Saifuddin Jambi Program Manajemen Pendidikan Islam* Vo. 1, No. 1, 2021, p. 240-254.

⁵ Hasya Mazaya Lathifah, et. al., "Dampak Pandemi Covid-19 Terhadap Nilai Harga Saham Syariah di Indonesia," *Jurnal Ilmiah Ekonomi Islam* Vol. 7, No. 1, 2021, p. 2.

⁶Abdul Malik, "Wakil Ketua OJK, Nurhaida _ Pasar Modal Syariah Terus Bertumbuh di Tengah Pandemi", <https://www.bareksa.com>.

⁷Imroatus Sholiha, and Nani Hanifah, "Eksistensi Obligasi Syariah (Sukuk) Korporasi di Indonesia pada Masa Pandemi," *Istidlal: Jurnal Ekonomi dan Hukum Islam* Vol.5, No. 2, 2021, p. 150.

income, consumption is seen as a determinant of changes in Indonesia's economic activity.⁸

Inflation, which is considered one of the key elements affecting a country's economic growth, is another aspect that has an impact on economic growth. According to Philips, rising inflation lowers the unemployment rate, which stimulates economic growth.⁹ Persistently high and unstable inflation is a reflection of economic instability, which broadly drives up the cost of goods and services. According to information provided by the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation rate for 2021 was 1.87% (YoY), which was higher than the rate for 2020, which was 1.68%. (YoY). The COVID-19 pandemic's tendency to weaken domestic demand, enough supply, and policy coordination between Bank Indonesia and the government at both the central and regional levels in maintaining price stability are factors that contribute to the low inflation in 2021.¹⁰

This study seeks to ascertain whether the aforementioned Sharia capital market instruments, namely the Indonesian Sharia Stock Index (ISSI) and corporate sukuk and then the macroeconomic factors, such as household consumption and inflation, have an impact on the sustainability of Indonesia's

Gross Domestic Product (GDP), which drives the country's economic growth both before and during the Covid-19 pandemic in terms of the long term and short term.

In this section, the authors have mapped samples from previous research results. Mapping samples from articles from previous research is an attempt by the authors to find comparisons and helps them position the research to show originality and find gaps and novelties from previous research. Research conducted by Gebi Gita Marsih and Dyah Titis Kusuma Wardani under the title "The Influence of Sharia Capital Market, Sharia Bonds (Sukuk), and BI Rate on Gross Domestic Products (GDP) in Indonesia."¹¹ Research conducted by Rudra P. Pradhan, et. al., with the title "The Dynamics of Bond Market Development, Stock Market Development and Economic Growth Evidence from the G-20 Countries".¹² Research conducted by Sri Sarmita Dewi, Erfit, and Siti Aminah was titled "Analysis of the Influence of Consumption, Investment, and Labor on The Economic Growth of Jambi Province ."The study uses time series data from 1995-2017.¹³ From the research, the sample shows that there are some differences in the findings. In addition, several previous studies

⁸Ulin Nuhaella Almaya, Wahyu Hidayat Rianto, and Syamsul Hadi, "Pengaruh Harga Minyak Dunia, Inflasi, Konsumsi Rumah Tangga Terhadap Pertumbuhan Ekonomi Indonesia," *Jurnal Ilmu Ekonomi JIE* Vol. 5, No. 2, 2021, p. 276.

⁹Erika Feronika Br Simanungkalit, "Pengaruh Inflasi terhadap Pertumbuhan Ekonomi Indonesia," *Journal of Management* Vol. 13 No. 3, 2020, p. 328.

¹⁰Bank Indonesia, "Inflasi 2021 Tetap Rendah," at 8.30 pm, <https://www.bi.go.id>, viewed on 2 September 2022.

¹¹Gebi Gita Marsi, and Dyah Titis Kusuma Wardani, "The Influence of Sharia Capital Market, Sharia Bonds (Sukuk), and BI Rate on Gross Domestic Products (GDP) in Indonesia," *Journal of Economics Research and Social Sciences* Vol.4, No. 2, 2020, p. 149-162.

¹²Rudra P. Pradhan et al., "The Dynamics of Bond Market Development, Stock Market Development and Economic Growth: Evidence from the G-20 Countries," *Journal of Economics, Finance and Administrative Science* Vol. 25, No. 49, 2020, p. 119-47.

¹³Sri Sarmita Dewi, Erfit, and Siti Aminah, "Analisis Pengaruh Konsumsi, Investasi dan Tenaga Kerja Terhadap Pertumbuhan Ekonomi Provinsi Jambi," *Jurnal Ekonomi Sumberdaya dan Lingkungan* Vol. 8, No. 2, 2019, p. 108-120.

examined using different variables, objects, and periods. However, specifically in terms of methodology and research object, there are differences between previous research and the research that the author is currently conducting. In originality, the author's positioning discusses and examines "Analysis of the Influence of Sharia Capital Market and Macroeconomic Variables on Indonesia's Economic Growth in 2017-2021", which has not previously been researched or used as a research theme.

2. LITERATURE REVIEW

2.1 Economic Growth

Economic growth is the process of long-term increases in output per capita. Economic growth is a process, not a snapshot of the economy at a particular moment, that is tracked by keeping track of how the economy evolves or shifts periodically.¹⁴ The growth rate of Gross Domestic Product is the statistic used to gauge economic expansion (GDP). The decision to use GDP growth as an indication of growth rather than alternative indicators, including the increase in the Gross National Product (GNP), is supported by a number of factors. These factors are:

GDP is the total amount of added value produced by all economic output activities. In light of this, it is clear that the rise in GDP also reflects an increase in the compensation paid to the production elements employed in these production activities. The flow idea is used to

calculate GDP. In a sense, the value of the goods produced within a specific period is the sole factor considered for calculating GDP. Additionally, the idea of flow is helpful for calculating GDP because it enables comparisons between the amount of output produced this year and last year. The country serves as the country's GDP computation area's limit (domestic economy). This enables evaluation of how effectively the government's economic policies have boosted domestic economic activity.¹⁵

One of the keys to the success of the development of an area or country may be seen based on the rate of economic growth. In its regional development planning and goals, each region always sets a growth rate target that is better than the preceding year.¹⁶ There are various growth theories in economics, and economist's perspectives on the process of economic growth vary.¹⁷ According to John Maynard Keynes (1936), also known as the Keynesian Revolution in macroeconomic theory, In order to combat the slowness of the factors of production, Keynes's theory relied on the effective aggregate demand in the nation. Keynes observed a correlation between various economic factors, including total unemployment, imports and exports, income,

¹⁴Desry Jonelda Louhenapessy, and Valdy Rijoly, "Analisis Faktor-Faktor yang Mempengaruhi Pertumbuhan Ekonomi Sebelum dan Sesudah Pandemi Covid-19," *Jurnal Cita Ekonomika* Vol. 16, No. 1, 2022, p. 18-27.

¹⁵Sonya Gulanda, et. al., "Analisis Faktor-Faktor yang Mempengaruhi Perekonomian, Konsumsi dan Investasi di Sumatera Barat," *Jurnal Kajian Ekonomi* Vol. 2 No.3, 2013, p. 18.

¹⁶Puji Yuniarti, Wiwin Wianti, and Nandang Estri Nurgaheni, "Analisis Faktor-Faktor yang Mempengaruhi Tingkat Pertumbuhan Ekonomi di Indonesia," *SERAMBI: Jurnal Ekonomi Manajemen dan Bisnis Islam* Vol. 2, No. 3, 2020, p. 169-176.

¹⁷ Hastarini Dwi Atmanti, "Kajian Teori Pemikiran Ekonomi Mazhab Klasik dan Relevansinya pada Perekonomian Indonesia," *Jurnal Ekonomi & Bisnis* Vol. 2, No. 2, 2017, p. 511-524.

consumption, taxation, and government spending.¹⁸

In addition, the Neo-Keynesian Theory (1970), which is the successor to Keynes's ideas, focuses on creating theories about initiatives aimed at preserving economic stability. According to the Neo-Keynesian Theory, there are two fundamental reasons why economic swings happen. The degree of investment and low levels of consumption have changed first. Second, because of price rigidity and wage levels in the adjustment mechanism, variations happen because no corrective mechanism can bring the economy into a full-employment equilibrium.¹⁹

2.2 Sharia Capita Market

In general, the Sharia capital market is defined as all activities in the capital market that carry out Islamic principles.²⁰ Providing Sharia investment products, the Sharia capital market serves as a middleman between parties in need of finance and those who own it. Individuals who require capital investment products will be produced in accordance with their requirements because each security has unique properties. Furthermore, through an intermediate mechanism in the sharia capital market, issued sharia securities will be made available to investors. In the sharia capital market, investment product issuers serve as suppliers, investors serve

as buyers, and stock exchanges serve as middlemen.²¹

In the Islamic capital market, there are two popular instruments: Islamic stocks and corporate sukuk. The National Sharia Council defines Sharia stock as evidence of ownership in a business that abides by Sharia standards and excludes stock with special privileges. Stocks of a corporation free from illegal activities like usury, *gharar*, *gambling*, pornography, and purchasing and selling booze and cigarettes are among the stocks that adhere to Sharia standards. Stocks that operate according to Sharia principles in both theory and business are included in the Jakarta Islamic Index (JII) and traded on the Stock Exchange of Indonesia.²²

A corporate sukuk is a debt arrangement where the borrower is obligated to make regular interest payments and repay the loan principal on the due date. This kind of sharia bond can take the form of bearer bonds, which take the form of attached coupons that the holder can pour in accordance with the schedule, or registered bonds, whose owners are recorded and payments are transferred to them (on schedule). Most of these sharia bonds are term bonds, which have a fixed maturity date and can be sold on domestic or international bond markets. In contrast, the majority of the government's bonds are serial bonds with varying maturity dates.²³

¹⁸Patrick Ch Wauran, "Analisis Perekonomian Makro dan Proyeksi Pertumbuhan Ekonomi Kota Tomohon," *Jurnal Berkala Ilmiah Efisiensi* Vol. 18, No. 6, 2018, p. 93-100.

¹⁹Amin Pujiati, "Menuju Pemikiran Ekonomi Ideal: Tinjauan Filosofis dan Empiris," *Fokus Ekonomi* Vol. 10, No. 2, 2011, p. 114-125.

²⁰Irwan Abdalloh, *Pasar Modal Syariah* (Jakarta: PT Gramedia, 2018), p. 19.

²¹*Ibid*, p. 17.

²²Choirunnisak, "Saham Syariah, Teori dan Implementasi," *Journal Islamic Banking* Vol. 4 No. 2, 2019, p. 70.

²³M Anwar Rifa'i, and Rois Ibnu Sina, "Analisis Perkembangan dan Resistansi Sukuk Korporasi dalam Produk Pasar Modal," *Jurnal Ekonomi dan Perbankan Syari'ah* Vol. 11, No. 1, 2019, p. 33-46.

2.3 Macroeconomic Variables

Macroeconomics is a branch of economics that focuses on the overall functioning of the economy. The relationship between aggregative economic variables serves as the cornerstone of macroeconomics. The level of national income, household consumption expenditures, inflation, exchange rates, the international balance of payments (exports and imports), and interest rates are the macroeconomic indicators that receive the most attention.²⁴

2.3.1 Household Consumption

Spending by households on goods and services to satisfy the needs of those who make purchases is referred to as consumption.²⁵ Additionally, consumption is broken down into three groups: services, non-durable products, and durable goods. As basic food needs are satisfied and a bigger portion of the family income is allocated to health, recreation, and education, the service sector is expanding.

2.3.2 Inflation

A constant rise in the cost of goods and services is referred to as inflation because dinars and dirhams are used as currency and have inherent worth. Islamic economics itself does not recognize inflation. Unless the price increase extends to create a price increase of a different commodity, Bank Indonesia maintains that an increase in the price of one or two

goods is not sufficient to qualify as inflation. The Consumer Price Index (CPI) and the Wholesale Price Index are macroeconomic indicators that are used to gauge inflation (IHPB).²⁶

2.4 Previous research related to Research Themes

Research conducted by Masrizal, Raditya Sukmana, Muhammad Ubaidillah Al Mustofa, and Sri Herianingrum, with the title "Can country risks predict Islamic stock index? Evidence from Indonesia". This study aims to examine the relationship between the Indonesian Islamic capital market and the country's risk and macroeconomic factors.²⁷

Research conducted by Sri Rahayu Hijrah Hati, Muhammad Budi Prasetyo, and Nur Dhani Hendranastiti, with the title "Sharia vs. non-sharia compliant: which gives much higher financial-based brand equity to the companies listed in the Indonesian stock market?". The study aims to examine the difference in financial-based brand equity of Sharia-compliant and non-Sharia-compliant companies listed in the stock market.²⁸

Research conducted by Rizaldi Yusfiarto, Septy Setia Nugraha, Lu'liyatul

²⁶ Santoso Wijoyo, and Reza Anglingkusumo, "Underlying Inflation Sebagai Indikator Harga yang Relevan dengan Kebijakan Moneter: Sebuah Tinjauan untuk Indonesia," *Buletin Ekonomi Moneter dan Perbankan* Vol. 1 No.1, 1998, p. 62.

²⁷ Annisa Fithria et al., 'Management Ownership and the Performance of Islamic Microfinance Institutions: A Panel Data Analysis of Indonesian Islamic Rural Banks', *International Journal of Islamic and Middle Eastern Finance and Management* 14, no. 5 (2021): 950-66, <https://doi.org/10.1108/IMEFM-05-2020-0257>.

²⁸ Sri Rahayu Hijrah Hati, Muhammad Budi Prasetyo, and Nur Dhani Hendranastiti, 'Sharia vs Non-Sharia Compliant: Which Gives Much Higher Financial-Based Brand Equity to the Companies Listed in the Indonesian Stock Market?', *Journal of Islamic Marketing* 14, no. 9 (2023): 2167-87, <https://doi.org/10.1108/JIMA-08-2021-0251>.

²⁴ Soediyono Reksoprayitno, *Pengantar Ekonomi Makro Edisi 6* (Yogyakarta: BPFE Yogyakarta, 2020), p. 2.

²⁵ Abu Bakar, "Analisis Pengaruh Pengeluaran Konsumsi Rumah Tangga dan Pengeluaran Pemerintah terhadap Indeks Pembangunan Manusia Kabupaten Mimika," *Kritis* Vol.4, No. 2, 2020, p. 16-39.

Mutmainah, Izra Berakon, Sunarsih Sunarsih, and Achmad Nurdany, with the title "Examining Islamic capital market adoption from a socio-psychological perspective and Islamic financial literacy ."This study aims to explore the Islamic capital market adoption model, based on the construct of Islamic financial literacy (IFL), the theory of planned behavior (TPB), and past behavior (PBR) in the context of a Muslim-majority country (Indonesia).²⁹

Research conducted by Irawan and Julia Almeida Siregar, with the title "The Influence of the Islamic Capital Market on Indonesian Economic Growth."The purpose of the research is to determine the effect of Islamic capital markets (Islamic stocks, sukuk, and Islamic mutual funds) on economic growth.³⁰

Research conducted by Ayif Fathurrahman dan Hamiyah Al-Islami, with the title "The Influence of the Islamic Capital Market on National Economic Growth: The Vector Error Correction Model (VECM) Approach. This research aims to analyze the influence of Islamic stocks, Islamic bonds (sukuk), sharia mutual funds on national economic growth 2015-2019".³¹

²⁹ Rizaldi Yusfiarto et al., 'Examining Islamic Capital Market Adoption from a Socio-Psychological Perspective and Islamic Financial Literacy,' *Journal of Islamic Accounting and Business Research* 14, no. 4 (17 April 2023): 574-94, <https://doi.org/10.1108/JIABR-02-2022-0037>.

³⁰ Irawan Irawan and Zulia Almada Siregar, 'Pengaruh Pasar Modal Syariah Terhadap Pertumbuhan Ekonomi Indonesia', *SNISTEK* 2, no. September (2019): 97-102, <https://ejournal.upbatam.ac.id/index.php/prosiding/article/view/1514>.

³¹ Ayif Fathurrahman and Hamiyah Al-Islami, 'Pengaruh Pasar Modal Syariah Terhadap Pertumbuhan Ekonomi Nasional: Pendekatan Metode Vector Error Correction Model (VECM)', *Jurnal Tabarru': Islamic*

3. RESEARCH METHOD

This research uses a quantitative descriptive approach, using analytical methods, namely vector autoregression (VAR) and vector error correction model (VECM). This study uses secondary data obtained from the processing of a second party or data obtained from the publication of another party.³² The secondary data used in this study is time series data for a monthly period of five years, starting from January 2017 to December 2021. The data used in this study came from various sources on the official website of the agency, namely, the Financial Services Authority (OJK) and the Central Statistics Agency (BPS).

The Vector Error Correction Model is the analysis technique utilized if some variables are stationary at the first difference level but not at the level (VECM). Data analysis can be interpreted as a way of carrying out an analysis of the data to process the data to answer the formulation of the problem. The analysis technique used in this research is if all the data tested is stationary at the level, then the method used is Vector Auto Regression (VAR). While the tool (software) used to process the data is Eviews 10.

The analysis assumes stationarity for variables X and Y, employing a systematic approach: data stationarity test, optimal lag determination, VAR stability test, cointegration test, Vector Error Correction Model (VECM) estimation, Impulse Response Function (IRF) test, and Forecast Error Variance Decomposition (FEVD)

Banking and Finance 6, no. 1 (24 May 2023): 111-24, [https://doi.org/10.25299/jtb.2023.vol6\(1\).12883](https://doi.org/10.25299/jtb.2023.vol6(1).12883).

³²Nanang Martono, *Metode Kuantitatif: Analisis Isi dan Data Sekunder* (Jakarta: Raja Grafindo Persada, 2014), p. 34.

test. This method ensures a comprehensive understanding of the relationships between the stationary variables.

4. RESULT AND DISCUSSION

4.1 Stationarity Test

By examining the probability value of the ADF t-statistics, it is possible to test the stationarity of the data. It can be claimed that the data is stationary if the ADF test value is much higher than the Mc test Kinnon's crucial value.³³

Table 1. Stationarity Test

Variable	ADF	
	Level	1st difference
LNPDB	-2.162947	-3.874314
LNISSI	-1.690377	-6.380661
LNSK	-1.79818	-6.749883
LNKRT	-3.830796	-3.342125
INFLATION	-6.279156	-7.844634

Critical Mc. Kinnon 5%	
Level	1st Difference
-2.912631	-2.912631
-2.91173	-2.912631
-2.91173	-2.912631
-2.912631	-2.912631
-2.912631	-2.915522

Source: Processed Data (Eviews 10)

Based on the stationarity test table with the ADF test at the level above, using a critical value of 5%, the ADF value of t-statistics for household consumption and inflation is greater than the critical value. With the ADF t-statistic value of household consumption of $-3.830796 > -2.912631$, then the ADF t-statistical inflation value is $-6.279156 > -2.912631$, so it can be said that household consumption data and inflation are stationary at the level.

Meanwhile, other variables, namely GDP, ISSI, and Corporate Sukuk, are not stationary at the level because the ADF t-statistic value is $<$ critical with ADF t-statistics GDP value $-2.162947 < -2.912631$, then ISSI t-statistics $-1.690377 < -2.91173$, and Corporate Sukuk t-statistics $-1.79818 < -2.91173$. Therefore, the variables of PDB, ISSI, and Corporate Sukuk can be said to be non-stationary in the ADF test at the level. So after the first difference process (the first difference), the GDP, ISSI, and Corporate Sukuk variables can be said to be stationary.

Table 2. Stationarity Data

Variable	ADF	
	Level	1st difference
LNPDB	0.2218	0.0040
LNISSI	0.4308	0.0000
LNSK	0.3779	0.0000
LNKRT	0.0045	0.0174
INFLATION	0.0000	0.0000

Source: Processed Data (Eviews 10)

Referring to the table above, to find out whether the data is stationary at the test level, that is by comparing the probability value with the error level or 5% error (p-value $< 5\%$). In the data above, the variables of Household Consumption and Inflation are stationary at the level. Meanwhile, the variables of Gross Domestic Product (GDP), Indonesia Sharia Stock Index (ISSI), and Corporate Sukuk are stationary at the first difference level.

4.2 VAR Stability Test

It is important to check the condition of the VAR stability in the form of roots of the characteristic polynomial in order to determine whether or not the produced VAR estimate is stable. If all of a VAR

³³ Ismadiyanti Purwaning Astuti, and Fitri Juniwati Ayuningtyas, "Pengaruh Ekspor dan Impor Terhadap Pertumbuhan Ekonomi di Indonesia," *Jurnal Ekonomi & Studi Pembangunan* Vol. 19, No. 1, 2018, p. 5.

system's roots have moduli lower than one, it is said to be the table.³⁴

Table 3. VAR Model Stability

lag	Modulus
1	0.967727 - 0.000492
2	0.969251- 0.188215
3	0.969619 - 0.199803
4	0.971562 - 0.222466
5	0.977505 - 0.638119
6	0.978764 - 0.042424
7	0.980161 - 0.078608

Source: Processed Data (Eviews 10)

The table above shows that the data from lags 1 to 7 looks stable because the modulus value is less than 1 in each lag. If the modulus value in a lag is more than one, then the lag shows unstable results in processing the VAR model. Based on the results above, it can be concluded that up to lag seven can affect the Gross Domestic Product (GDP) in the VAR stability test. This stability condition can show valid IRF and FEVD test results.

4.3 Optimal Lag Test

In order to prevent autocorrelation in the model, an ideal lag test is required. The Akaike Information Criterion (AIC), Schwarz Criterion (SC), and Hannan-Quinn Criterion are used to determine the optimal lag.³⁵

Table 4. Optimal Lag

lag	LogL	LR	FPE
0	440.8207	NA	9.01E-14
1	654.3315	380.4373*	9.54e-17*
2	672.7876	29.52982	1.24E-16

³⁴Eva Misfah Bayuni, and Ascarya, "Pengaruh Instrumen Moneter terhadap Stabilitas Besaran Moneter dalam Sistem Moneter Ganda di Indonesia," *TAZKIA Islamic Finance & Business Review Analisis* Vol. 5, No. 1, 2010, p. 82.

³⁵Hadi Sasana, and Jalu Aji Prakoso Rianti Patriamurti, "Analisis Pertumbuhan Ekonomi, Pertumbuhan Industri, Pertumbuhan Penduduk, Pengeluaran Konsumsi, dan Investasi Asing Terhadap Konsumsi Listrik di Indonesia Tahun 1971-2019," *DINAMIC: Directory Journal of Economic* Vol. 1, No. 3, 2019, p. 857.

3	692.0226	27.27878	1.62E-16
4	710.9525	23.40424	2.27E-16

	AIC	SC	HQ
	-15.84803	-15.66554	-15,77746
	-22.70296*	-2160805*	-22.27955*
	-22.465	-20,45767	-21.68875
	-22.25537	-19.33561	-21.12628
	-22.03464	-18.20246	-20.5527

Source: Processed Data (Eviews 10)

The results of the processed data above have confirmed that the lag that will be used in this study is the first lag (in column 2) by looking at the smallest AIC, FPE, and LR values, namely -22.70296, -21.60805 and -22.27955, or it can be seen from the most asterisk (*) signs. Therefore, in this study, the optimum lag is at lag 1.

4.4 Cointegration Test

Some prerequisites must be met in order to estimate VECM, including the presence of a cointegration relationship. The VAR (Vector Autoregression) model must be used instead of the VECM estimation if there is no cointegration relationship.³⁶ The cointegration test method used in this study is by Johansen. The results of the cointegration test are displayed in the following table:

Table 5. Cointegration Test

Rank Test	Trace Statistics	Critical Value 5%
r = 0	92.20842	79.34145
r = 1	51.55351	55.24578
r = 2	28.26836	35.0109
r = 3	9.24295	18.39771
r = 4	0.693836	3.841466

Source: Processed Data (Eviews 10)

From Table 4.5 above, it can be explained that in the 5% test level, there is

³⁶Farida Dwi Prasetyawati, and Agus Tri Basuki, "Analisis Faktor-Faktor yang Mempengaruhi Impor Daging Sapi di Indonesia Periode 1988-2017: Menggunakan Metode VECM (Vector Error Correction Model)," *Journal of Economics Research and Social Sciences* Vol. 3, No. 2, 2019, p. 124.

one rank of variables related to cointegration. This is evidenced by the value of Trace Statistics 92,20842 being greater than the Critical Value 5%, which is 79.34145, which means H0 is rejected or, in other words, the variables used have a long-term relationship (cointegration) between one another. Therefore, the VECM estimation in this study can be used and continued with stability testing with VECM estimation.

4.5 Vector Error Correction Model (VECM) Estimation

The VECM estimation test is conducted by reading the t-statistical value from the t-table after having gone through the cointegration test and receiving the results of one cointegration with lag stability at the first lag point. Determine whether there are short and long-term links between research variables using VECM estimation.³⁷. In this case, VECM can have an effect if the t-statistic value is greater than the t-table, which indicates the significance of the variable that affects the Y variable.

Table 6. Short-Term VECM Estimation

Short-term		
Variable	Coefficient	T-Stats
CointEq1	-0.013788	-0.22682
LNPDB	0.572407	3.74408
LNISSI	0.048058	1.42992
LNSK	0.022012	0.74583
LNKRT	0.12885	0.17095
INFLATION	0.005003	0.4787

Source: Processed Data (Eviews 10)

Based on the results of the short-term VECM test above, it is stated that all independent variables have no significant effect on GDP. This is supported by the t-statistic value which is smaller than the t-

table, which is 1.96. So, it can be concluded that all variables accept H0, which means that the variable does not affect GDP. In this case, there is an error correction of -0.013788 towards the long-term balance. The results of the R-Square on the VECM test show that GDP can explain the diversity of ISSI, SK, KRT, and inflation with a value of 53.28%.

Table 7. Long-Term VECM Estimation

Variable	Long-term	
	Coefficient	T-Stats
LNISSI	-0.323419	-5.55924
LNSK	-0.114514	-2.70514
LNKRT	0.01858	0.04575
INFLATION	0.227093	6.36161

Source: Data processed (Eviews 10)

Based on the results of the long-term VECM test above the ISSI variable, Corporate Sukuk and Inflation have a significant long-term effect on GDP. When the ISSI increases by one standard deviation unit, then GDP has an effect in the long term but in a negative direction, namely, because the ISSI t-statistic value is equal to 5.55924, which is bigger than the t-table (1.96). The Corporate Sukuk variable has a t-statistic value of -2.70514, which is greater than the t-table (1.96), so it can be said that Corporate Sukuk has a significant but negative effect on GDP in the long run. The inflation variable has a t-statistic value of 6.36161, which is greater than the t-table, so there is a positive long-term relationship, where if inflation increases by one standard deviation, GDP will increase by 6.36161.

4.6 Impulse Response Function (IRF)

IRF analysis is used to assess the dynamic effects of changes in one variable on other variables. IRF is used to isolate shocks or to put it another way, a variable can be impacted by different shocks. IRF analysis is performed to determine

³⁷Henty Eka Palupy, and Maruto Umar Basuki, "Analisis Pengaruh Investasi dan Budget Deficit," *Diponegoro Journal of Economics* Vol. 1, No. 1, 2019, p. 47.

whether the earlier data processing results were accurate.³⁸

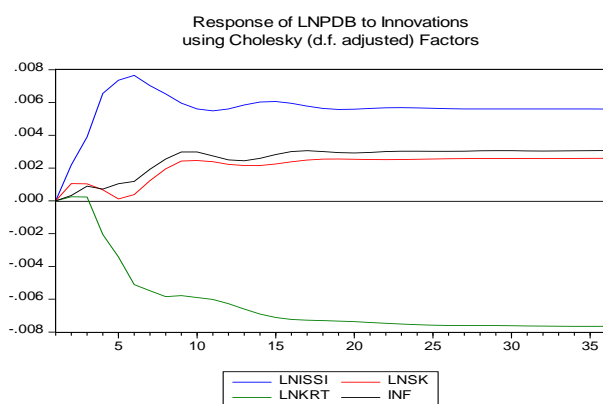


Figure 1. IRF Test

Source: Data processed (Eviews 10)

The chart above shows that there is an effect of shocks between GDP on the ISSI variable, Corporate Sukuk, Household Consumption, and inflation. Almost all variables give a positive response to GDP except for Household Consumption, which reacts negatively. The ISSI variable began to respond positively in the fifth period and experienced the highest increase in the seventh period. Then, in the 16th period, ISSI showed the direction of stability with a value of around 0.0059. The Corporate Sukuk variable also responded positively from the 2nd period, but in the 6th period, there was a decrease and was stable in the 15th period with a range of 0.0022. Meanwhile, the household consumption variable leads to a negative response, where only the first and second periods show a positive range of 0.0025. After that, the indicated range continued to decline until the 36th period, namely -0.0076. Inflation showed a positive response,

³⁸Muji Gunarto, and Rini Wulansari, "Analisis Pergerakan Harga Saham Berdasarkan Harga Acuan dan Volume Penjualan: Studi pada PT Bukit Asam Tbk," *Jurnal Manajemen dan Bisnis Sriwijaya* Vol. 18, No. 4, 2020, p. 264.

starting in the 16th period, experiencing stability. This shows that when inflation shows a positive response and continues to increase in the following period, it will cause the GDP figure to decline.

4.7 Forecast Error Variance Decomposition (FEVD)

The Forecast Error Variance Decomposition (FEVD) method seeks to quantify the contribution of each variable to shocks or changes in other variables. The graph below will display the FEVD findings about economic growth. Referring to these findings demonstrates that in the first period, the GDP variable is influenced by the GDP variable alone and that there is no discernible influence from other variables.³⁹

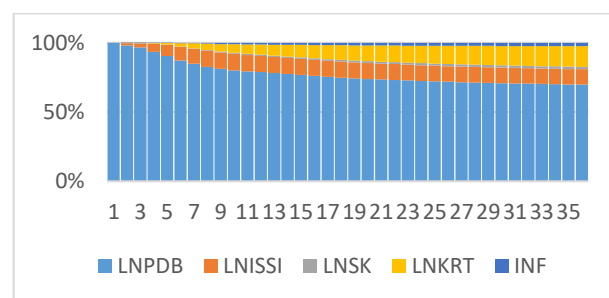


Figure 2. FEVD test

Source: Data processed (Eviews 10)

Based on the results of the FEVD test above, namely for the next 36 periods or three years after, the variable that has the biggest influence on economic growth is GDP itself, with a value of 69.80%. The second largest contribution to GDP is household consumption at 14.95%. In comparison, the third largest contribution is sharia stock at 11.09%, the next contribution is inflation at 2.45%, and the last contribution is shown by corporate

³⁹ Muhammad Ghafur Wibowo, and Ahmad Mubarak, "Analisis Efektivitas Transmisi Moneter Ganda Terhadap Pertumbuhan Ekonomi Indonesia," *Jurnal Ekonomi Pembangunan* Vol. 25, No. 2, 2018, p. 131.

sukuk, which is 1.72%. The graph above shows that the household consumption variable dominates GDP. In contrast, the corporate sukuk variable makes the smallest contribution from the beginning of the period to the end of the period for the next 36 periods. So, it can be concluded that in the long term, the influence of household consumption will affect GDP.

4.8 Discussion

According to the results of the VECM test on the processed data, corporate sukuk, inflation, and the Indonesian Sharia Stock Index (ISSI) variable, all have a considerable impact on GDP's long-term economic growth. However, the GDP is significantly impacted negatively by the ISSI and corporate sukuk factors. In the long run, ISSI has a considerable detrimental impact on economic growth.

Indonesian Sharia Stock Index (ISSI) returns are impacted by stock price changes, which can also have an impact on economic growth. The drop in stock prices, which affects the decline in stock earnings, can provide signs of economic deterioration. According to theory, rising economic growth also results in consumers having more money to spend on company goods, which boosts business profitability.⁴⁰

The negative correlation between Sharia stocks and economic growth in this study demonstrates an unfavorable association between the two variables. The likelihood that economic development will have an impact on the share price of

sharia is very high. According to the findings of Luqman Hakim's research, a case study of the State Organization of Islamic Cooperation examines the analysis of the impact of macroeconomic factors on the Sharia stock index. The findings of this study show that, while GDP does not directly affect the price of sharia stocks, it does affect rising stock prices in the sharia capital market. Consumption directly influences OIC countries' GDP, which fuels that region's economic expansion.⁴¹

The next factor is sukuk, which is crucial for economic growth and serves as a means of raising money for projects aimed at improving local capital markets and infrastructure. In this situation, the government or businesses may issue sukuk. Additionally, the presence of sukuk can help with inflation control by limiting the amount of money in circulation. According to the results of the long-term VECM test, corporate sukuk has a considerable negative impact on economic growth. However, despite the sukuk market's rapid expansion, this impact has not been seen because corporate value is still relatively low in comparison to other factors.

The findings of this study are consistent with research by Harjum Muharam, Resi Junita Anwar, and Robiyanto Robiyanto, which claims that there is a negative relationship between the growth of Indonesia's economy and the development of the corporate sukuk market, which promotes the flight to quality phenomenon in the Islamic finance sector. It makes sense that financial market volatility will rise if the economy is in a

⁴⁰ Lukfiah I. Radjak, and Ita Yuni Kartika, "Pengaruh Saham Syariah Terhadap Pertumbuhan Ekonomi Nasional," *Journal Syariah and Accounting Public* Vol. 2, No. 1, 2020, p. 68.

⁴¹ Luqman Hakim, "Analisis Pengaruh Variabel Makroekonomi Terhadap Indeks Saham Syariah: Studi Kasus Negara Organisasi Kerjasama Islam," *Jurnal Ilmiah* Vol. 6, No. 1, 2018, p. 10.

recession. This will then motivate investors to switch to safer products so as to lower the risk.⁴²

Over time, inflation significantly boosts economic growth by 6.36161. This demonstrates that inflation is not a roadblock to the GDP. This type of gross domestic product is exclusive growth, meaning that it does not take into account the standard of living of the average person.⁴³ In essence, not all inflation is bad for the economy, specifically if there is modest inflation, which is less than 10%. Mild inflation may promote economic expansion.

This is due to the fact that inflation may inspire business owners to expand their output. Entrepreneurs are competing to raise production standards in an effort to increase earnings as a result of the price hike. If the value is higher than 10%, inflation has a negative effect. This is supported by Desy Safitri's study on the impact of government spending, inflation, and exports on economic growth in Central Kalimantan. According to the study, inflation and economic growth in Central Kalimantan have a positive and significant relationship. In this instance, the necessity of maintaining mild inflation or inflation below ten percent must have implications.⁴⁴

⁴² Harjum Muharam, Resi Junita Anwar, and Robiyanto Robiyanto, "Islamic Stock Market and Sukuk Market Development, Economic Growth, and Trade Openness (The Case of Indonesia and Malaysia)," *Business: Theory and Practice* Vol. 20, No. 2014, 2019, p. 204.

⁴³ Zaim Mukaffi, "Pengaruh Pengangguran Dan Inflasi Terhadap Produk Domestik Bruto Indonesia," *ULIL ALBAB: Jurnal Ilmiah Multidisiplin* Vol. 1, No. 4, 2022, p. 812.

⁴⁴ Desy Safitri, "Pengaruh Ekspor, Pengeluaran Pemerintah dan Inflasi Terhadap Pertumbuhan Ekonomi di Kalimantan Tengah," *JEPPI: Jurnal Ekonomi Pembangunan dan Pariwisata* Vol. 2, No. 1, 2022, p. 158.

Overall, none of the study's variables have a short-term impact on economic growth. Spending on products or services by households with the intention of satisfying wants or making purchases depending on their income is known as household consumption. The fact that household consumption expenditures are directly correlated with household income is one factor to take into account when using household consumption variables. Therefore, a household's consumption expenses increase in proportion to the amount of income it owns. This is consistent with Keynes's theory of absolute consumption, which claims that the level of household spending depends on the income generated.⁴⁵

According to the study's findings, short-term economic growth is not impacted by household consumption. People's incomes are low because of variables like poor household consumption that result from less developed economic activity. People's purchasing power and household consumption therefore declined, making it impossible for them to have a meaningful impact on economic growth. This is consistent with Fitrawaty's findings, which indicate that short-term household consumption has little impact on economic growth. This is a result of the laborious production process and rules that prevent increased production and slow economic growth.⁴⁶

⁴⁵ Sudirman, and M. Alhudhori, "Pengaruh Konsumsi Rumah Tangga, Investasi Terhadap Pertumbuhan Ekonomi di Provinsi Jambi," *EKONOMIS: Journal of Economics and Business* Vol. 2, No. 1, 2018, p. 86.

⁴⁶ Fitrawaty, "The Impact of The Relaxation Policy During The Covid-19 Pandemic on The National Economy," *Sultanist: Jurnal Manajemen dan Keuangan* Vol. 10, No. 1, 2022, p. 69.

It is clear from the VECM test results above that inflation has no short-term impact on economic growth. The pressure brought on by inflation affects producers, who directly influence economic growth, in addition to consumers, according to Keynesian theory, which states that aggregate demand has a short-term impact on both employment and national output.⁴⁷ Additionally, according to Anggun Mai Safitri, Khairil Anwar, and Tarmizi Abbas, inflation has little immediate impact on economic growth.⁴⁸

The findings of this study indicate that the Indonesian Sharia Stock Index (ISSI) has no immediate impact on Indonesia's economic growth. ISSI has not impacted the economic expansion as an investment product. Since ISSI cannot directly raise the GDP, it must first encourage the performance of the production of goods and services through a protracted process. Increasing people's incomes will increase consumption levels, which can have a positive impact on the gross domestic product. Production can increase people's income levels.⁴⁹

Corporate Sukuk also has no immediate impact on Indonesia's economic development. Sukuk has no impact on economic growth because of weak corporate Sukuk issuance. The

⁴⁷ Febi Mayasari, and Yaqutta Fhra Mahinshapuri, "Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi Indonesia," *JEB: Jurnal Ekonomi & Bisnis* Vol. 7, No. 2, 2022, p. 119.

⁴⁸ Anggun Mai Safitri, Khairil Anwar, and Tarmizi Abbas, "Pengaruh Harga Minyak Dunia, Inflasi, dan Ekspor Neto Terhadap Pertumbuhan Ekonomi di Indonesia," *Jurnal Ekonomi Regional Unimal* Vol. 5, No. 1, 2022, p. 27.

⁴⁹ Indah Melati, and Yulida Army Nurcahya, "Analisis Pengaruh Asuransi Syariah, Obligasi Syariah/Sukuk, Saham Syariah, dan Reksadana Syariah Terhadap Pertumbuhan Ekonomi Indonesia (2013-2020)," *Jurnal Akuntansi Kompetif* Vol. 5, No. 1, 2022, p. 22-30.

study's findings concur with those of Irawan, and Zulia Almaida Siregar, who found that corporate sukuk has no significant impact on Indonesia's economic growth.⁵⁰

The IRF test findings demonstrate that the first period saw the onset of the shocks that affected Indonesia's economic growth in terms of the ISSI variable, corporate sukuk, household consumption, and inflation. From the beginning of the period to the end of the term, the ISSI, corporate sukuk, and inflation variables indicate favorable developments. The household consumption variable, on the other hand, decreased significantly from the beginning of the period to the conclusion of the period. Household consumption has a negative correlation with economic growth, according to Padli, Hailuddin, and Wahyunadi. Due to diminishing incomes, which reduce people's ability to purchase either food or non-food items, the household consumption variable is not important for economic growth.⁵¹

Indonesian Sharia Stock Index (ISSI) responded favorably to Indonesia's economic expansion. This was supported by the findings of a study by Nur Auliyatusaa'adah, Dwi Irma Handayani, and Farekha Farekha, which found a substantial relationship between the ISSI variable and Indonesia's economic expansion.⁵² As

⁵⁰ Irawan, and Zulia Almaida Siregar, "Pengaruh Pasar Modal Syariah Terhadap Pertumbuhan Ekonomi Indonesia," *SNISTEK* Vol. 2, No. 1, 2019, p. 101.

⁵¹ Padli, Hailuddin, and Wahyunadi, "Pengaruh Pengeluaran Konsumsi Rumah Tangga, Investasi Swasta dan Belanja Langsung Pemerintah Daerah Terhadap Pertumbuhan Ekonomi di Kabupaten Lombok Timur Tahun 2001-2017," *Jurnal Ilmiah Akuntansi dan Keuangan* Vol. 9, No. 1, 2020, p. 26.

⁵² Nur Auliyatusaa'adah, Dwi Irma Handayani, dan Farekha Farekha, "Pengaruh Saham dan Reksadana Syariah Terhadap Pertumbuhan Ekonomi Indonesia

demonstrated by the IRF test results, where corporate sukuk grew from the initial period to the final period, the variable corporate sukuk also exhibits a positive reaction to economic expansion. This is in line with studies from Febry Ariyanto and Adi Tri Pramono, which claim that corporate sukuk significantly boosts Indonesia's economic growth.⁵³ Although there were swings in inflation at the beginning of the time, inflation continued to rise as the economy expanded until the end of the decade. This is in line with a study by Putri Sari Silaban and Raysa Rejeki, which found that the GDP variable was significantly positively impacted by inflation.⁵⁴

The Gross Domestic Product (GDP) variable is the one that will contribute most throughout the following three years, according to the FEVD test results. The GDP serves as a gauge for gauging economic growth by taking into account everyone's collective income. The amount of economic growth can be described by the rise in real GDP from year to year; economic growth will improve if GDP rises. Additionally, the community's income per capita will increase if the average rate of economic growth is strong. The expansion of the business sector as a result of social and health services, which account for 10.46 percent of the country's GDP in 2021, is one of the factors boosting Indonesia's economic growth. Information

and communication come in second at 6.81 percent, and the purchase of electricity and gas comes in fifth at 5.55 percent. Processing, on the other hand, plays a significant role, contributing 3.39 percent.

Household consumption is the following factor that makes the second-largest contribution. Household consumption is one of the drivers of boosting economic expansion in terms of spending. An increase in the Consumer Confidence Index (IKK) and retail sales were the main drivers of the expansion in household consumption. In terms of its impact on economic growth, household consumption plays a significant part in shaping periodic economic oscillations. The biggest impact on total expenditure is also exerted by household consumption spending.

The Indonesian Sharia Stock Index (ISSI) is the third variable that contributes to economic growth. The development of a positive Sharia stock index can increase economic growth. This is in line with ISSI's role for the economy as a source of funding for a company in developing its business through the issuance of sharia securities. The Islamic stock index continues to show a more positive performance when compared to the non-Sharia stock index. The superior performance of the Sharia stock index is due to being supported by stocks that have positive performance.

Inflation is the next factor that affects economic growth. Since inflation defines an unfavorable economic situation brought on by the economic downturn and lowers people's purchasing power, it is one of the macroeconomic variables that play a significant influence on the economy. The rate of economic growth

Tahun 2013-2019," *JIEF: Journal of Islamic Economics and Finance* Vol. 1, No. 1, 2021, p. 44.

⁵³ Febry Ariyanto, and Adi Tri Pramono, "Implikasi Pasar Modal Syariah dan Variabel Makro Terhadap Pertumbuhan Ekonomi Indonesia Periode 2015-2020," *JESM: Jurnal Ekonomi Syariah Mulawarman* Vol. 1, No. 1, 2022, p. 11.

⁵⁴ Putri Sari Silaban, and Raysa Rejeki, "Pengaruh Inflasi, Ekspor dan Impor Terhadap PDB," *Niagawan* Vol. 9, No. 1, 2020, p. 56.

may be slowed by high inflation. It is therefore envisaged that consistent, moderate inflation will promote economic growth. A country's economy can be impacted by inflation both positively and negatively. This is in accordance with the findings of the IRF test used in this study, which demonstrates that inflation reacts favorably to economic expansion. This is so that businesses can increase production and create new employment by encouraging regulated inflation.

Corporate sukuk is the final factor that contributes the least to economic progress. Since its introduction in Indonesia in 2002, sukuk has expanded quickly. Corporate sukuk play a part in supporting APBN funding for inclusive economic growth despite their generally modest economic contribution. In addition, Sukuk also benefits Islamic financial institution's liquidity due to the impact of the COVID-19 pandemic that struck in 2020.

5. CONCLUSION

Economic growth is one measure of a nation's economic development. The Sharia capital market is thought to be capable of boosting economic growth in Indonesia as a part of the Sharia investment industry. Inflation and household consumption are the macroeconomic factors that control variations in the rate of economic growth. According to the findings of the research, it can be concluded from the results of VAR/VECM that all variables, including the Sharia Stock Index (ISSI), corporate sukuk, household consumption, and inflation, have no appreciable short-term effects on economic growth.

Meanwhile, the ISSI variable and corporate sukuk have a negative

significant impact on economic growth over the long run. On the other hand, inflation has a positive significant impact on economic growth. According to the results of the IRF test, almost all of the study's variables responded favorably to economic growth, with the exception of the household consumption variable, which had the opposite effect. The FEVD test results showed that, up to the conclusion of the period, household consumption, ISSI, and inflation had the highest contributions, while corporate sukuk had the least. The variables with the largest contributions were the GDP, ISSI, and inflation.

The Indonesian Sharia Stock Index (ISSI) and corporate sukuk, which are Sharia capital market products, both play key roles in ensuring inclusive economic growth. Thus, the relevant agencies must reassess their contributions. To make Sharia products more appealing to the general public. It is crucial to optimize Islamic capital market instruments through regulation and education. In order for household consumption to increase and the rate of economic growth to accelerate, it is anticipated that the government will be able to maintain the stability of people's purchasing power further and control inflation. It is hoped that this research will add other macroeconomic factors that have a greater impact on Indonesia's economic growth and serve as a useful resource for upcoming researchers.

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