

Do the Performance of Islamic Banking and Islamic Bonds (Sukuk) Influence Indonesia's Economic Growth?

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Abstract:

The influence of Islamic banking and Sharia bonds on the economic growth of Indonesia will be discussed in this article, considering the return on assets (ROA) and the development of sukuk in Indonesia. In this research, the return on assets of Islamic commercial banks and the cumulative value of sukuk issuances are the independent variables, while the gross domestic product is the dependent variable. A quantitative approach is used in conjunction with a multiple linear regression model. Secondary data used in this study is sourced from the Financial Services Authority (OJK) and the Central Statistics Agency (BPS). The data covers the first quarter of 2015 to the second quarter of 2023. The data is processed using Eviews 10 to analyze the Gross Domestic Product (GDP), Return on Asset (ROA), and Cumulative Value of Sukuk Issuance (NAP). The results indicate that the variable of cumulative sukuk issuance has a significant influence on economic growth, while the variable of return on assets of Islamic commercial banks does not have a significant influence on economic growth. Therefore, it is expected that Indonesia will develop the sukuk market, which plays an important role in driving Indonesia's economic growth, necessitating policies that support transparency and liquidity in the sukuk market. For performance of Islamic banking to contribute to sustainable and inclusive economic growth, certain structural and operational barriers must be addressed.

Keywords: *Islamic Banking, Sharia Bonds, Economic Growth*

Abstrak:

Pengaruh perbankan syariah dan obligasi syariah terhadap pertumbuhan ekonomi Indonesia akan dibahas dalam artikel ini. dengan mempertimbangkan return on assets (ROA) dan perkembangan sukuk di Indonesia. Dalam penelitian ini, return on assets bank umum syariah dan nilai akumulasi penerbitan sukuk adalah variabel independen. Produk domestik bruto adalah variabel dependen dan pendekatan yang digunakan adalah pendekatan kuantitatif bersamaan dengan model regresi linear berganda. Data sekunder yang digunakan dalam penelitian ini berasal dari Otoritas Jasa Keuangan (OJK) dan Badan Pusat Statistik (BPS). Data mencakup kuartal pertama tahun 2015 hingga kuartal kedua tahun 2023. Data diproses menggunakan Eviews 10 untuk menganalisis Gross Domestic Product (GDP), Return on Asset (ROA), dan Nilai Akumulasi Penerbitan Sukuk (NAP). Hasil menunjukkan bahwa variabel nilai akumulasi penyusutan sukuk memiliki pengaruh yang signifikan terhadap pertumbuhan ekonomi, sementara variabel return on asset bank umum syariah tidak memiliki pengaruh yang signifikan terhadap pertumbuhan ekonomi. Sehingga diharapkan bagi Indonesia untuk mengembangkan pasar sukuk yang memiliki peran penting dalam mendorong pertumbuhan ekonomi Indonesia dan perbankan syariah yang perlu diiringi dengan strategi lain untuk mendukung sektor riil dan inklusivitas ekonomi untuk berdampak pada pertumbuhan ekonomi.

Kata Kunci: *Perbankan Islam, Obligasi Syariah, Pertumbuhan Ekonomi*

INTRODUCTION

It is stated that business and investment are two aspects of economic activity from an Islamic perspective. These two characteristics are covered in both the Al-Qur'an and the Prophet's Sunnah, with both sources offering direct and indirect directions. These ideas serve as the foundation for an economic system that seeks to improve human wellbeing while promoting long-term economic prosperity. The objectives of the Islamic economic idea itself are also included in these principles, which serve as the foundation and essential components of the Islamic financial system.¹

Higher economic growth is the result of a nation's economy producing more goods and services. According to most economic sources, economic growth is a figure that shows how the economy changes over the course of a year. The year is 2022). GDP, or gross domestic product, is a crucial metric to consider when assessing a nation's economic state, according to the Central Statistics Agency (BPS). There are two ways to look at GDP: at current prices and at constant prices. GDP at current prices gives a sense of how the business-field-based economic structure is evolving. Constant prices, on the other hand, better reflect the development accomplishments made during a certain phase of economic expansion when it comes to GDP. A rise in economic growth as measured by the GDP suggests that population wellbeing and wealth have increased.²

Through the implementation of a sharia-compliant financial system, Indonesia has enormous potential to boost its economy. Indonesia's large Muslim population, the advantages of a demographic dividend, the presence of a sizable middle class, its status as one of the most economically developed Muslim nations, its rapid economic growth, and the fact that sharia finance penetration is still relatively low are all contributing factors to this. minimal, while still allowing for potential expansion.³

Since Bank Muamalat Indonesia was established in the 1990s, sharia principles have quickly evolved in Indonesia and given rise to new economic trends. The rise of Bank Muamalat Indonesia served as a catalyst for the establishment of several sharia financial organizations. Since then, Islamic banking has performed admirably even in the face of a liquidity and confidence crisis in the traditional banking industry.

Based on an evaluation found in the 2022 Global Islamic finance Report (GIFR), which ranks nations based on favorable environmental circumstances and prospective growth prospects for the sharia finance sector. Indonesia comes in third place, after Saudi Arabia and Malaysia.

¹ Mohamad Heykal, *Tuntunan Dan Aplikasi Investasi Syariah* (Jakarta: PT. Elex Media Komputindo, 2012).

² Muhammad Ala'uddin, "Bank Syariah, Saham Syariah, Obligasi Syariah Dan Inflasi Terhadap Pertumbuhan Ekonom," *Jurnal Qiema (Qomaruddin Islamic Economics Magazine)* 6, no. 2 (2020): 234–54.

³ Siti Latifah, "Peran Sukuk Surat Berharga Syariah Negara (SBSN) Dalam Pertumbuhan Pembangunan Ekonomi Indonesia," *Jurnal Ilmiah Ekonomi Islam* 6, no. 3 (2020): 421–27.

Figure 1.
Country Sequence Levels in the Development of Sharia Banking

Country	Ranking	IFDI 2022 Score	Financial Performance	Governance	Sustainability	Knowledge	Awareness
Malaysia	1	113	98	94	117	147	172
Saudi Arabia	2	74	65	49	89	75	143
Indonesia	3	61	31	65	30	195	56
Bahrain	4	59	35	86	36	49	112
Kuwait	5	59	42	75	20	21	157
UAE	6	52	33	71	28	34	116
Oman	7	48	16	89	45	28	94
Pakistan	8	43	22	75	24	52	58
Qatar	9	38	25	47	21	16	102
Bangladesh	10	36	30	61	18	14	47
Maldives	11	32	16	72	35	12	19
Brunei Darussalam	12	31	14	58	10	32	48
Jordan	13	29	15	40	51	43	17
Sudan	14	27	32	51	3	9	5
Singapore	15	27	4	66	61	4	8
Global Average		9	5	16	7	7	12

Source: Islamic Financial Development Report 2022

As a crucial component of initiatives to promote financial inclusion and a sharia-based economy, this report highlights the Indonesian government's strong commitment to developing and fostering the sharia financial sector. Due to its emphasis on the real sector and its responsiveness to the demands of its populace, Indonesia has a distinct edge in the development of sharia finance. Indonesia has greater chances in sharia banking than other nations since, in Malaysia and Saudi Arabia, the involvement of the government and the financial sector is more prominent in the development of sharia finance. On today's globalized world, investing on the stock market has become the most essential component of Sharia investment, surpassing investment in other Sharia financial institutions. Sukuk may also be characterized as a kind of investment and finance; moreover, sukuk structures can be regulated to minimize usury while adhering to Sharia rules ⁴.

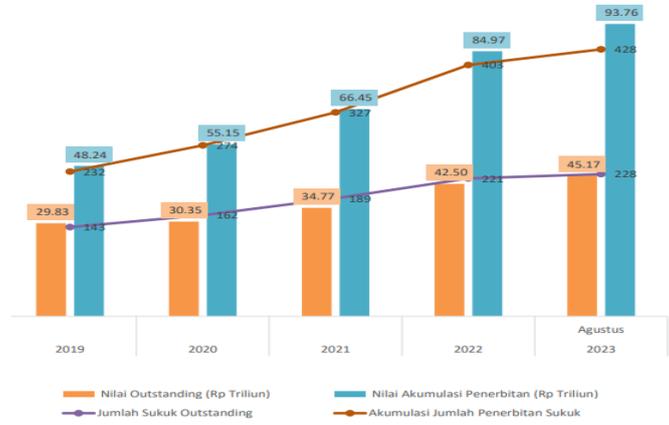
Many nations, including those with a majority Muslim population and even those with a small Muslim population that also issue sukuk, now offer sukuk as an investment option. Sukuk has been outlawed in ten nations, including Singapore, Malaysia, the United Arab Emirates, Germany, the United Kingdom, Canada, Dubai, Pakistan, and Qatar. Japan, Korea, China, India, and Indonesia are the next five countries in line. Among the places that have issued Sharia-based financial facilities is Hong Kong, which, under the direction of the Hong Kong Securities and Exchange Commission, issued the Hang Seng Islamic China Index Fund ⁵.

The first sukuk was issued by the Indonesian government in 2008, which enhanced the variety of fiscal instruments available in the country and signaled a change in the way finance was managed there. The number of government sukuk has increased annually, indicating that the use of sukuk as a fiscal tool has expanded over time. (Grafik 2).

⁴ Muhammad Ardi, "PENGARUH SUKUK TERHADAP PERTUMBUHAN EKONOMI INDONESIA," *Iqtishaduna* 9, no. 1 (2018): 36–46.

⁵ Devi Dwi Kurniawati, "ANALISIS PERKEMBANGAN SUKUK (OBLIGASI SYARIAH) DAN DAMPAKNYA BAGI PASAR MODAL SYARIAH," *Universitas Negeri Surabaya*, 2013.

Figure 2.
Statistik Sukuk Syariah



Source: Financial Services Authority

The figure above, which shows an increasing trend from 2019 and shows the total value of issuance from 48.24 trillion to 93.76 trillion in August of 2023, helps better illustrate the important role that state sukuk plays in preserving state financial stability and fostering sustainable economic growth. Thus, given the steady rise in Sukuk issuance year over year, Sukuk as an investment instrument in Indonesia may be further expanded. In addition, Indonesia boasts the largest Muslim population worldwide and the biggest economy in Southeast Asia. If Indonesia can effectively handle its potential, it might potentially become a Sharia financial hub in Southeast Asia. Probably, Indonesia could eventually become a worldwide Islamic financial center. for Indonesia, particularly in the application of sukuk as a means of funding development ⁶.

While Return on Assets (ROA) on sharia banking is a profitability-related financial metric that measures a company's capacity to earn profits at specific income, asset, and shareholder equity levels. ROA is a statistic that measures management's success in generating total profitability. The higher this ratio, the stronger the company's financial situation. An improving ROA level shows that the banking company is experiencing fewer risk issues.

The higher a company's ROA value, the stronger its position and the more efficiently it uses its assets. As a result, management and other stakeholders must prioritize high levels of profitability above enormous profits. A company's profitability may be judged by how successfully it uses its assets. Thus, the level of profitability of a firm may be assessed by comparing the profits earned in a specific time to the company's total assets or capital ⁷.

As a vital element of the financial system, banks serve a crucial role in fostering economic growth through financial intermediation. A robust Return on Assets (ROA) demonstrates that a bank efficiently utilizes its resources, enabling it to achieve consistent profitability while supporting the advancement of productive sectors. Financially sound banks with strong ROA are better equipped to provide loans to businesses, thereby facilitating

⁶ Kurniawati.

⁷ Anggi Safitri and Mukaram, "Pengaruh ROA, ROE, Dan NPM Terhadap Pertumbuhan Laba Pada Perusahaan Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia," *Jurnal Riset Bisnis Dan Investasi* 4, no. 1 (2018): 25–39.

increased production, investment, and employment generation—key drivers of economic expansion.

The earnings accrued by banks can also be reinvested to broaden their operations. Such growth stimulates a ripple effect throughout the economy, including heightened household spending and capital investment in diverse industries. Consequently, a high ROA not only signifies a bank's operational excellence but also underscores its significant role in stimulating wider economic development.

⁸discovered that at Bank BNI, ROA has a favorable and considerable impact on economic growth. A similar scenario happened with Bank BRI, where the ROA variable had a positive and significant effect on economic growth. However, according to a study by ⁹, GDP, when studied individually (partially), had no significant impact on ROA. ¹⁰ research shows that the GDP variable has no significant effect on the profitability of Indonesian Islamic commercial banks.

Economic growth is one metric used to assess the effectiveness of a country's development initiatives. The scale of a country's economic growth is heavily determined by its welfare and economic advancement, which will eventually be reflected in national production. According to ¹¹, changes in the amount of economic production constitute a short-term feature of economic analysis. The most crucial aspect of economic sustainability is long-term economic growth. Looking into economic growth allows you to determine how much economic activity may alter and boost people's income over time. This indicates that if people's actual income exceeds that of the previous year, the country's economic growth will likewise increase ¹².

The government helps the economy by performing three primary functions: (1) ensuring domestic security and defense; (2) holding court; and (3) providing infrastructure and public services that private parties or other parties cannot offer. To carry out the three duties mentioned above, the government would require a budget, which will be secured through fiscal measures. The fiscal policy of a country can provide information about its government budget, including its size, structure, and even size ¹³.

The most often recognized macroeconomic performance indicator is the amount of economic growth, which is calculated using Gross Domestic Product (GDP). This viewpoint is consistent with the macroeconomic measurement most typically employed in a country's economic analysis, GDP. GDP reflects the fluctuations in a country's economy. GDP represents

⁸ Fauziah Anita, "Pengaruh Kinerja Keuangan Bank Terhadap Pertumbuhan Ekonomi Di Indonesia Periode 2013-2016 (Studi Kasus Bank BUKU 4)," *Jurnal Ilmiah Mahasiswa FEB* 6, no. 1 (2018).

⁹ Lutfi Indriwati and Agung Purwana, "PENGARUH CAPITAL ADEQUACY RATIO, INFLASI, DAN GROSS DOMESTIC PRODUCT TERHADAP RETURN ON ASSETS (STUDI PADA BANK UMUM SYARIAH NON DEvisa DI INDONESIA PERIODE TAHUN 2018-2020)," *Niqosiya: Journal of Economics and Business Research* 1, no. 1 (2021): 110–22.

¹⁰ Naufal Amiruddin and Khusnul Ashar, "PENGARUH EKSTERNAL DAN INTERNAL BANK TERHADAP PROFITABILITAS BANK UMUM SYARIAH DI INDONESIA," *ISLAMIC ECONOMICS AND FINANCE IN FOCUS* 1, no. 4 (2022): 299–310.

¹¹ Ahmad Ma'ruf and Latri Wihastuti, "PERTUMBUHAN EKONOMI INDONESIA: Determinan Dan Prospeknya," *Jurnal Ekonomi Dan Studi Pembangunan* 9, no. 1 (2008): 44–55.

¹² Ahmad Soleh, "PERTUMBUHAN EKONOMI DAN KEMISKINAN DI INDONESIA," *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis* 2, no. 2 (2014).

¹³ Deksa Suhada et al., "EFEKTIVITAS PARA PELAKU EKONOMI DALAM MENUNJANG PERTUMBUHAN EKONOMI INDONESIA," *Jurnal Inovasi Penelitian* 2, no. 10 (2022): 3201–8.

the total worth of goods and services generated by a country over a certain time period. GDP measures a country's overall production. Therefore, it may be used to determine its revenue¹⁴

Sharia bonds are recorded long-term finance arrangements that must be repaid within a specific timeframe. This Sharia bond financing creates obligations and responsibilities for investors, including the provision of rewards regularly or as agreed upon at the outset. Sharia bonds are primarily used to facilitate the transaction process, such as funding manufacturing facilities¹⁵. Sukuk, additionally referred to as sharia bonds, are not new in Islamic history; the name has been used since the Middle Ages. The distinction is that in the past, Muslim nations used it for international commerce. The term "shakk" is the plural version of sukuk, and it was used at the time to record or track funds from trade and commercial activity by traders.

Jika dibandingkan dengan pasar konvensional, pasar keuangan syariah terutama di Indonesia, one of which is sukuk, is enjoying a rapid expansion, but this growth is still limited. To build the Sharia financial market and finance the domestic state budget, the government issued a bond known as SBSN, or State Sharia Securities, as well as a corresponding draft law. Sukuk can be defined as securities issued by Sharia standards that indicate ownership of SBSN assets in both international and national currencies¹⁶.

According to research conducted by¹⁷, there is strong evidence that the development of the sukuk market contributes positively to economic growth, even after accounting for various factors such as financial market development, institutional quality, and traditional growth economy factors. The findings of this study also demonstrate that the development of the sukuk market can promote financial inclusion by mitigating the negative effects of religious exclusion, hence encouraging investment and economic progress.

¹⁸ found that Sharia shares, sukuk, mutual funds, and Sharia bonds all have a favorable and significant influence on Indonesia's economic growth. However, one variable, Sharia shares, has a positive but non-significant influence on economic growth, whereas the other three have a positive and substantial impact. ¹⁹ research demonstrates that sharia shares and sukuk have a positive relationship with Indonesia's economic development from 2010 to 2019. ²⁰ research found that foreign debt, sukuk, inflation, and interest rates all had a positive but not substantial impact on economic growth.

¹⁴ Muhammad Harahap, Imsar, and Rahmah Dongoran, "Pengaruh Sukuk Korporasi Dan Total Aset Perbankan Syariah Terhadap Pertumbuhan Ekonomi Di Indonesia Tahun 2016-2020," *Jurnal Ilmiah Ekonomi Islam* 8, no. 1 (2022): 370–75.

¹⁵ Ala'uddin, "Bank Syariah, Saham Syariah, Obligasi Syariah Dan Inflasi Terhadap Pertumbuhan Ekonom."

¹⁶ Dede Fatah, "Perkembangan Obligasi Syariah (Sukuk) Di Indonesia: Analisis Peluang Dan Tantangan," *Al-'Adalah* 8, no. 1 (2017): 35–46.

¹⁷ Houcem Smaoui and Salem Nechi, "Does Sukuk Market Development Spur Economic Growth?," *Research in International Business and Finance* 41 (October 2017): 136–47, <https://doi.org/10.1016/j.ribaf.2017.04.018>.

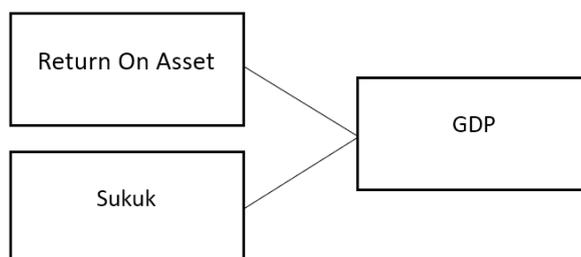
¹⁸ Nur Hakiki Siregar, "PENGARUH SAHAM SYARI'AH, SUKUK, DAN REKSADANA SYARI'AH TERHADAP PERTUMBUHAN EKONOMI NASIONAL" (UNIVERSITAS ISLAM NEGERI SUMATERA UTARA MEDAN, 2018).

¹⁹ Sulistyoko Wiky Aprianto and Rachma Indrarini, "Analisis Hubungan Saham Syariah Dan Sukuk Terhadap Pertumbuhan Ekonomi Indonesia Pada Tahun 2010-2019," *Jurnal Ekonomi, Manajemen, Bisnis Dan Sosial (EMBISS)* 2, no. 1 (2021): 68–83.

²⁰ Septiana Sari and Fernaldi Anggadha Ratno, "Analisis Utang Luar Negeri, Sukuk, Inflasi Dan Tingkat Suku Bunga Terhadap Pertumbuhan Ekonomi Indonesia Tahun 2014-2019," *Jurnal Riset Pendidikan Ekonomi* 5, no. 2 (2020): 91–100.

This article will explore Indonesia's economic growth by examining the impact of Sharia Bonds (Sukuk) and Sharia Commercial Banks' Return on Assets (ROA).

Figure 3.
Conceptual Framework



Based on Figure 3, this study will investigate the impact of Return On Assets of Islamic Commercial Banks and Sukuk on Indonesia's GDP.

H0 : Return On Assets (ROA) of sharia commercial banks and Sukuk (Sharia Bonds) do not have a significant effect on Indonesia's economic growth

H1 : Return On Assets (ROA) of sharia commercial banks and Sukuk (Sharia Bonds) have a significant influence on economic growth (GDP)

METHODS

In this study, a quantitative method is employed in conjunction with a multiple linear regression model to explain the relationship between the independent and dependent variables. The independent variables in this study are the return on assets of Sharia commercial banks and the accumulated value of Sukuk issuance, whereas the dependent variable is GDP.

This study utilizes secondary data from the Financial Services Authority (OJK) and the Central Statistics Agency (BPS). The statistics cover the period from the first quarter of 2015 to the second quarter of 2023. The data was processed using Eviews 10 software, and the variables employed in the analysis were GDP, ROA, and Accumulated Value Sukuk Issuance.

Here is the regression model:

$$GDP = \alpha + \beta_1ROA + \beta_2NAP + e$$

Table1.
Operational Definition of Variables

Variable	Deskripsi	Sumber
Gross Domestic Product	The total amount of all goods and services produced by a country in a certain period of time, usually one year.	Central Bureau of Statistics

Accumulated Value of Sukuk Issuance	The total accumulated value of sukuk issued by the state	Financial Services Authority
Return On Asset	The comparison between the net profit obtained by the company and the amount of capital that has been invested in an asset.	Financial Services Authority

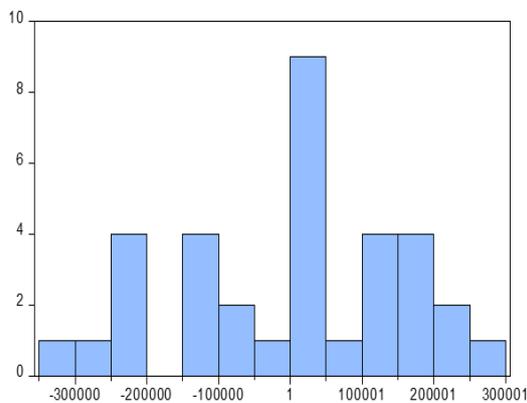
Following the acquisition of the regression equation, a review of the typical research assumptions will be conducted. The influence of each independent variable will then be evaluated both collectively and individually using the F and T statistical tests.

RESULT AND DISCUSSION

This research uses a multiple linear regression method to estimate the impact of Return On Assets of Sharia Commercial Banks and the Accumulated Value of Sukuk Issuance on Gross Domestic Product in Indonesia from 2015Q1 to 2023Q2. The analysis is based on secondary data that was gathered and analyzed using EViews 10 software. The subsequent outcomes were attained:

Normality Test

Figure 4.
Normality test result



Series: Residuals	
Sample 2015Q1 2023Q2	
Observations 34	
Mean	-3.43E-10
Median	21557.24
Maximum	252830.4
Minimum	-318712.4
Std.Dev	156726.1
Skewness	-0.333269
Kurtosis	2.135442
JarqueBera	1.688288
Probability	0.429925

To ascertain if the distribution of the study data is regular, the normalcy test is required. This regression model's ability to fit the normal distribution requirements is demonstrated by Graph 3, where the probability value of 0.429925 is more than 0.05.

Multicollinearity Test

Table 2.
Multicollinearity Test result

Variable	Variance	VIF	VIF
C	6.58E+09	8.552514	NA
NAP	8070281	25.72195	5.802914
ROA	1.53E+10	42.89235	5.802914

To find out if there is a correlation between the independent variables in the regression model, do the multicollinearity test. The presence of a perfect linear relationship between any one or all of the variables that explains the regression model is known as multicollinearity. This regression model and the independent variables do not have a direct linear connection, as seen by the centered VIF values of 5.802914 for NAP and ROA in Table 2. These two variables have VIF values of less than five or less than ten.

Autocorrelation Test

Table 3.
Autocorrelation Test result

F-statistic	0.132845	Prob. F(2,29)	0.8761
Obs*R-squared	0.310191	Prob. Chi-Square(2)	0.8563

Tujuan dari uji autokorelasi adalah untuk menentukan apakah ada korelasi antara kesalahan pengganggu pada periode t dan kesalahan pada periode t-1 dalam model regresi linear. Autokorelasi adalah masalah yang muncul ketika ada korelasi. Pada tabel 3 Nilai probabilitas Chi-Square adalah 0,8563, yang menunjukkan bahwa nilai ini masih lebih besar dari 0,05, yang menunjukkan bahwa tidak ada masalah autokorelasi dalam penelitian ini.

Heteroscedasticity Test

Table 4.
Heteroscedasticity Test result

F-statistic	0.840508	Prob. F(5,28)	0.5325
Obs*R-squared	4.437113	Prob. Chi-Square(5)	0.4883
Scaled explained SS	2.094117	Prob. Chi-Square(5)	0.836

To ascertain if there is a variance variation from the residuals in one observation relative to other data in the regression model, the heteroscedasticity test is performed. It is displayed in Table 3. With a Chi-Square probability value of 0.8360, which is larger than 0.05, there are no indications of heteroscedasticity.

Multiple Regression Test

Table 5.
Multiple Regression Test result
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Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2541678	81100.77	31.33975	0.0000
NAP	25680.87	2840.824	9.039938	0.0000
ROA	130137.4	123755.4	1.05157	0.3011
R-squared	0.949347	Mean dependent var		3838142
Adjusted R-squared	0.946079	S.D. dependent var		696366.8
S.E. of regression	161702.8	Akaike info criterion		26.909
Sum squared resid	8.11E+11	Schwarz criterion		27.04368
Log likelihood	-454.4531	Hannan-Quinn criter.		26.95493
F-statistic	290.5025	Durbin-Watson stat		2.088173
Prob(F-statistic)	0.00000			

The following are the results of the regression equation in this study based on the regression model in Table 5:

$$\text{GDP} = 2541677.74046 + 130137.397743 \cdot \text{ROA} + 25680.8733665 \cdot \text{NAP}$$

The preceding equation shows that the constant value is 2541677.74046%, which means that economic growth will increase by 2541677.74046% if the independent variable is equal to zero. The positive value of the ROA coefficient, 130137.4, indicates that a 1% rise in ROA would result in a 130137.4% increase in economic growth. The NAP coefficient, which has a positive value of 25680.87, indicates that a 1% rise in NAP would result in a 25680.87% increase in economic growth.

The variable value of cumulative depreciation on sukuk and return on assets of sharia commercial banks may impact GDP by 94.93%, while other factors influence the remaining 5.07%, according to Table 5's coefficient of determination of 0.949347. Table 5 shows that the probability value of the F statistic is 0.000000, which is less than 0.05. This explains why the return on assets of sharia commercial banks and the cumulative value component of sukuk depreciation have a major effect on economic growth.

The variable value of cumulative depreciation on sukuk has a T-statistic value of 9.039938 with a probability of 0.0000, according to the findings of the T test in Table 5, suggesting that it significantly positively affects economic growth. With a probability of 0.3011, the return on assets variable for sharia commercial banks has a T-statistic value of 1.051570, suggesting that the variable has no discernible beneficial impact on economic growth.

The findings of this study align with the opinions of ²¹, who used OJK data to examine how sukuk affected the economy. The data indicates a rise in sukuk, leading the author to believe that this development might impact Indonesia's economic growth, similar to what happened with *ijarah sukuk*, an instrument that aids in the country's economic development. Sukuk contribute to the nation's economic growth and the welfare of the people by offering investment options to both Muslim and non-Muslim investors. In reality, the market reacts favorably to the issuing of sukuk, frequently reaching a state of surplus demand ²².

²¹ Ardi, "PENGARUH SUKUK TERHADAP PERTUMBUHAN EKONOMI INDONESIA."

²² Fatah, "Perkembangan Obligasi Syariah (Sukuk) Di Indonesia: Analisis Peluang Dan Tantangan."

Sukuk, as a prominent Islamic financial instrument, plays a vital role in promoting economic development by fostering real economic activities and financial inclusion. Sukuk is frequently utilized to fund large-scale infrastructure projects, such as roads, ports, and public facilities. These projects serve as the backbone of economic activity, improving logistics efficiency, attracting investments, and creating employment opportunities. For instance, *ijarah sukuk*, a lease-based sukuk model, exemplifies how this instrument can effectively fund asset-backed initiatives that stimulate national development.

Unlike conventional financial instruments, sukuk are asset-backed or asset-based, ensuring a direct connection to real economic activities. This characteristic guarantees that the funds mobilized through sukuk issuance are channeled into productive uses, such as real estate development, business financing, or strategic sector investments. This linkage directly contributes to GDP growth and the overall economic health of a nation.

However, no discernible effect on Indonesia's economic development was identified in the context of the ROA variable of Islamic commercial banks in this study. This conclusion is consistent with that of a research by²³, which found that economic expansion had no beneficial effect on Indonesian Sharia Bank performance as determined by ROA. Nevertheless,²⁴'s additional research reveals contradictory findings regarding the impact of financial performance variables (ROA) on economic growth in various estimation models at multiple banks (Bank BCA, Bank Mandiri, Bank BNI, and Bank BRI), with some demonstrating a significant positive influence and others not.

The relationship between Return on Assets (ROA) and economic growth can vary depending on a bank's operational efficiency, risk management strategies, and the quality of credit allocation. In the case of Islamic banking in Indonesia in this study finds that the ROA of Islamic banks does not significantly influence economic growth. This outcome highlights several challenges faced by Islamic banks in the country, which may limit their contribution to the broader economy.

One of the key factors is the operational efficiency of Islamic banks in managing assets and allocating funds. The mechanisms and principles underlying Islamic banking, such as profit-sharing and risk-sharing contracts, can be more complex and resource-intensive compared to conventional banking. These complexities might hinder the optimal utilization of assets, thus restricting the banks' ability to significantly impact economic growth.

Another significant limitation is the relatively small market share of Islamic banks in Indonesia compared to their conventional counterparts. Although Indonesia is home to the largest Muslim population in the world, the penetration of Islamic banking remains modest. This limited scale reduces the overall economic impact of Islamic banks, as their influence on key economic indicators, such as production, investment, and employment, remains marginal.

Despite the potential of Islamic banks to contribute to sustainable and inclusive economic growth, certain structural and operational barriers must be addressed. Enhancing operational efficiency, expanding market reach, and improving the quality of credit allocation are critical steps to increase the role of Islamic banks in driving national economic growth.

²³ Tiara Sari and Muhammad Ghafur Wibowo, "PENGARUH PERTUMBUHAN EKONOMI, INFLASI DAN SUKU BUNGA TERHADAP KETAHANAN BANK SYARIAH DI INDONESIA MELALUI UJI NPF DAN ROA PADA MASA PANDEMI COVID 19," *JSEF: Journal of Sharia Economics and Finance* 2, no. 1 (2023): 1–11.

²⁴ Anita, "Pengaruh Kinerja Keuangan Bank Terhadap Pertumbuhan Ekonomi Di Indonesia Periode 2013-2016 (Studi Kasus Bank BUKU 4)."

While ROA remains an important metric for evaluating the performance of Islamic banks, its direct correlation with economic growth in Indonesia appears constrained by underlying operational and structural challenges. Addressing these barriers will be essential for Islamic banks to realize their full potential in contributing to the nation's economic development.

CONSLUSION

To sum up, the findings indicate that while the variable return on assets of Islamic commercial banks has no discernible impact on economic development, the variable value of cumulative depreciation on sukuk does. Compared to traditional bonds and other financial vehicles, sukuk are distinct. Sukuk are frequently supported by actual assets or initiatives, which may drive cash toward profitable industries and boost the economy. Therefore, cumulative sukuk depreciation can boost funding for initiatives that promote economic expansion. Meanwhile, because of things like operational effectiveness, risk management, or business strategies unrelated to profitable investment, return on assets of Islamic commercial banks could not have a big effect on economic growth. Thus, expanding the sukuk, or sharia bond, market is crucial for boosting economic expansion.

Policies, such as rules that promote market transparency and liquidity, that assist the growth of the sukuk market must be given careful consideration by the government and regulatory bodies. A number of recommendations are available for consideration about additional study. Research has the potential to broaden the range of variables employed by incorporating other factors like inflation, interest rates, and political stability that might impact economic development. Additionally, to assess how different Islamic banks and conventional banks are in promoting economic growth, research can compare the two types of banks. Lastly, more investigation may focus on the long-term effects of the growth of the sukuk market on financial inclusion and economic stability.

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