

THE ROLE OF THE SHARIA CAPITAL MARKET IN INDONESIA'S ECONOMIC GROWTH IN 2011 – 2021

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Abstract: Investment in the Islamic capital market has developed along with the awareness of the Indonesian Muslim community to invest in a halal manner. This study investigates the effect of investment in the Islamic capital market, including Islamic stocks, sukuk, and Islamic mutual funds on Indonesia's economic growth. The research data sample was taken based on a purposive sampling technique of specific criteria. The data used was time series data with a quarterly frequency of the value of sharia stocks, sukuk and sharia mutual funds, and Indonesia's economic growth from 2011 to 2021 so, 44 observational data were obtained. Data were obtained from the Otoritas Jasa Keuangan (OJK) and the Badan Pusat Statistik (BPS) website. Hypothesis testing was carried out using the Ordinary Least Square (OLS) estimation method. This study found that Islamic stocks and sukuk had a positive and significant impact on Indonesia's economic growth, while Islamic mutual funds were insignificant. Furthermore, simultaneously, these three components of the Islamic capital market have a significant influence on Indonesia's economic growth. As an implication of the research, the government is expected to be able to pay attention to developing Islamic market capital related to the regulation and its infrastructure because it also contributes to the Indonesian economy.

Keywords: Sharia stocks, sharia mutual funds, sukuk, Indonesian economic growth

1. INTRODUCTION

Economic growth is an important indicator to measure the success of development and economic equity. The development and equitable distribution of a country's economy are shown by changes for the better in the form of increased productivity, national income, and people's welfare. People's increased income will eventually increase people's purchasing power and consumption. Furthermore, high demand for goods and services will have an impact on active economic activity through company productivity so as to increase overall national income.

Economic growth in Indonesia is increasing from year to year (see Figure 1). In 2011, Indonesia's economy grew by 6.17% and continued to grow until 2019 with an average of around 5.22%. In 2020, Indonesia's economy contracted by minus 2.07% due to COVID-19 which has been declared an international pandemic by the World Health Organization (WHO) which not only limits people's social activities but also has an impact on economic activities both domestically and globally. However, in 2021, Indonesia was able to increase economic activity again and grow by 3.70% through the adaptation of *new normal* policies and other accommodative policies from the government so that the

Indonesian economy was able to bounce back. Economic growth that continues to increase from year to year is certainly inseparable from certain factors that influence it.

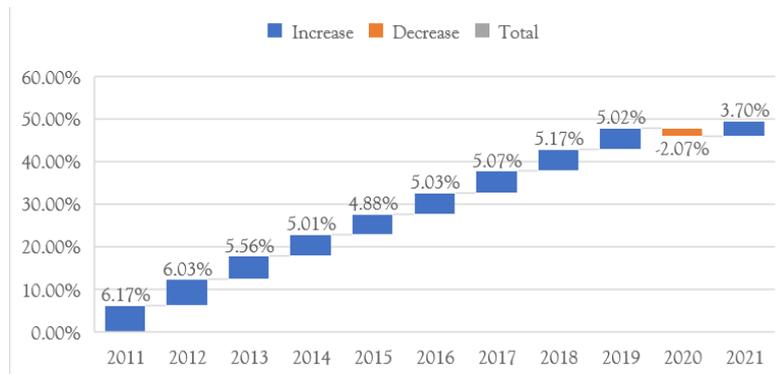


Figure 1. Indonesia’s Economic Growth Year 2011-2021
(Source: www.bps.go.id, www.ojk.go.id)

According to Todaro & Smith (2003), one of the main determining components in economic growth is the accumulation of capital invested in the form of investment. To improve the economy, the Indonesian government develops the investment sector through the capital market. The capital market is an important agent in economic growth that is able to encourage savings because it provides additional financial instruments to meet people's liquidity needs (Yadirichukwu & Chigbu, 2014). It also provides facilities for companies to obtain funding at low costs.

Apart from being part of the capital market, the Islamic capital market is also an important component in the Islamic financial system in addition to Islamic banking and Islamic insurance. The Islamic capital market exists to offer investments that are in accordance with sharia principles. Financial instruments traded in the Islamic capital market are required to follow sharia principles such as eliminating *elements of usury, maisir, gharar*, and not engaging in haram activities such as gambling, arms trading, or activities that damage the environment. The Islamic capital market provides financial access for all levels of society for Islamic investment needs that are not provided by the conventional financial system.

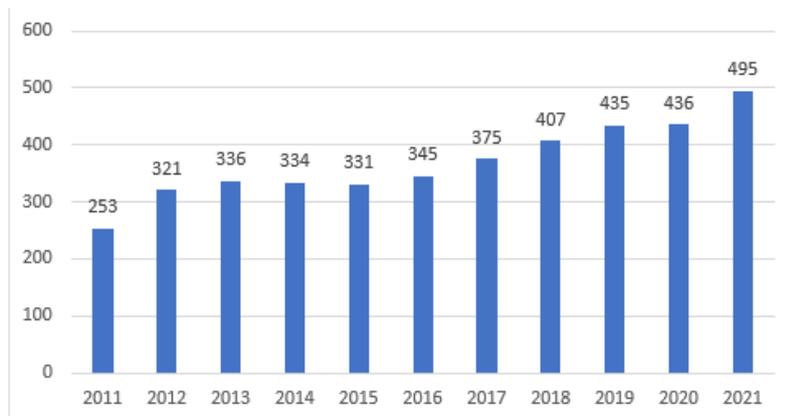


Figure 2. Number of Sharia Shares listed on the Sharia Securities List

In recent years, the Islamic capital market has experienced significant growth. Figure 2 shows the development of the number of Islamic shares which are one of the Islamic capital market instruments from 2011 to 2021. The number of Islamic shares has increased over the past 11 years. In 2011, sharia stocks listed in the Sharia Securities List (DES) issued by the Financial Services Authority (OJK) amounted to around 253 sharia stocks. This number increased significantly in 2021 to 495 Islamic stocks or around 95.65 percent from 2011. During the pandemic, the number of sharia stocks also increased from 436 sharia stocks in 2020 to 495 in 2021 or an increase of 13.53% which shows the high interest and attention from investors and also corporations towards the Islamic capital market in Indonesia.

Another Islamic capital market instrument is Islamic mutual funds. Figure 3 shows that the number of Islamic mutual funds issued by investment managers in 2011 was 50 Islamic mutual fund products. This value has also increased sharply to almost 6 times in 2021, which is 289 products.

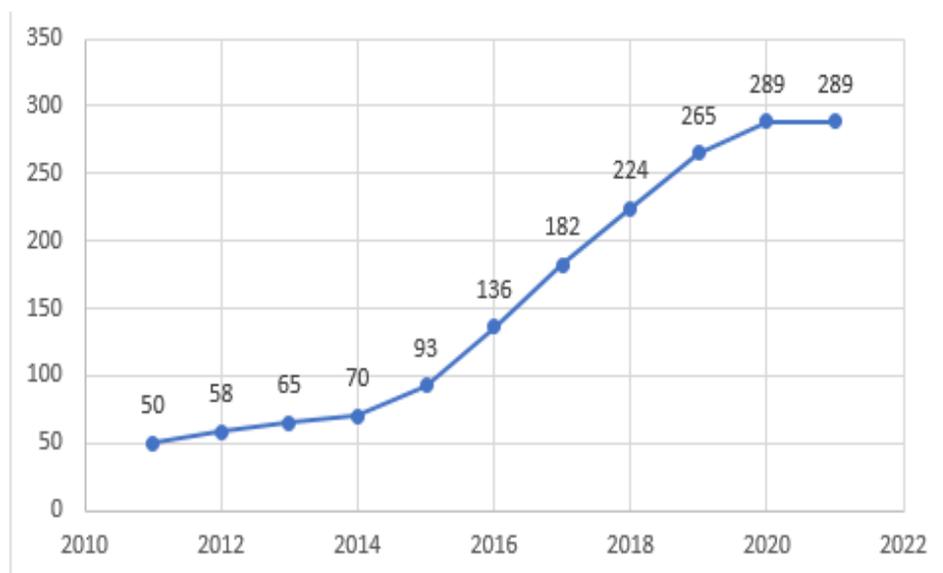


Figure 3. Number of Sharia mutual funds issued by Indonesian investment managers (Source: www.ojk.go.id)

Sukuk, which is one of the capital market instruments in the form of Islamic bonds issued by corporations, has also experienced a sharp increase in number which can be seen in Figure 4. In 2011, the number of sukuk traded amounted to around 31 products, increasing sharply to 189 products in 2021. The increase and growth in the number of investment instruments in the Islamic capital market from year to year indicates the enthusiasm of the Muslim-majority Indonesian people to participate in investments in accordance with sharia principles. In addition, this is also an indication of a considerable economic turnover in the Indonesian sharia capital market. For this reason, the presence of investment instruments in the Islamic capital market is thought to have contributed to Indonesia's economic growth.

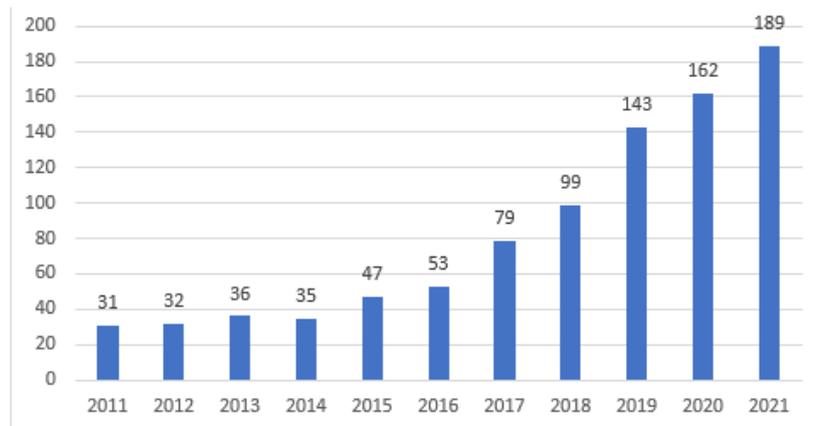


Figure 4. Number of sukuk traded in Indonesia
(Source: www.ojk.go.id)

Several studies focus on discussing the role of Islamic capital markets on economic growth in Indonesia both theoretically and empirically. For example, a literature study conducted by Fauzan & Suhendro (2018), Khairan (2019) and Widiyanti & Sari (2019) concluded that the Islamic capital market can encourage economic growth because it can increase investment activities. On the contrary, Fathoni (2021) and Toha & Manaku (2020) argue that the sharia capital market, especially for sharia stock products, has not optimally impacted economic growth because Indonesian people still have a conventional perspective on the Islamic capital market.

Empirically, many studies have found inconsistent results regarding the influence of the capital market on economic growth in Indonesia. A study conducted by Nurhidayah et al. (2022) and Sari et al. (2021) found a positive relationship between all Islamic capital market instruments and economic growth. Conversely, other studies have not been able to confirm this finding because they did not find the significance of the relationship between the two (Ardina, 2021; Ariyanto & Pramono, 2022; Jannah, 2019; Radjak & Kartika, 2020). Furthermore, Nurafiati (2019) was only able to confirm the significance of sukuk while the other two instruments such as sharia stocks and sharia mutual funds were not found to have any influence on Indonesia's economic growth. These inconclusive findings create research gaps that require further investigation.

This study aims to fill the gap by conducting further investigations on the influence of the Islamic capital market which includes Islamic stocks, sukuk, and Islamic mutual funds on economic growth in the context of the Indonesian state. Unlike the previous study which only used a relatively short research period of up to 5 years, this study used a longer research period of about 11 years to obtain a stronger statistical inference and better reflect the development of the Islamic capital market and economic growth in Indonesia. For this reason, this research is expected to contribute to empirically enriching the literature on the relationship between the Islamic capital market and Indonesia's economic growth.

2. LITERATURE REVIEW

2.1. Islamic Stocks and Economic Growth

Like shares in the conventional capital market, Islamic shares are also securities intended for capital participation in corporations. In principle, the concept of capital participation is not contrary to Islamic principles because the mechanism used is profit-sharing based between the company that runs the company and shareholders as providers of funds or capital. Based on the rules of muamalah fiqh, all forms of muamalah can be carried out unless there is a proposition that prohibits or prohibits it (OJK, 2021). Investment in Islamic stocks is allowed after obtaining a fatwa from the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) no. 80 concerning the application of Sharia principles in equity securities trading mechanisms (DSN, 2011). According to DSN, as long as the product and transaction mechanism do not conflict with Islamic principles, then Islamic stocks as an alternative to investing are allowed.

Islamic stocks have differences from conventional stocks in several provisions. Corporations as issuers that want to issue sharia shares must meet the screening process or requirements set by OJK and DSN related to financial ratios, business screening, and other requirements. Sharia issuers are not allowed to have an interest-based debt ratio of more than 45 percent of total assets and are not allowed to have interest income and other non-halal income exceeding 10 percent of all corporate income. Sharia issuers also have restrictions in their business activities because they are not allowed to engage in illicit transactions such as *taking usury*, *Maisir*, *Gharar*, and buying and selling liquor and similar products that are prohibited by Sharia. Furthermore, Sharia issuers are required to sign an agreement guaranteeing that their business is in accordance with Sharia principles and has additional governance in the form of a Sharia Supervisory Board. Sharia issuers that have met the requirements can issue Sharia shares that will be included in the Sharia Securities List (DES). This DES list will be evaluated by OJK 2 times a year and allows for the addition or subtraction of the list of Islamic stocks. The mechanism of Islamic stock trading transactions on the stock exchange must also avoid buying and selling which is speculation and manipulation.

As one of the investment instruments in the Islamic capital market, Islamic stocks are expected to play a role in encouraging economic growth in Indonesia because they can attract more people with high religious religiosity or understanding who have never participated in investment activities in the capital market. In theory, activities in the form of investment will increase so that it has a positive impact on the economy (Fauzan & Suhendro, 2018; Khairan, 2019; Widiyanti & Sari, 2019). The increasing number of investors due to the presence of alternative investments that are in accordance with Islamic values will increase investment activities in the Islamic capital market and increase the purchasing power of the investor community from *the capital gains* or dividends they receive from the results of investing. Increased investment in the capital market will also boost the productivity of companies in producing goods and services because of strong capital support and allow them to open wider job opportunities. This statement received empirical support through research by Nurhidayah et al. (2022) and Sari et al.

(2021) which found a positive association between Islamic stocks and economic growth indicating an increase in investment interest in the capital market. Increasing people's income and purchasing power from investment results and job openings due to productive company activities will increase Indonesia's economic activity. For this reason, the research hypothesis proposed is as follows:

H1: Islamic stocks can boost Indonesia's economic growth.

2.2. Sukuk dan Economic Growth

Sukuk or Islamic bonds, according to Fatwa DSN-MUI No. 32, is a long-term valuable message sourced from Islamic principles issued by issuers to Islamic bondholders which requires issuers to pay income to Islamic bondholders in the form of profit sharing, margin, or fees and repay bond funds at maturity. Sukuk has differences with conventional bonds. Conventional bonds are statements of debt from bond issuers to bondholders and an agreement to repay the principal along with payment maturity coupons (Sukron, 2022). In contrast, sukuk is not a bond but rather a proof of joint ownership of an asset. For this reason, every sukuk issuance requires an *accompanying underlying asset*. *Underlying assets* or asset guarantees can be tangible assets that do not conflict with Islamic values such as land or buildings or intangible assets in the form of beneficial values of a tangible asset or a project. Sukuk returns are based on the *underlying asset* as well as the structure of the sukuk contract. The use of sukuk as a source of funds for corporations is also limited to business investment projects that do not conflict with sharia values.

Studies conducted by Nurhidayah et al. (2022), Sari et al. (2021) and (Nurafiati, 2019) found a positive relationship between sukuk and economic growth. According to Nurhidayah et al. (2022), sukuk can be used by the state as an instrument to mobilize capital and provide opportunities for private parties to participate in funding public projects. The state can also reduce foreign debt by utilizing sukuk to build infrastructure in the country (Sari et al., 2021).

Corporate sukuk can encourage economic growth if it experiences an increase in the growing number and value (Ardina, 2021; Irawan & Siregar, 2019). Corporate sukuk provides an opportunity for corporations to get funds from investors to fund their business projects. The existence of sukuk is also an alternative investment for investors to diversify their investment portfolio. In addition, sukuk can provide attractive returns that can be used to reinvest or meet the consumption needs of goods and services. Aside from the supply side of the use of funds for corporations for business and the demand side for investors, sukuk can play a role in encouraging Indonesia's economic growth. For this reason, the hypothesis proposed is as follows: Studies conducted by Nurhidayah et al. (2022), Sari et al. (2021) and (Nurafiati, 2019) found a positive relationship between sukuk and economic growth. According to Nurhidayah et al. (2022), sukuk can be used by the state as an instrument to mobilize capital and provide opportunities for private parties to participate in funding public projects. The state can also reduce foreign debt by utilizing sukuk to build infrastructure in the country (Sari et al., 2021). Corporate Sukuk can boost economic growth if it experiences an increase in number and value that is

growing (Ardina, 2021; Irawan & Siregar, 2019). Corporate sukuk provides an opportunity for corporations to get funds from investors to fund their business projects. The existence of sukuk is also an alternative investment for investors to diversify their investment portfolio. In addition, sukuk can provide attractive returns that can be used to reinvest or meet the consumption needs of goods and services. Both from the supply side of the use of funds for corporations for business and also the demand side for investors, sukuk can play a role in encouraging Indonesia's economic growth. For this reason, the hypothesis proposed is as follows:

H2: Sukuk can boost Indonesia's economic growth.

2.3. Islamic Mutual Funds and Economic Growth

Islamic mutual funds can be defined as instruments to collect funds from the public that are invested in securities portfolios by investment managers managed in accordance with Islamic principles (OJK, 2021). The difference between Islamic mutual funds and conventional mutual funds lies in the constituent effects of investment portfolios. In conventional mutual funds, all investment securities are allowed into the portfolio while in Islamic mutual funds are limited to securities that are included in the Sharia Securities List category. The management of Islamic mutual funds uses Islamic principles supervised by the Sharia Supervisory Board (DPS) together with OJK while conventional mutual funds are only supervised by OJK without being managed based on Islamic principles. Akad used in Islamic mutual funds can include *musharakah* (cooperation), *ijarah* (rent), or *mudharabah* (profit sharing). Islamic mutual fund portfolios can be in the form of Islamic stocks, sukuk, or other money market instruments such as *mudharabah* deposits in Islamic banking. Sharia mutual funds can be in the form of money market Islamic mutual funds, fixed income, sharia stocks, sharia combination, protected sharia, sharia index, based on foreign sharia securities, sukuk-based, in the form of collective investment contracts whose participation units are traded on the exchange, and in the form of limited participation collective investment contracts.

Empirical studies conducted by Nurhidayah et al. (2022) and Sari et al. (2021) found a positive association between Islamic mutual funds and economic growth. This positive relationship occurs because sharia mutual funds are also able to increase the number of investments in the capital market in addition to sharia stocks and sukuk. Islamic mutual funds, which are investment instruments in the form of portfolios, allow investors with a moderate risk profile or risk-averse to participate in investing their funds in the Islamic capital market because various portfolio choices can be adjusted to the risk profile of each investor. In addition, because it is managed by investment managers, Islamic mutual fund instruments become attractive to investors who have many limitations in time, funds, investment information, and knowledge. Of course, the diversity of investment choices and the ease of being managed by investment managers will increase the active participation of investors. Supposing that Islamic mutual funds contribute to the Indonesian economy and to enrich the literature on the relationship between Islamic mutual funds and economic growth, we propose the following hypothesis:

H3: Sharia mutual funds can boost Indonesia's economic growth

2.4. Islamic Capital Market and Economic Growth

Islamic capital market is defined as public offering and securities trading activities in the capital market that do not contradict sharia principles (www.ojk.go.id) The Islamic capital market is part of the capital market as a whole but has differences from the conventional capital market due to special characteristics that include products and transaction mechanisms that are in accordance with sharia principles. The main legal sources of sharia principles in the capital market are the Qur'an and the hadith of the Prophet Muhammad SAW which are then interpreted by scholars in the form of fiqh which discusses muamalah. The rules of muamalah fiqh which states that all forms of muamalah can be carried out unless there is a proposition that prohibits it is the basis for the establishment of the Islamic capital market.

Investment instruments or securities traded on the Islamic capital market include products such as Islamic stocks, Islamic bonds or Sukuk, and Islamic mutual funds. These financial instruments should avoid usury, Maisir, Gharar, speculative elements and not engage in illicit activities such as gambling, arms trafficking, or environmentally damaging activities. Sharia investment needs for all levels of society can be channeled through the Islamic capital market as an alternative to the conventional capital market.

A literature study conducted by Fauzan & Suhendro (2018), Khairan (2019) and Widiyanti & Sari (2019) states that the Islamic capital market can increase investment activities so as to encourage economic growth. Empirically, how many studies have found the influence of the capital market on economic growth in Indonesia? A study conducted by Nurhidayah et al. (2022) and Sari et al. (2021) found a positive relationship between all Islamic capital market instruments and economic growth. They argue that Islamic investment instruments play an important role in economic growth because they provide capital to increase production capacity, and national income, and create jobs and tax revenues for the government. For this reason, the Islamic capital market can play a role in encouraging the Indonesian economy so the hypotheses proposed are as follows: A literature study conducted by Fauzan & Suhendro (2018), Khairan (2019) and Widiyanti & Sari (2019) states that the Islamic capital market can increase investment activities so as to encourage economic growth. Empirically, several studies have found the influence of the capital market on economic growth in Indonesia. A study conducted by Nurhidayah et al. (2022) and Sari et al. (2021) found a positive relationship between all Islamic capital market instruments and economic growth. They argue that Islamic investment instruments play an important role in economic growth because they provide capital to increase production capacity, increase national income, create jobs, and increase tax revenues for the government. For this reason, the Islamic capital market can play a role in encouraging the Indonesian economy so the hypotheses proposed are as follows:

H4: Islamic capital market can boost Indonesia's economic growth

3. RESEARCH METHODS

This research used quantitative research methods because it uses quantitative data for further analysis through statistical descriptive analysis, correlation, and regression analysis. The population of this study was Indonesia's economic growth and sharia capital market components consisting of sharia stocks, sharia mutual funds, and Sukuk. The research sample was taken based on *purposive sampling* techniques based on certain consideration criteria, namely having the completeness of data needed during the research period and choosing Islamic stock indices consisting of Islamic stocks with high liquidity. The data used was in the form of secondary data with a *time series* structure with quarterly frequency from Islamic stocks, mutual funds, Sukuk, and Indonesia's economic growth from 2011 to 2021 so 44 observations were obtained for data analysis purposes. The source of capital market data was obtained from the website of the Financial Services Authority (www.ojk.go.id), while economic growth data from the Central Statistics Agency (www.bps.go.id). The dependent variable is economic growth using a constant price Gross Domestic Product (GDP) proxy. Islamic stocks as an independent variable are proxied using the value of JII (Jakarta Islamic Index), Islamic mutual funds use proxies in the form of values from NAV (Net Asset Value) and Sukuk is taken from the value of outstanding Sukuk.

This study used a multiple linear regression estimation method with Ordinary Least Square. The research model used is as follows:

$$PEI_t = \alpha + \beta_1 SS_t + \beta_2 SK_t + \beta_3 RDS_t + \varepsilon_t$$

Notes:

- PEI : Economic Growth of Indonesia
- SS : Islamic Stocks
- SK : Sukuk
- RDS : Islamic Mutual Fund
- ε : Error term

The research model goes through a classical assumption test process to ensure there is no deviation of assumptions in order to obtain BLUE (Best Linear Unbiased Estimators) estimators. Classical assumption tests carried out include normality tests using the Jarque Bera Test, multicollinearity tests through Variance Inflation Factor (VIF) values, heteroscedasticity tests with the Breusch-Pagan Test, and autocorrelation tests with Durbin Watson tests. Descriptive analysis, correlation analysis, and inferential in the form of regression analysis and classical assumption tests were carried out using the Stata 17 application.

4. RESULT AND DISCUSSION

4.1. Results

Statistical Descriptive Analysis

The statistical descriptive analysis provides a summary of information on the variables used in the study which includes economic growth in Indonesia, sharia stocks, sukuk, and sharia mutual funds

Table 1. Variable Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.
Indonesia's Economic Growth	2347342	329754	1748731	2845859
Islamic Stocks	1881073	293890.7	1096432	2318566
Sukuk	15634.06	10388.42	5409	37160.32
Sharia Mutual Funds	4367.48	21203.28	5123.43	79440.23

Table 1 shows descriptive statistics of all research variables. Based on the table above, it can be seen that Indonesia's average economic growth is Rp2,347,342 billion with Indonesia's economic growth of a minimum of Rp1,748,731 billion and a maximum of Rp2,845,859 billion. Then the average value of sharia shares is IDR 1,881,073 billion with a minimum value of IDR 1,096,432 billion and a maximum of IDR 2,318,566 billion. The average value of Sharia mutual funds is Rp4,367.48 billion with a minimum value of Rp5,123.43 billion and a maximum value of Rp79,440.23. Meanwhile, the average value of sukuk in circulation is IDR 15,634.06 billion with a minimum value of IDR 5,409 billion and a maximum of IDR 37,160.32 billion.

Correlation Analysis

Correlation analysis provides information about the strength of the relationship between two research variables that have a symmetrical role. That is, in correlation analysis, there is no variable that has a specific role that indicates a causal relationship. The greater the correlation value, the two variables have a stronger relationship.

Table 2. the results of the correlation analysis

	Indonesia's economic growth	Islamic stock	Sukuk	Islamic Mutual fund
Indonesia's economic growth	1			
Islamic stock	0.6895	1		
Sukuk	0.8954	0.4078	1	
Islamic Mutual fund	0.8194	0.3836	0.914	1

Table 2 shows the results of the correlation analysis of all research variables. Based on correlation analysis, the value of Islamic stocks and Indonesia's economic growth have a positive correlation of 0.6895. A positive correlation was also found between the value of Islamic mutual funds and Indonesia's economic growth of 0.8194. Furthermore, sukuk and Indonesia's economic growth also have a positive correlation of 0.8954. The correlation value between the sukuk-free variable and Islamic mutual funds of 0.914 indicates the possibility of multicollinearity problems which will be further examined using the VIF value.

Regression Analysis

Table 3. Multiple Linear Regression

Variabel	B	T	p-value
Islamic Stocks	0.436784	8.47	.000
Sukuk	23.93198	7.12	.000
Islamic Mutual Funds	-0.29497	-0.18	.857
_cons	1158754	12.48	.000

R=.9279; Adj. R²=.9225; F=171.58;
Prob>F 0.000.

Table 3 above is the result of multiple linear regression that has been cleared of violations of classical assumptions. The normality test with the Jarque Bera test shows a p-value of 0.161 which indicates the residual or error term of the distributed research model following the normal distribution. The average VIF value of 4.5 indicates that there is no multicollinearity problem in the research model. The heteroscedasticity test with the Breusch-Pagan test yielded a p-value of 0.446 indicating no violation of the homoscedasticity assumption. Nevertheless, the Durbin-Watson test to detect autocorrelation shows a positive autocorrelation occurs in the model. This autocorrelation problem has been overcome using the Newey-West method to correct regression standard errors and produce a BLUE estimator value.

From the results of the partial significance test, Islamic stocks have a positive influence on significant economic growth at the level of 1% (p-value 0.000). The regression results above also show a positive relationship between sukuk and significant economic growth at the level of 1% (p-value 0.000). The variable P-value of the mutual fund is 0.857 greater than 0.05. This value shows that the data cannot yet reject H₀ that the value of the beta estimator is equal to zero or in other words there is no significance to the influence of mutual fund variables on economic growth. Simultaneously, the three Islamic capital market instruments in the form of Islamic stocks, sukuk, and Islamic mutual funds significantly affect Indonesia's economic growth (p-value test F is 0.000).

4.2. Discussion

The positive and significant relationship between Islamic stocks and economic growth supports H₁ research that Islamic stocks can boost Indonesia's economic growth. We believe that this positive result occurs because Islamic stocks in the capital market as a whole contribute to increasing investment because Muslim communities with high religiosity will get the opportunity to invest in the Islamic capital market. A significant increase in investment makes capital accumulate that can be used to finance the productive activities of corporations that become issuers of Islamic shares. Dividends and capital gains obtained through transactions in the Islamic capital market can also increase the income of the public or investors, thereby increasing people's purchasing power for goods and services. This finding is in line with a study conducted by Nurhidayah et al.

(2022) and Sari et al. (2021) which found a positive association between Islamic stocks and Indonesia's economic growth.

The positive relationship between sukuk and economic growth supports H2 research that sukuk can boost Indonesia's economic growth. This finding is again in line with the findings of Nurhidayah et al. (2022) and Sari et al. (2021). Corporate sukuk can encourage the production of goods and services in corporations because they get cheaper funding than if they get it from equity. Cheap funding will have an effect on cheap production costs so that corporations can further increase the production of goods and services that can encourage economic growth. From the perspective of the investor community, they earn income from their investments in the form of profit sharing, *ujrah*, or fees because many contracts used in sukuk are in the form of *mudharabah* (profit sharing system), *ijarah* (rental system), or *wakalah* (power of attorney system). The investment returns obtained will increase people's purchasing power for goods and services to encourage the economic growth.

In this study, data analysis has not been able to support H3 that Islamic mutual funds can boost Indonesia's economic growth. This finding has not been able to support the study conducted by Nurhidayah et al. (2022) and Sari et al. (2021), likely because we used a relatively long research period from 2011 to 2021. A longer period will most likely be able to accommodate data from 2011 to 2013 and 2021. In the period 2011 to 2013, the value of Islamic mutual funds was much lower than in 2014 and it is likely that the low value of mutual funds has not been able to encourage economic growth. The value of mutual funds also experienced a significant decline in 2021 due to a large sell-off or redemption from the Hajj Financial Management Agency (BPKH). This fact indicates that Islamic mutual funds are still dominated by institutional investors rather than retail investors so a number of large withdrawals will significantly reduce the managed funds of Islamic mutual funds. Nevertheless, this study produced the same findings as Nurafiati (2019) which found no significant association. According to Nurafiati (2019), Islamic mutual funds have no influence to boost the Indonesian economy because people lack socialization about Islamic mutual funds so they have not participated much in investment activities with this instrument. For this reason, socialization is still needed for the retail investor community to participate in Islamic mutual fund investment.

This research supports H4 that the Islamic capital market can boost Indonesia's economic growth. The Islamic capital market provides an alternative as well as an opportunity for religious investors to invest in the capital market so as to contribute to an overall increase in investment. This opinion is in line with Fauzan & Suhendro (2018), Khairan (2019) and Widiyanti & Sari (2019) that the Islamic capital market can encourage economic growth because it can increase investment activities.

Based on the study's findings, the Islamic capital market has a role in encouraging economic growth so that the government and regulators need to continue to develop products in the Islamic capital market, develop infrastructure, and continue to increase socialization to increase financial literacy so that there is an increase in Islamic capital market inclusion. In addition, for other capital market players, including investors, corporations and other institutions related to the Islamic capital market, active

participation in investing, issuing sharia securities and supporting the sharia capital market is needed to contribute to improving welfare and meeting corporate capital needs that can encourage economic growth.

5. CONCLUSIONS

The research aims to investigate the influence of the Islamic capital market which includes sharia stocks, sukuk, and sharia mutual funds on Indonesia's economic growth in 2011-2021. The study found that Islamic stocks and sukuk had a positive and significant influence on Indonesia's economic growth, while Islamic mutual funds were found to be insignificant. Simultaneously, all Islamic capital market instruments significantly affect Indonesia's economic growth.

This study has implications in the form of input for the government to continue to develop regulations and policies that can increase Indonesia's sharia capital market activities because it plays a role in boosting the economy. Socialization of the Islamic capital market, especially Islamic mutual funds, also needs to be improved in order to increase active participation from the retail investor community so that the Islamic mutual fund industry does not only depend on institutional investors. For investors, this study provides input to continue to increase their participation in the Islamic capital market as a means to invest and get returns or profit sharing that can improve welfare. For corporations, this study also provides information that issuing Islamic securities in the form of Islamic bonds and stocks can also increase corporate productivity so as to contribute to economic growth.

This research certainly has limitations. This study has not considered other variables that may affect economic growth such as macroeconomic factors in the form of inflation, interest rates, and exchange rates. This study also only used the estimation method in the form of Ordinary Least Square (OLS) and tested unidirectional relationships. For this reason, further research suggestions can use other variables in the research model, use other estimation methods and conduct two-way testing because the possibility of economic growth can also encourage activity in the Islamic capital market in Indonesia.

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