

The Influence of Financial Deepening in Sharia Banking And Non-Banking Sectors On Economic Growth In Indonesia

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ABSTRACT

The Sharia banking and non-banking sectors are business models carried out in a halal manner and line with Sharia principles. These sectors are growing, in line with Indonesia's vision as a center for the halal industry, by emphasizing the potential of the halal value chain (HVC). Financial deepening in the Sharia banking and non-banking sectors refers to expanding access to Sharia financial products and services and improving the capacity and efficiency of Sharia financial institutions in providing those products and services. Therefore, financial deepening is one of the prerequisites for improving economic growth in Indonesia. This study aims to determine the influence of the Sharia banking and non-banking sectors on economic growth in Indonesia from 2008 to 2022. The independent variables used in this study are third-party funds and financing of Sharia banks, and the total capitalization of Sharia-compliant government sukuk/bonds/securities and Sharia stocks. In addition, the dependent variable used is Gross Domestic Product (GDP). The multiple linear regression method was used in this study, which shows that the financial deepening of the banking sector represented by third-party funds significantly and positively impacted economic growth in Indonesia. Furthermore, shariah-compliant government sukuk/bonds/securities significantly and negatively impact economic growth in the non-banking sector. While all variables have a different impact, simultaneously, all independent variables used for analysis impact the dependent variable.

Keywords: *Financial deepening, Sharia, banking, sukuk, Sharia stocks, economic growth.*

INTRODUCTION

Economic growth is influenced by many factors, one of which is the productive business sector that contributes to improving the standard of living for society. One sector that significantly impacts economic growth is the financial sector. A healthy financial sector can support economic growth through fund mobilization, investment, the use of financial instruments, providing credit to productive sectors, and facilitating trade and the exchange of services and goods (Beck et al., 2000; Zhuang et al., 2009).

Furthermore, the size and activity of the financial sector with high efficiency can contribute productively to a country's financial capital, thereby influencing higher economic growth. Financial sectors with high efficiency in generating capital occur in advanced countries with stable economies (Cooray, 2009). One parameter that can be used to explain the function of the financial sector in economic growth is financial deepening or financial shallowing (Fry, 1997). Financial deepening refers to the increase in the number and types of financial instruments and the public's participation in financial activities such as fund mobilization, fund allocation, and investment (Gevorkyan & Canuto, 2016).

Financial deepening can be achieved through a well-functioning financial sector in banking and non-banking sectors, such as increasing investment capital through debt securities or stocks. Several advanced countries like China and Russia commonly use non-banking instruments to enhance financial deepening (Schiller & Gebhardt, 2016). Quantitative indicators that explain the roles of banking and non-banking sectors can be examined through liquidity indicators, capitalization, leverage, profitability, asset quality, and operational efficiency. All of these indicators can be used to measure the development of the financial sector within an

economy, which can influence financial deepening in a country (Gevorkyan & Canuto, 2016).

As a developing country with a majority Muslim population, Indonesia has implemented several economic policies to enhance financial deepening in Sharia economic sectors to in line with Indonesia's vision as a center for the halal industry, by emphasizing the potential of the halal value chain (HVC). These include issuing sukuk as investment instruments and digitalization to reduce the number of unbanked individuals in Indonesia, thereby maximizing the utilization of third-party funds through Islamic banking for credit purposes. Despite the supportive policies for the Islamic financial sector, it is still less popular among most of the population, with market capitalization for Islamic banking recording below 10%. Some theories attribute the stagnation of the Islamic banking business in Indonesia, known as the 5% trap, to the underdevelopment of capitalization and lending compared to conventional banks (Fitriani, 2017). Referring to bank data issued by the Financial Services Authority (OJK), the comparison of market capitalization between Islamic and conventional banking is shown in Figure 1.

Despite the relatively stagnant market capitalization, the development of the Shariah financial sector in both banking and non-banking spheres tends to increase each year, as shown in Figure 2. The difference in interpreting the market capitalization of Shariah against the development of the Shariah market itself creates a gap in the phenomenon of Shariah in Indonesia. This is supported by previous research, which demonstrates the complex relationship between Shariah banking, non-banking sectors, and economic growth (Rousseau & Wachtel, 2011; Apergis et al., 2007; Khairunnisa, 2021).

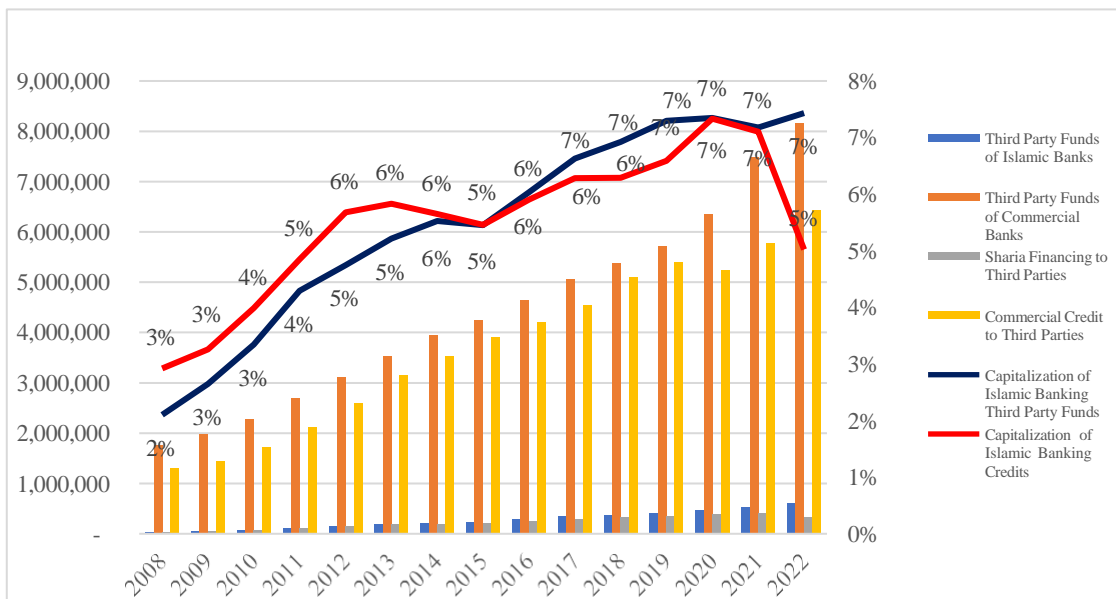


Figure 1 Development of Market Capitalization of Islamic Banking compared to Conventional Banking in Indonesia (in IDR Billion)

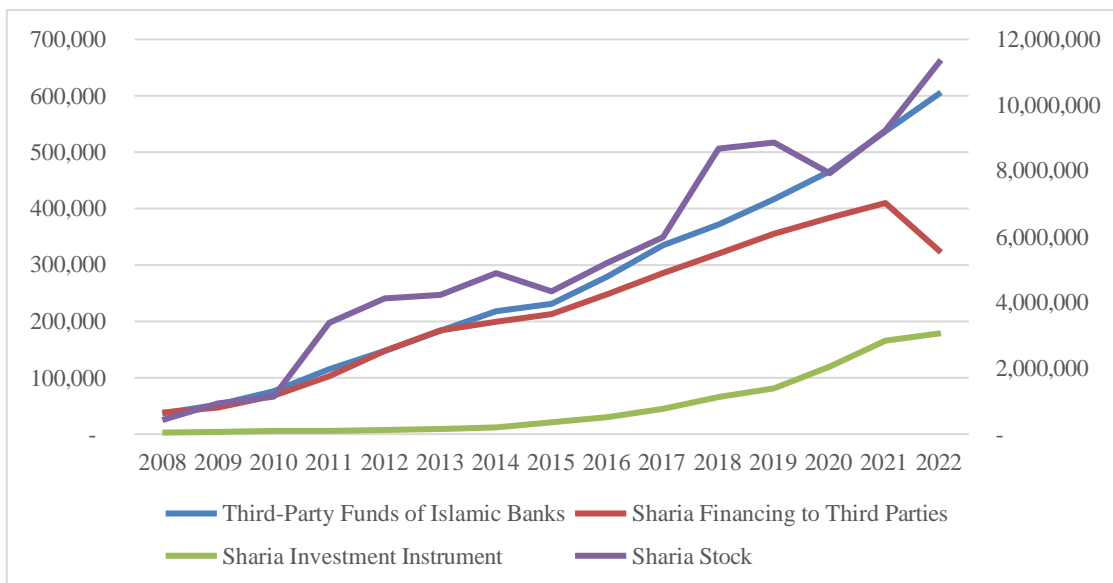


Figure 2 Development of Market Capitalization of Islamic Banking compared to Conventional Banking in Indonesia (in IDR Billion)

Therefore, this study aims to examine the influence of the Shariah banking and non-banking sectors, specifically in terms of third-party funds, Shariah financing, and investment in Shariah securities and stocks, as indicators of financial deepening on economic growth in Indonesia from 2008 to 2022, using multiple linear regression analysis as the methodology.

LITERATURE REVIEW

Previous studies have shown that third-party funds collected by banks play a crucial role in financial deepening in a country. This statement is supported by research conducted by Rahmadani (2017), which indicates that an increase in the number of third-party funds collected by banks generally impacts financial deepening, affecting long-term economic growth. However, De Mello & Garcia (2012) state that while third-party funds play an important role in financial deepening, competitive pricing of the deposited funds should also be considered. The pricing will influence the depositor's decision to transfer funds. However, Islamic banking does not heavily rely on pricing in fund mobilization to avoid *riba* (usury). This is supported by Banafe & Macleod (2017), who claim that pricing is one of the reasons for the relative lack of competitiveness of Islamic banking compared to conventional banks.

Nevertheless, even without competitive pricing, research by Khairunnisa (2021) shows that third-party funds collected by Islamic banks continue to grow and significantly impact financial deepening. Mary et al. (2019) also support this positive impact and demonstrate that increasing third-party funds in Islamic banking can influence financial deepening in Indonesia, thus enhancing economic growth. Previous literature indicates that the activities of Islamic banks can influence increased financial deepening by mobilizing third-party funds, making third-party funds in Islamic banks a suitable indicator of financial deepening.

H₁: Third-party funds in Islamic banking have a positive and significant impact on financial deepening in Indonesia.

In addition to third-party funds, De Mello & Garcia (2012) also state that financing provided by banks with competitive pricing plays a vital role in financial deepening. However, unlike conventional banks, Islamic banks adjust their pricing according to their capabilities,

making them less competitive in terms of pricing (Banafe & Macleod, 2017), even though the difference in the perception of competitive pricing and the principles of financing in Islamic banking, research by Yazdan, G. F., & Mohammad Hossein, S. S (2012) shows that the growth of Islamic bank financing in Indonesia has a positive and significant impact on economic growth in the country. Rahmadani (2017) also demonstrates that the credit disbursed by Islamic banking increases each year and significantly influences long-term economic growth. Previous literature indicates that financial deepening can explain effective and efficient financing allocation. Therefore, Islamic banking financing can be used to indicate financial deepening.

H₂: Islamic banking financing has a positive and significant impact on financial deepening in Indonesia.

Shariah-compliant Government Sukuk (SBSN) can be understood as non-banking financial instruments derived from government securities alongside government bonds (SUN). These securities represent the government's debt in both local and foreign currencies, with interest and principal payments guaranteed by the state according to their maturity period (Amin, 2016). With the aim of benefiting the country's economy, a study conducted by Normasyhuri et al. (2022) proves that SBSN has a significant positive impact on Indonesia's economic growth. This finding is supported by Latifah (2020), who shows that SBSN can optimize the benefits for the country while utilizing untapped public funds, thus contributing to national economic growth. Previous literature indicates that financial deepening can explain the effective and efficient use of SBSN. Therefore, SBSN can be used as an indicator of financial deepening.

H₃: Shariah-compliant Government Sukuk/Bonds/Securities (SBSN) has a positive and significant impact on financial deepening in Indonesia.

Besides Shariah-compliant bonds, Shariah-compliant stocks can also be understood as one of the non-banking Shariah instruments. Shariah-compliant stocks are an investment concept based on the principles of morality and justice as the underlying values to avoid Maisyir, Gharar, and Riba (Hartati, 2021). According to Radjak & Kartika (2020), Shariah-compliant stocks do not have a significant positive or negative impact on economic growth. This is because changes in stock prices can affect the earnings of circulating stocks, leading to fluctuations in market capitalization and reducing their influence on Indonesia's economic growth. This statement is supported by Khairunnisa (2021), which shows a negative and insignificant impact between Shariah-compliant stocks and financial deepening in the short term and a negative and significant impact in the long term.

In contrast to previous studies that focused on the capitalization of Shariah-compliant stocks, research by Rahmadani (2017) demonstrates that market capitalization, in general, has a positive and significant impact on Indonesia's economic growth. This influence is due to the increased number of circulating stocks, which improves the liquidity of stock issuers. Therefore, the market capitalization of Shariah-compliant stocks can be seen as an indicator of financial deepening.

H₄: Kapitalisasi Pasar Saham Syariah memiliki pengaruh negatif dan signifikan terhadap financial deepening di Indonesia.

The entire financial deepening indicators will then be examined for their connection to economic growth, represented by Gross Domestic Product (GDP), thus forming a conceptual framework, as shown in Figure 3.

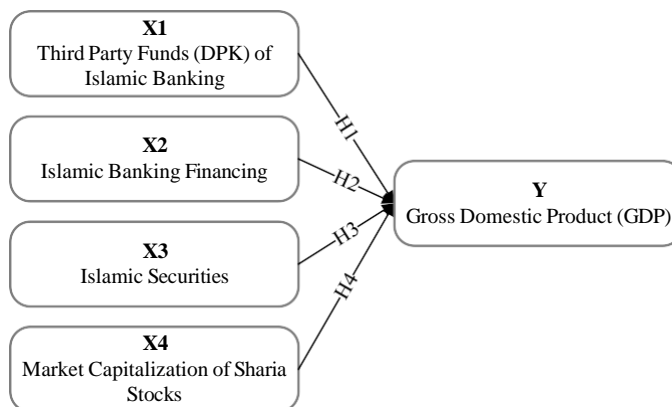


Figure 3 Research Framework

METHODS

A. Data and Research Object

The research object is the financial deepening condition on the development of the Islamic finance sector in Indonesia. The study is based on the phenomenon of the market capitalization trap in Indonesia's Islamic banking and non-banking businesses, which has been stagnant. Therefore, the research aims to determine the influence of the Islamic finance sector on financial deepening amidst this stagnation in market capitalization. The data used consists of secondary data (time series) from the period of 2008 to 2022, including Indonesia's Gross Domestic Product (GDP) data, Third-Party Funds (TPF) of Islamic Banking, Islamic Banking Financing, Islamic Securities, and Shariah Stock Market Capitalization. The use of data within this time range is due to the crises that occurred in 2008, 2013, and 2019, which are expected to depict the role of each Islamic banking and non-banking indicator in economic growth. The data used is sourced from Indonesian Banking Statistics, Islamic Banking Statistics, and Capital Market Statistics provided by Indonesia's Financial Services Authority (OJK). The data is collected through documentary methods or from various available sources as needed for analysis (Thrane, 2022). The specific data used in the research are presented in Table 1.

Table 1 Data and sources

Variable	Description	Source
Gross Domestic Product (Y)	An economic indicator measures the total value of all goods and services a country produces within a specific period. GDP can Indonesia measure economic growth, productivity, and societal well-being.	Bank
Third-Party Funds (TPF) of Islamic Banking (X1)	The funds received by a bank from customers or third parties in the form of deposits or savings are collected by the bank. The data used is limited to individual funds placed in Islamic banks.	SPS OJK
Islamic Banking Financing (X2)	The amount of funds disbursed by a bank to customers. The data used is limited to individual financing by Islamic banks.	SPS OJK
Islamic Securities (X3)	Financial instruments are investment tools that comply with Islamic law (Shariah). Islamic securities are commonly issued in the form of Sukuk.	SPS OJK
Market Capitalization of Sharia Stocks (X4)	Investment instruments issued by companies while considering Shariah principles.	SPM OJK

Sources: Laporan Kinerja Keuangan (LKI) Bank Indonesia, Statistik Perbankan Syariah (SPS) OJK, and Statistik Pasar Modal (SPM) OJK

B. Multiple Linear Regression

The collected data will be further analyzed quantitatively using multiple linear regression. The data will be divided into independent variables: Third-Party Funds of Islamic Banking, Islamic Banking Financing, Islamic Securities, and Shariah Stock Market Capitalization. These independent variables will then be examined for their relationship with the dependent variable, Indonesia's Gross Domestic Product (GDP).

The multiple linear regression testing will be conducted using SPSS version 25 as the analysis tool. Before performing the multiple linear regression testing, it is necessary to conduct classical assumption tests to ensure the suitability of the data used. The classical assumption tests include the normality test, considering asymptotic significance; the multicollinearity test, considering the values of the variance inflation factor (VIF) and tolerance; the heteroskedasticity test; and finally, the autocorrelation test (Granger & Weiss, 1983; Gujarati & Porter, 2010; Judd et al., 2017; Thrane, 2022).

Multiple linear regression analysis, commonly used in engineering and economics, aims to explain an event based on data through mathematical equations and determine the relationships between variables (Tay, 2019). The formula used in multiple linear regression analysis is as follows:

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n \dots \dots \dots (1)$$

The formula can be interpreted as follows: Y represents the dependent variable, X represents the independent variable, α represents the constant, and b represents the estimated coefficient. After obtaining the multiple linear equations, hypothesis testing is conducted using partial (t-test) and simultaneous (F-test) methods. The partial hypothesis test is performed using the following formula:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}} \dots \dots \dots (2)$$

The formula can be interpreted as follows: t represents the distribution of data, r represents the correlation coefficient of partial, r^2 represents the coefficient of determination, and n represents the sample size used in the study. The results obtained from the t-test are then compared with t_{table} to determine the relationship based on the predetermined hypothesis criteria. H_0 is accepted if the calculated $t_{value} \leq t_{table}$ or the significance value $> \alpha$. Meanwhile, H_0 is rejected if the calculated $t_{value} > t_{table}$ or the significance value $< \alpha$. After conducting the partial test, the simultaneous test can be performed by considering the following formula:

$$F = \frac{\frac{R^2}{k}}{(1-R^2)/(n-k-1)} \dots \dots \dots (3)$$

The formula can be interpreted as follows: F represents the coefficient of determination, k represents the number of independent variables, and n represents the sample size. The final results obtained from the hypothesis testing and multiple linear regression equation can explain the relationship and significance of each independent variable to the dependent variable.

RESULTS

A. Descriptive Statistics

Before proceeding with the analysis, it is necessary to understand the characteristics of the data used in the study through descriptive analysis. The results of the descriptive analysis conducted are presented in Table 2.

Table 2 Descriptive statistics

Variable	Symbol	N	Min	Max	Mean	Std. Dev
Gross Domestic Product (Y)	GDP	15	4,954,000	19,588,446	11,613,198	4,402,333
Third-Party Funds (TPF) of Islamic Banking (X1)	TPF	15	36,852	606,063	271,486	179,031
Islamic Banking Financing (X2)	FIN	15	38,199	409,878	221,691	123,544
Islamic Securities (X3)	SEC	15	2,683	178,931	50,290	60,072
Market Capitalization of Sharia Stocks (X4)	STO	15	428,526	11,378,204	5,382,747	3,286,734

Sources: Laporan Kinerja Keuangan (LKI) Bank Indonesia, Statistik Perbankan Syariah (SPS) OJK, and Statistik Pasar Modal (SPM) OJK

Based on the statistical data shown in Table 2, the growth observed in each variable is highly exponential, as evidenced by the average values that are able to reach twice as high as the minimum values. Additionally, except for the Islamic securities data (X_3), all variables exhibit good data dispersion quality due to the smaller standard deviation values compared to the mean values. Therefore, the mean values can be used as representations of the entire data set.

B. Classical Assumption Test

Following the previously explained research method, classical assumption tests are conducted first to ensure the statistical coefficients obtained are valid and accurate for the estimations used before proceeding further with the multiple regression analysis (Judd et al., 2017). The classical assumption tests are performed using several steps, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation.

The first normality test indicates that the data is normally distributed, as shown by the normal diagonal plot in Figure 4. Furthermore, based on the results of the multicollinearity test, which is supported by tolerance values greater than 0.01, it can be concluded that there is no multicollinearity issue. Additionally, the heteroskedasticity test shows no heteroskedasticity symptoms among the variables, as evidenced by the scatter plot in Figure 3, where the significance values are > 0.05 .

Lastly, the classical assumption test considers the presence of autocorrelation. The autocorrelation test indicates that all variables are free from autocorrelation symptoms, as supported by the run test results with Asymp. Sig. (2-tailed) values of 1.000 or greater than 0.05. The complete results of the classical assumption tests are presented in Table 3.

Table 3 Classical Test Assumption Result

Types of Classical Assumption Tests	Gross Domestic Product (GDP)	
	Status	Fulfillment Requirements
Normality Test	No symptoms of normality	Residual value (Asymp, Sig 2-tailed 0.200 > 0.05)
Multicollinearity Test	No symptoms of multicollinearity	Tolerance value for all variables $> 0,01$
Heteroskedasticity Test	No symptoms of Heteroskedasticity	Based on Figure 5, there is no specific pattern, and it does not spread above or below zero on the y-axis.
Autocorrelation Test	No symptoms of autocorrelation	Based on run test results. Asymp. Sig. (2- tailed) value are 1,000 and more than 0,05.

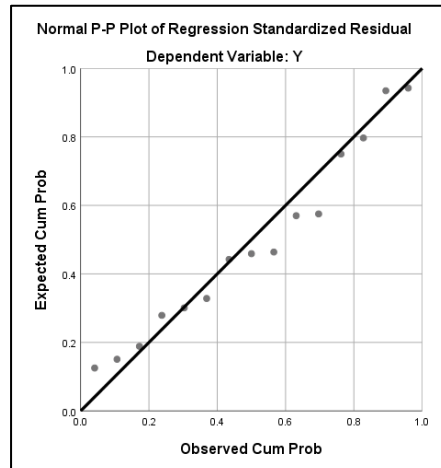


Figure 4 Diagonal Normal Plot (P-P Plot) of Normality Test

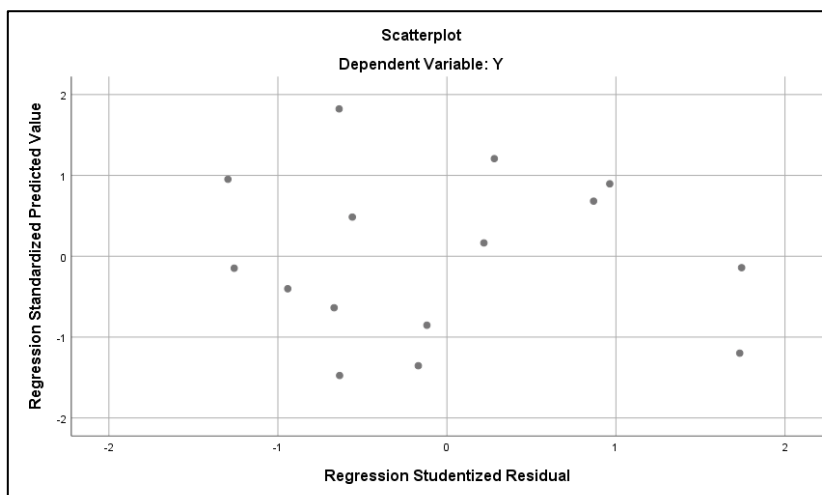


Figure 5 Scatter Plot of Heteroskedasticity Test

C. Multiple Linear Regression Analysis

After fulfilling all the classical assumption tests, the multiple linear regression equation is obtained, where each variable is represented by Third Party Funds (TPF) of Islamic Banks (X_1), Financing of Islamic Banks (X_2), Islamic Securities (X_3), and Market Capitalization of Islamic Stocks (X_4). These independent variables will then be examined for their relationship with the dependent variable, Indonesia's Gross Domestic Product (GDP) (Y). The equation formed is as follows:

$$Y = 4.066.351 + 34.291 X_1 - 4.738 X_2 - 40.226X_3 + 0,150 X_4 \dots\dots\dots (4)$$

Based on the equation, it can be explained that the constant has a positive value, indicating a positive relationship between the independent and dependent variables. This suggests that economic growth as the dependent variable will also increase if all independent variables increase. However, when considered individually, each independent variable has a different relationship with the dependent variable. This is evidenced by Third Party Funds (TPF) of Islamic Banks (X_1) and the Market Capitalization of Islamic Stocks (X_4), which have a positive relationship with the Gross Domestic Product (GDP) of Indonesia (Y). Therefore, an increase in both variables can positively impact economic growth in Indonesia.

On the other hand, the Financing of Islamic Banks (X_2) and Islamic Securities (X_3) has a negative influence on the Gross Domestic Product (GDP) of Indonesia (Y). Thus, an increase in these two variables may reduce economic growth in Indonesia. The general interpretation of the

equation is provided in Table 4.

Table 4 Multiple Linear Regression Interpretations

Independent Variables	Gross Domestic Product (GDP)	
	Beta	Interpretation
Constant	4.066.351	The Independent variable has a positive effect on the dependent variable. If all independent variables are not unchanged, the dependent variable value equals 4.066.351.
Third-Party Funds (TPF) of Islamic Banking (X1)	34.291	The Independent variable has a positive effect on the dependent variable. If the third-party fund increase by 1%, then the gross domestic product will increase by 34.291.
Islamic Banking Financing (X2)	-4.738	The Independent variable harms the dependent variable. If the Islamic bank financing increase by 1% then, then the gross domestic product will decrease by 4.738.
Islamic Securities (X3)	-30.226	The Independent variable harms the dependent variable. If the Islamic securities increase by 1%, the gross domestic product will decrease by 30.226.
Market Capitalization of Sharia Stocks (X4)	0,150	The Independent variable has a positive effect on the dependent variable. If the market capitalization on the Sharia stock market increase by 1%, then the gross domestic product will increase by 0,150.

D. Hypotheses Tests

After obtaining the regression equation, the significance values of both partial and simultaneous relationships between the independent and dependent variables under study can be determined. Partially, Third Party Funds (TPF) of Islamic Banks (X_1) and Islamic Securities (X_3) have a significant influence on the Gross Domestic Product (GDP) of Indonesia (Y). However, they have different effects, where (X_1) has a positive effect on (Y), while (X_2) harms (Y). On the other hand, Financing of Islamic Banks (X_2) and Market Capitalization of Islamic Stocks (X_4) do not have a significant influence on (Y). However, in a simultaneous sense (F), all independent variables have an impact on the dependent variable, as evidenced by the coefficient of determination reaching 99%, and the remaining variability is influenced by other variables not included in the study. The complete results of the hypothesis testing are provided in Table 5.

Table 5 Hypotheses test result

Independent Variables	Gross Domestic Product (GDP)	
	Sig.	Values
Third-Party Funds (TPF) of Islamic Banking (X1)	0,000	$t \text{ value } (6,768) > t \text{ table } (1,753)$
Islamic Banking Financing (X2)	0,138	$t \text{ value } (-1,612) < t \text{ table } (1,753)$
Islamic Securities (X3)	0,001	$t \text{ value } (-4,578) > t \text{ table } (1,753)$
Market Capitalization of Sharia Stocks (X4)	0,295	$t \text{ value } (1,106) < t \text{ table } (1,753)$
F stat		578,466 ($p < 0.05$)
Adj. R ²		0,994

DISCUSSION

The research was conducted to determine the role of financial deepening in the Islamic

banking and non-banking sectors in terms of third-party fund mobilization, Sharia financing disbursement, and investment in Islamic securities and stocks on the economic growth represented by the Gross Domestic Product (GDP). This research is important to deepen and confirm the role of each financial deepening variable amidst the stagnation of Islamic banking and non-banking capitalization growth in Indonesia.

Based on the conducted research, it was found that all financial deepening variables, including Third Party Funds (TPF) of Islamic Banks (X_1), Financing of Islamic Banks (X_2), Islamic Securities (X_3), and Market Capitalization of Islamic Stocks (X_4), collectively have an impact on the economic growth in Indonesia, as represented by the Gross Domestic Product (GDP), with an F-statistic of 578.466 and a probability (p) of less than 0.05. Furthermore, all financial deepening variables have a 99% influence on economic growth. However, in a partial sense, only two variables significantly affect economic growth. These variables are Third Party Funds (TPF) of Islamic Banks (X_1), which have a significant and positive effect, and Islamic Securities (X_3), which have a significant and negative effect on economic growth. Based on these results, only Third Party Funds (TPF) of Islamic Banks (X_1) align with the established hypothesis, while the other independent variables have different results compared to the hypothesis.

In terms of financial deepening in the Islamic banking sector, Third Party Funds (TPF) of Islamic Banks (X_1) have a significant and positive impact, consistent with previous research. This is because the larger the funds successfully mobilized by banks, the greater the potential for financing to the productive sector (Khairunnisa, 2021; Rahmadani, 2017). However, there is a discrepancy in the interpretation of Sharia Financing (X_2), which harms economic growth. This influence can be attributed to several reasons, including the fact that the financing provided by Islamic banks is not directed toward financing working capital or investments in the productive sector but rather towards individuals in the form of consumer credit. Suboptimal working capital loans provided to the productive sector can be referred to the research by Banafe & Macleod (2017), which states that uncompetitive pricing leads to a lack of interest in large-scale financing through Islamic banks by the majority of productive enterprises seeking profit based on the margin obtained from business activities and debt borrowing.

Apart from the Islamic banking sector, financial deepening in the non-banking Islamic sector also shows differences in the interpretation between Shariah Securities (X_3) and Shariah Stock Market Capitalization (X_4). Shariah Securities (X_3) have a significant negative impact on economic growth. This is in line with the research by Rahmadani (2017), which states that the government needs to utilize government securities optimally. However, Shariah Stock Market Capitalization (X_4) shows a positive but insignificant impact on economic growth. This indicates that companies that receive additional capital from issued stocks can optimize those funds to drive economic growth in Indonesia.

Differences between the analysis results and the hypotheses or previous research are likely to occur due to several factors, including the data coverage used in the study and the scope of the study itself. Some studies have also been conducted using general data that combines the banking and non-banking Islamic sectors with commercial aspects, as done in previous research (Apergis et al., 2007; De Mello & Garcia, 2012; Khairunnisa, 2021; Kiyotaki & Moore, 2005; Mary et al., 2019; Rahmadani, 2017). In addition to differences in the scope of the study, the methods used in the research can also have implications that affect the study's overall validity. However, in general, all of these variables still need to be considered despite the stagnation of market capitalization. This is because all of these financial deepening variables simultaneously stimulate economic growth.

CONCLUSION

Based on the conducted research, the following conclusions can be drawn:

1. Simultaneously, all indicators of financial deepening in the Islamic banking and non-banking sectors impact economic growth in Indonesia, despite the stagnation in market capitalization compared to the commercial banking and non-banking sectors.
2. Partially, the banking sector consisting of Third-Party Funds (TPF) of Islamic Banks and Islamic Banking Financing has different effects on economic growth. Third-Party Funds (TPF) of Islamic Banks have a positive and significant influence, while Islamic Banking Financing has a negative and insignificant influence on economic growth. This can reflect the effectiveness of credit banks provide to the productive sector.
3. Partially, the non-banking sector consisting of Shariah Securities and Shariah Stock Market Capitalization has different effects on economic growth. Shariah Securities have a negative and significant influence, while Shariah Stock Market Capitalization has a positive and insignificant influence on economic growth. This can reflect the effectiveness of utilizing additional capital from the public to increase business productivity.

LIMITATION

This research has two limitations. Firstly, the variables used focus on predetermined variables, which means that other variables that may influence economic growth are not captured in the study. However, this is a common practice in empirical research. Secondly, the study's scope focuses on Indonesia's Islamic banking and non-banking sectors. Therefore, the research findings must be generalized to sectors and countries within this scope. Considering these limitations, further research with a broader scope, including different sectors and countries, is needed to deepen the findings.

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