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## **THE EFFECT OF ISLAMIC CAPITAL MARKET INSTRUMENTS ON INDONESIA'S ECONOMIC GROWTH IS MODERATED BY THE MONEY SUPPLY**

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<b>Information</b>	<b>Abstract:</b>
<b>Article History:</b>  Received : 17.09.2022 Revised : 29.06.2023 Accepted : 30.06.2023	<i>This article examines the relationship between Islamic capital market instruments and Indonesia's economic growth, taking into account the moderating role of the money supply. With the rise of Islamic finance and the increasing significance of the Islamic capital market, understanding the dynamics between these instruments and economic growth becomes crucial. The method used in this research is quantitative research which focused on the national economic growth in Indonesia from the year 2011 to 2021. The data were used from the economic growth, Sharia stock index, sukuk, Sharia mutual funds, and total money supply in Indonesia from the period of research which is the quarterly data. The results of this study are that the Islamic stock index has a positive effect on economic growth. Sukuk has a positive effect on economic growth. On the other hand, sharia mutual funds do not affect economic growth. The money supply is not able to moderate the effect of the Sukuk on economic growth.</i>
<b>Keywords:</b> <i>Economic Growth, Sharia Stock Index, Sukuk, Sharia Mutual Funds, Total Money Supply</i>	

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## **A. INTRODUCTION**

In developing countries increasing economic growth is a good signal. When there is a decline in economic growth, the state fails to prosper its population. Therefore, the implementation of economic development activities is expected to be oriented towards increasing economic growth. Economic growth also plays an important role as an indicator of people's welfare. However, high economic growth does not necessarily increase income distribution in the community (Amri & Nazamuddin, 2018).

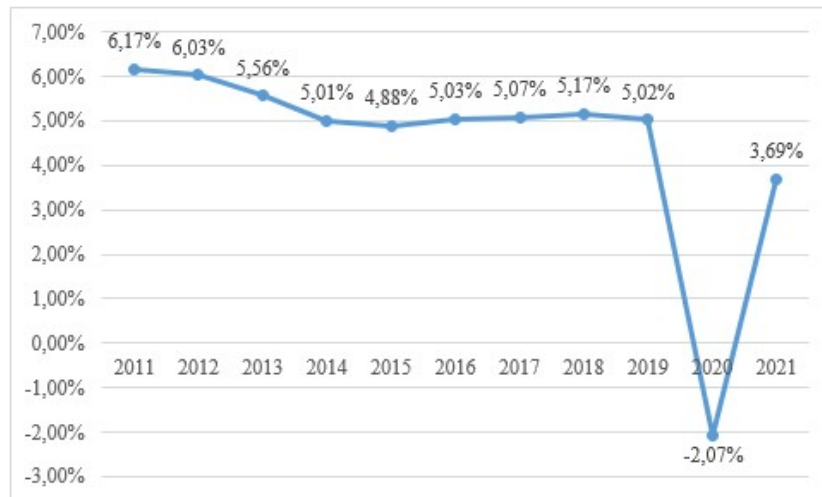
The Central Statistics Agency (BPS) reported that Indonesia's economic growth increased to 7.07% on an annual basis (year-on-year) in the second quarter of 2021. Moreover, the Indonesian economy grew by 3.31% (Quarter-on-Quarter) in the second quarter of 2021 compared to the previous quarter. The improvement in the Indonesian economy in the second quarter of 2021 was mainly driven by better export performance, household consumption, investment, and government consumption. This economic improvement shows that Indonesia has managed to bounce back after coming under pressure from Covid-19 in the last few quarters. This improvement in the economy is a good sign, but we mustn't let it get worse in the next quarter (Badan Pusat Statistik, 2021).

The key to solving all social, economic, and other problems in society is to realize sustainable development and economic growth of the national economy. The welfare of the population will ultimately depend on the rate and speed of economic growth. Depending on the pace and rate of economic growth, it is possible to evaluate the economic status of the people. An indicator of how well that goal is being implemented is either GDP per capita or national income. It should be noted that as a result of macroeconomic stabilization and domestic economic growth, the standard of living of the population has increased and the standard of living has improved (Jurayevich & Bulturbayevich, 2020).

The economic development of a country, as measured by economic growth, shows the growth in the production of goods and services in an economic sector in a certain time interval. Production is measured by the added value (value added)

generated by the relevant regional economic sectors, which are collectively called Gross Domestic Product (GDP). Therefore, GDP can be used as an indicator to measure output or as a reflection of the government's success in moving economic sectors (Badan Pusat Statistik, 2021).

**Figure 1. Indonesia's Economic Growth Rate Based on the Level of GDP for the Period 2011-2021**



Source: Badan Pusat Statistik, processed in 2022

The graph above shows that the rate of economic growth based on GDP is fluctuating. The highest growth was recorded at 6.17% which occurred in 2011. In the year after that, the level of GDP decreased consistently until 2015, during that period the GDP decreased by 1.29%. Then Indonesia's GDP began to increase in 2016 to 5.03% until 2018 which reached 5.17%. In 2019 the GDP level decreased to a level of 5.02%, this was due to the impact of the COVID-19 pandemic that occurred at the end of 2019. The peak was in 2020 the GDP level decreased to a level of -2.07% due to the impact of the pandemic which paralyzed all national and global economic sectors. Furthermore, in 2021 growth again shows a positive value to the point of 3.69% which indicates the economy is running well again.

Indonesia's economic growth can be driven by various measures, including adding and expanding the investment sector, which is currently widely discussed in the capital market. So far, the presence of the capital market has increased significantly, as evidenced by the diversification of capital market instruments itself.

As a developing country with a majority Muslim population, Indonesia develops sharia-based investment by selecting investment facilities that are appropriate and consistent with Islamic religious principles through a screening process. The Islamic capital market is one way to invest in Islamic values (Julia & Diana, 2022). Sharia capital market products include sharia shares, sharia mutual funds, and Sukuk.

Keynes's theory of economic growth states that investment is one of the supporting aspects that have an impact on economic growth. Stocks, one of the many forms of investment vehicle capital, play an important role in the economy as form capital in increasing productive capacity, increasing national income, creating new jobs, and increasing state tax revenues (Nurhidayah et al., 2022). Sharia shares are securities traded in the Islamic capital market. Sharia shares are the same as traditional capital market shares. The difference is that shares traded in the Islamic capital market must come from issuers that meet sharia standards (sharia compliance) (Shofiatul Jannah, 2019).

The next factor that can increase economic growth is Sukuk or Islamic bonds. Sukuk has a function and role in promoting economic growth by providing the capital needed for development. So, development opportunities will be maintained in terms of capital because the Sukuk instrument can fulfill them. The Sukuk market plays a very important role in financing large projects by acting as a source of funding and facilitating local capital markets. Sukuk ensures several undeniable asset allocation mechanisms and also maintains a leading money management tool for Islamic financial companies and institutions (Widiyanti & Sari, 2019).

The next variable that can affect economic growth is sharia mutual funds. In Islamic economics, investments are made taking into account sharia law. Sharia mutual funds will not direct funds to companies whose operations or products violate Islamic law, such as pig farming, financial services that involve usury, or businesses that involve immorality. One of the objectives of sharia mutual funds is to meet the needs of a group of investors seeking investment returns from sources and methods that are clean, and accountable following Sharia. The increase in sharia mutual funds will encourage economic growth. If the number of sharia investment mutual funds decreases, economic growth will decline (Nurwahida et al., 2022).

This research intends to assess whether or not there is an influence of the sharia stock index, Sukuk, and sharia mutual funds on Indonesia's economic growth. Based on the phenomena that have been described previously, then there are still differences in research results which show that there are still inconsistencies regarding the conclusions of the theme. In addition, this study added a variable amount of money supply that functions as a donor. The purpose of the moderating variable in the form of the money supply is to assess whether the condition of the money supply will strengthen or weaken the influence of the sharia stock index, Sukuk, and sharia mutual funds on Indonesia's economic growth.

## **B. LITERATUR REVIEW**

### **Economic Growth Theory**

growth is a long-term goal that is achieved by businesses and is as much as possible in line with short-term economic growth. Economic growth can describe and measure the achievement of economic development within the framework of a country. Fast and stable economic growth is expected to have a positive influence on other economic variables, either directly or indirectly (Siregar et al., 2019).

According to the Harrod-Dommar analysis, some conditions must be met for the economy to consistently show steady growth and long-term growth. In other words, capital formation is a prerequisite for stable economic growth. If capital goods are at full capacity, total expenditure in one period can increase the capacity of capital goods in the following year. In other words, the capital provided by investors in one period can increase the number of goods and services issued in the following year, increasing the capacity of capital goods (Qirona & Chang, 2019).

### **Gross Domestic Product**

An important factor in measuring and determining economic growth is to look at the level of Gross Domestic Product (GDP). Gross Domestic Product (GDP) is the total volume of goods and services produced in a particular country or region at a certain time (Simanungkalit, 2020). GDP is the most important tool for investors, policymakers, and businesses to make strategic decisions. As the stock market rises

and falls, so does corporate sentiment. This condition affects the company's financial performance (Ratih & Candradewi, 2020).

According to Sukirno (2015) Gross Domestic Product (GDP) is the total product (output) produced by a government. GDP is the value of goods and services produced in a country over a certain period. Gross domestic product is a concept used to calculate national income. The term "national income" is used all the time in macroeconomic analysis and is usually meant to represent the value of goods and services produced in a country. So, in this concept what is meant by national income is Gross Domestic Product (GDP).

### **Islamic Capital Market**

A capital market is a market that is free from non-Sharia compliance activities such as usury, gambling, and uncertainty. This is a market where shares, shares, and financial instruments are permitted to be traded through buying and selling according to the principles of sharia law. The Islamic capital market plays an important role in economic development. In this regard, many developments have occurred in Muslim and non-Muslim countries (Lahsasna et al., 2018).

In their activities, the Islamic and conventional capital markets do not have much difference. However, what underlies the Islamic capital market is that the instruments traded are the result of sharia-based activities (Sari et al., 2018). The Islamic capital market is a capital market whose overall working mechanism is following sharia principles, especially regarding issuers, the types of securities trading, and the trading mechanism. What is meant by sharia principles are principles based on Islamic sharia teachings as stipulated by the DSN-MUI Fatwa. Investment products in the Islamic capital market are in the form of sharia shares, sharia bonds (Sukuk), sharia mutual funds, and sharia warrant products (Albab & Zuhri, 2019).

### **Sharia Stock Index**

The index serves to see market trends. The index provides an overview of the state of the economy, namely whether it is in a stagnant or active situation. The rise in the stock index indicates that stock instrument trading is active and in line with

investors' expectations. A falling stock index indicates a stable situation (Pujiningsih & Dahruji, 2021).

The Indonesian Sharia Stock Index (ISSI) is a stock index that describes all Sharia shares listed on the Indonesia Stock Exchange and the Sharia Stock List (DES). The existence of ISSI is to distinguish between Islamic and conventional shares which were previously included in the JCI. So that it is easier for investors to choose Islamic stocks among stocks that many issuers issue shares (Ash-shiddiqy, 2019).

### **Sukuk**

The concept of Sukuk for investment vehicles in the Islamic capital market was created as an alternative to interest-based debt, which is prohibited by Islamic law. Sukuk (widely based on the Islamic concept of debt) represents the percentage of ownership of tangible assets. The term Sukuk replaces mention for bonds or interest-based debt. Interest is prohibited under Islamic law and has been exchanged term bond with Sukuk Futures as regulated in the Bapepam Financial Institution Regulations concerning the DSN MUI Fatwa No. 33/DSN-MUI/IX/2002 (Widyanto, 2018).

According to DSN Fatwa No. 32/DSN-MUI/IX/2002, Sukuk is long-term sharia-based securities issued by the issuer to Sukuk holders. Margin/fees and repayment of Sukuk funds are carried out at maturity (Wahyuni, 2018).

As Islamic securities, Sukuk have very different characteristics from bonds. Sukuk is evidence of project activities/assets that bind all parties to the contract. Sukuk have guarantees as a form of requirement in their issuance. Sukuk's perception of property rights is based on real and detailed project activities. Funds from Sukuk are intended for business activities that do not violate sharia law. The form of compensation obtained can be in the form of profit sharing or margin/profit, depending on the type of contract agreed upon at the time the Sukuk is issued (Wahyudi et al., 2021).

### **Sharia Mutual Funds**

Mutual funds function as investment tools for the public in a securities portfolio, the results of which are illustrated by an increased net asset value (NAV). Mutual funds are financial instruments used to raise money from the investment community, invested by investment managers in the form of a securities portfolio (Mulyawan, 2017).

In addition to conventional mutual funds, there are also Islamic mutual funds. Sharia mutual funds are forms of mutual funds whose activities are based on sharia law. There is a contract between the investor as the owner of the property (sahib al-mal) and the investment manager as the agent. Sharia mutual funds are intermediaries that help companies with a surplus enter their investment capital. One of the objectives of Sharia mutual funds is to meet the needs of investor groups for investment returns from clean sources and methods, whose data can be accounted for religiously and following Sharia principles (Roynaldi, 2021).

### **The Money Supply**

It is generally believed that the money supply (JUB) is determined directly by the monetary authorities, either with the core money, which consists of currency and reserves held by commercial banks, or money through multipliers. The amount of this multiplier is determined by the ratio of bank reserves and the ratio of cash to site deposits (Sriwahyuni et al., 2020).

The money supply is the amount of money issued or circulated by the central bank, including quasi-money containing coins and paper money, including time deposits, savings, and foreign exchange (Ningsih & Kristiyanti, 2018). The money supply is not only regulated by the central bank, but the activities of households (money holders) and commercial banks (places for storing money) can determine the amount of money in circulation. The money supply includes foreign currency in the hands of citizens and deposits in banks used by households (Panjaitan et al., 2021)..



### **C. METHODOLOGY**

This research adopts the concept of quantitative research. The population in this study is data on economic growth, the sharia stock index, Sukuk, sharia mutual funds, and the money supply in Indonesia for the period 2011-2021. The sample is determined based on the saturated sample technique method. In other words, all of the population is sampled. The sample used is all data on Economic Growth, Sharia Stock Index, Sukuk, Sharia Mutual Funds, and Total Money Supply in Indonesia for the period 2011-2021 which researchers use as quarterly data. Then the number of samples is 44.

The research applies the method of moderated regression analysis (MRA) in analyzing the effect of the moderator variable on the relationship between the independent and dependent variables. The moderated regression analysis (MRA) method is a regression model that uses a moderator variable. The moderator variable is a variable that strengthens or weakens the relationship between the independent variable and the dependent variable (Alamsah & Adi, 2021). Before testing the hypothesis, the data stationarity test and classical assumptions were first tested which consisted of normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

### **D. RESULT AND ANALYSIS**

#### **Stationarity Test**

Time series data is ensured to be stationary when the mean, variance, and covariance are always the same for all lags. There are several methods for the stationary test. In general, the stationary test used is the unit root test (Widarjono, 2013). In this study, in detecting data stationarity, the Augmented Dickey-Fuller (ADF) method was used.

**Table 3. Stationarity Test Results at Level**

<b>No</b>	<b>Variable</b>	<b>Prob*</b>	<b>Information</b>
1	X1 (Sharia Stock Index)	0.1720	Not Stationary
2	X2 (Sukuk)	0.9942	Not Stationary
3	X3 (Sharia Mutual Funds)	0.6897	Not Stationary

4	Z (Amount of Money Supply)	0.2733	Not Stationary
5	Y (Economic Growth)	0.6653	Not Stationary
6	X1_Z	0.9928	Not Stationary
7	X2_Z	0.9945	Not Stationary
8	X3_Z	0,9995	Not Stationary

Source: Secondary Data Processed, 2022

In Table 3 it can be analyzed that all variables in this study are not stationary at the level, because they have a probability value of more than 0.05. So, to meet the assumption of stationarity, the test is increased at the first difference.

**Table 4. First Difference Level Stationary Test Results**

No	Variable	Prob*	Information
1	X1 (Sharia Stock Index)	0.0000	Stationary
2	X2 (Sukuk)	0.0000	Stationary
3	X3 (Sharia Mutual Funds)	0.0000	Stationary
4	Z (Amount of Money Supply)	0.0001	Stationary
5	Y (Economic Growth)	0.0000	Stationary
6	X1_Z	0.0000	Stationary
7	X2_Z	0.0000	Stationary
8	X3_Z	0.0000	Stationary

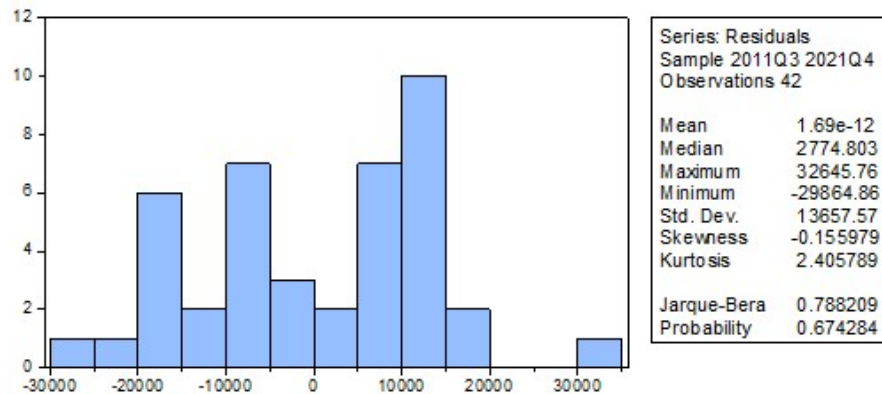
Source: Secondary Data Processed, 2022

After the stationary test at the first difference is shown in Table 4.3, all variables in this study have a probability value < 0.05, so they are stationary at the first difference level.

### **Normality Test**

Test The normality test is intended to see whether the confounding variables or residual variables in the regression model are normally distributed. As is known, the t-test and F test require the normality of the residual value (Ghozali, 2016). This study tested the normality of the data using the Jarque-Bera test probability value.

Figure 2. Normality Test Results



Source: Secondary Data Processed, 2022

Based on the picture above, it is known that the normality test results have a probability value of  $0.674284 > 0.05$ . This result shows that the data is normally distributed.

### Multicollinearity Test

is a condition where the independent variables influence each other. In econometric models, the phenomenon of multicollinearity often occurs because the variables in the economic domain are interrelated (Bawono & Shina, 2018). In this study, the detection of multicollinearity was done using a correlation test between independent variables and an auxiliary regression test.

Table 5. Auxiliary Regression Test Results

No	R-squared	R-squared Main Regression	Description
1	$D(X1(-1)) = 0.747048$	0.940045	Smaller
2	$D(X2(-1)) = 0.904895$	0.940045	Smaller
3	$D(X3(-1)) = 0.924492$	0.940045	Smaller
4	$D(Z(-1)) = 0.933218$	0.940045	Smaller
5	$D(X1\_Z(-1)) = 0.924658$	0.940045	Smaller
6	$D(X2\_Z(-1)) = 0.970091$	0.940045	Bigger
7	$D(X3\_Z(-1)) = 0.963992$	0.940045	Bigger

Source: Secondary data processed, 2022

Based on the table above, there are variables with the R-squared of the independent variable regression greater than the R-squared main regression. With this, there is certainly a multicollinearity problem in this regression. To overcome the

multicollinearity problem, the authors eliminate variables that have a large correlation value with fellow independent variables. So that the eliminated variables based on these assumptions are Z, X1\_Z, and X3\_Z. The following are the results of the multicollinearity test after eliminating the variables.

**Table 6. Auxiliary Regression Test Results After Elimination**

No	R-squared	R-squared Main Regression	Description
1	D(X1(-1)) = 0.307074	0.847168	Smaller
2	D(X2(-1)) = 0.022401	0.847168	Smaller
3	D(X3(-1)) = 0.007716	0.847168	Smaller
4	D(X2_Z(-1)) = 0.311923	0.847168	Smaller

Source: Secondary Data Processed, 2022

After eliminating variables, the results above show that all independent variables have R-squared smaller than-squared main regression with these results, it is certain that there is no multicollinearity.

### Heteroscedasticity Test

Occurs when the residual and predictive values show a correlation or relationship pattern. This relationship pattern is not just a linear relationship, but other patterns are possible. Therefore, there are several non-uniform variance test methods, one of which is the Breusch-Pagan-Godfrey method (Febriaty, 2019).

**Table 7. Heteroscedasticity Test Results**

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	5.002494	Prob. F (4,37)		0.0025
Obs*R-squared	14.74161	Prob. Chi-Square (4)		0.0053
Scaled explained SS	13.88775	Prob. Chi-Square (4)		0.0077
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 07/26/22 Time: 12:53				
Sample: 2011Q3 2021Q4				
Included observations: 42				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.21E+08	1.14E+08	4.579737	0.0001
D(X1(-1))	-1299.440	438.4295	-2.963850	0.0053
D(X2(-1))	113056.0	65158.01	1.735105	0.0910
D(X3(-1))	26077.87	12782.40	2.040138	0.0485
D (X2_Z (-1))	-0.011028	0.003135	-3.517344	0.0012
R-squared	0.350991	Mean dependent var		4.64E+08

Adjusted R-squared	0.280828	S.D. dependent var	7.32E+08
S.E. of regression	6.21E+08	Akaike info criterion	43.44216
Sum squared resid	1.43E+19	Schwarz criterion	43.64903
Log likelihood	-907.2854	Hannan-Quinn criter.	43.51798
F-statistic	5.002494	Durbin-Watson stat	1.804690
Prob(F-statistic)	0.002520		

Source: Secondary Data Processed, 2022

Based on Table 7 obtained a significant value of Prob. Chi-Square on Obs\*R-squared 0.0616 > 0.05 but the significance value of X1 and X2\_Z variables is still below 0.05. So, with this, it can be ascertained that heteroscedasticity symptoms occur. To overcome the problem of heteroscedasticity, the data is transformed into logarithmic form.

**Table 8. Heteroscedasticity Test Results After Healing**

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	1.764369	Prob. F(4,37)		0.1568
Obs*R-squared	6.727892	Prob. Chi-Square(4)		0.1510
Scaled explained SS	9.407526	Prob. Chi-Square(4)		0.0517
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 07/26/22 Time: 12:53				
Sample: 2011Q3 2021Q4				
Included observations: 42				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.000110	4.72E-05	2.321171	0.0259
D(LOG(X1(-1)))	-0.000562	0.000395	-1.422039	0.1634
D(LOG(X2(-1)))	0.000654	0.000445	1.468269	0.1505
D(LOG(X3(-1)))	0.000359	0.000236	1.518431	0.1374
D(LOG(X2_Z(-1)))	-2.39E-06	9.03E-05	-0.026434	0.9791
R-squared	0.160188	Mean dependent var		0.000139
Adjusted R-squared	0.069397	S.D. dependent var		0.000268
S.E. of regression	0.000258	Akaike info criterion		-13.57508
Sum squared resid	2.46E-06	Schwarz criterion		-13.36822
Log likelihood	290.0767	Hannan-Quinn criter.		-13.49926
F-statistic	1.764369	Durbin-Watson stat		2.011473
Prob(F-statistic)	0.156836			

Source: Secondary Data Processed, 2022

After transforming the data into the logarithmic form, significant values of Prob are obtained. Chi-Square on Obs\*R-squared 0.1510 and the probability value of all independent variables > 0.05. So, with this, it can be ascertained that there are no symptoms of heteroscedasticity.

### **Autocorrelation Test**

is a state where the error component is correlated with itself in time series (for time series data) or spatial order (for subset data). The linear regression model assumes that this autocorrelation phenomenon does not occur. To test whether there is autocorrelation, the Durbin-Watson test is used (Bawono & Shina, 2018).

**Table 9. Autocorrelation Test Results**

Dependent Variable: D(LOG(Y (-1)))				
Method: Least Squares				
Date: 07/26/22 Time: 12:52				
Sample (adjusted): 2011Q3 2021Q4				
Included observations: 42 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002400	0.002298	1.044502	0.3030
D(LOG(X1(-1)))	0.141683	0.019250	7.360338	0.0000
D(LOG(X2(-1)))	0.114191	0.021697	5.263068	0.0000
D(LOG(X3(-1)))	0.008494	0.011515	0.737664	0.4654
D(LOG(X2_Z(-1)))	-0.001093	0.004399	-0.248339	0.8052
R-squared	0.702406	Mean dependent var		0.011654
Adjusted R-squared	0.670233	S.D. dependent var		0.021894
S.E. of regression	0.012573	Akaike info criterion		-5.803216
Sum squared resid	0.005849	Schwarz criterion		-5.596351
Log likelihood	126.8675	Hannan-Quinn criter.		-5.727392
F-statistic	21.83260	Durbin-Watson stat		2.079127
Prob(F-statistic)	0.000000			

Source: Secondary data processed, 2022

Through the output above, the value of DW is 2.079127. On the other hand, the dU value is 1.7202 and the 4-dU is 2.2798 (with k = 4, n = 42). So that it fulfills the assumption of  $dU < DW < 4-dU$  and it can be ascertained that there is no autocorrelation problem.

### Moderated Regression Analysis (MRA)

**Table 10: Moderated Regression Analysis (MRA) Test Results**

Dependent Variable: D(LOG(Y(-1)))				
Method: Least Squares				
Date: 07/26/22 Time: 12:52				
Sample (adjusted): 2011Q3 2021Q4				
Included observations: 42 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002400	0.002298	1.044502	0.3030
D(LOG(X1(-1)))	0.141683	0.019250	7.360338	0.0000
D(LOG(X2(-1)))	0.114191	0.021697	5.263068	0.0000
D(LOG(X3(-1)))	0.008494	0.011515	0.737664	0.4654
D(LOG(X2_Z(-1)))	-0.001093	0.004399	-0.248339	0.8052
R-squared	0.702406	Mean dependent var		0.011654
Adjusted R-squared	0.670233	S.D. dependent var		0.021894
S.E. of regression	0.012573	Akaike info criterion		-5.803216
Sum squared resid	0.005849	Schwarz criterion		-5.596351
Log likelihood	126.8675	Hannan-Quinn criter.		-5.727392
F-statistic	21.83260	Durbin-Watson stat		2.079127
Prob(F-statistic)	0.000000			

Source: Secondary data processed, 2022

The results of the MRA regression test above can be entered in the following equation:

$$Y = 0.002400 + 0.141683 X_1 + 0.114191 X_2 + 0.008494 X_3 - 0.001093 X_2\_Z$$

- 1) The constant from the regression test results above is 0.002400 meaning that when the explanatory variable is constant, then Y or economic growth will increase by 0.002400.
- 2) The coefficient of the X1 variable or the sharia stock index is 0.141683 and has a positive direction, meaning that if the X1 variable or the sharia stock index increases by 1 percent, the economic growth will increase by 0.141683 percent. Assuming significant and ceteris paribus.
- 3) The coefficient of the variable X2 or Sukuk is 0.114191 and has a positive direction, meaning that if the variable X2 or Sukuk increases by 1 percent, economic growth will increase by 0.114191 percent. Assuming significant and ceteris paribus.

- 4) The coefficient of the X3 variable or sharia mutual funds is 0.008494 and has a positive direction, meaning that if the X3 variable or sharia mutual funds increases by 1 percent, then economic growth increases by 0.008494 percent. Assuming significant and ceteris paribus.
- 5) The coefficient of the X2\_Z variable or the interaction between Sukuk and the money supply is -0.001093 and has a negative direction, meaning that if the X2\_Z variable increases by 1 percent, then economic growth decreases by 0.001093 percent. Assuming significant and ceteris paribus.

### **Sharia Stock Index on Economic Growth**

Based on the results of statistical tests, the probability value of the Islamic stock index variable (X1) is  $0.000 < 0.05$  and the coefficient is positive. With this, the Islamic stock index has a positive effect on economic growth. This means that the high or low Islamic stock index will affect the increase in economic growth.

The presence of Islamic capital market commodities, especially Islamic stocks in Indonesia, has a positive effect on the development of the national economy. So that the company is interested in absorbing capital from this instrument which is intended for people who want to invest according to sharia law. When the purchasing power of sharia shares increases, the source of capital for the company will be abundant so that it is easy to expand its business. In line with this, the company's business development will have an impact on advanced economic activities so that growth can be achieved. The existence of sharia shares plays an important role in the source of capital to increase production for the company.

The results of this research are in line with the findings of Ala'uddin (2020) and Ardina (2021) which emphasize that the existence of a sharia stock index can have a significant positive impact on economic growth in Indonesia. However, unlike the findings from Sukmayadi & Zaman (2020) and Amanda et al. (2021) which state that the Islamic stock index does not affect economic growth.



### **Sukuk on Economic Growth**

Based on the results of statistical tests, the probability value of the Sukuk variable (X2) is  $0.0000 < 0.05$  with a positive coefficient. With this, Sukuk has a positive effect on economic growth. This means that the high Sukuk will increase the level of economic growth.

The role of Sukuk in the growth of the national economy has a big impact. In this case, the role of Sukuk is as a tool to mobilize capital and as a tool to stimulate domestic and international investment, as well as a means to encourage public participation in funding projects for the public interest. In addition to assisting the process, the decentralization of Sukuk public finances also makes it easier for businesses by providing institutional investors with different options for each financial product. The benefits of issuing Sukuk will encourage the development of the Islamic capital market industry as diversification of capital sources in the context of funding national development. In addition, Sukuk plays a very important role in the growth of the business world. Sukuk also has its advantages over investment products in the capital market. This means that because there is an underlying asset, the risk is low or relatively safe.

The results of this research are in line with the findings of Aprianto & Indrarini (2021) and Nurhidayah et al., (2022) which emphasize that the existence of Sukuk will have a positive impact on economic growth in Indonesia. However, this is different from the findings of Setianingsih & Widyastuti (2020) which state that Sukuk has a negative impact on economic growth.

### **Sharia Mutual Funds on Economic Growth**

Based on the results of statistical tests, the probability value of the Islamic mutual fund variable (X3) is  $0.4654 > 0.05$ . With this, Islamic mutual funds do not affect economic growth. This means that the high value of Islamic mutual funds will increase the level of economic growth.

A sharia mutual fund is a form of investment that operates under regulations and is based on Sharia law from contracts to management. Between capital owners

and investment managers, and between investment managers and capital borrowers. However, in terms of users or investors, Islamic mutual funds are still less prestigious than conventional mutual funds. Interest in using sharia mutual funds is still relatively low because they have policies and contracts that are very different from conventional mutual funds. This may be due to the low level of public literacy regarding awareness of financial investment products, especially sharia-based investments such as sharia mutual funds. Moreover, the capital value of Islamic mutual funds is still low compared to traditional mutual funds.

The results of this study are in line with the findings of Andriza et al. (2021) and Luqman (2020) who emphasized that the existence of sharia mutual funds would have an impact on economic growth in Indonesia. However, in contrast to the findings of Auliyatusaa'dah et al. (2021) and Muhammad et al. (2021) which state that Islamic mutual funds have a positive impact on economic growth.

### **Sukuk on Economic Growth is moderated The Money Supply**

Based on the results of the MRA test, the probability value of the Sukuk interaction variable with the money supply ( $X2\_Z$ ) is  $0.8052 > 0.05$  with a positive coefficient. With this, the money supply is unable to moderate the effect of the Sukuk on economic growth. With the probability showing that it is not significant, the existence of the money supply is not able to strengthen or weaken the role of the Sukuk in influencing economic growth.

Sukuk is an alternative for investors who previously only knew bonds that were full of speculative actions, usury, or fraud. However, when compared to conventional bonds, Sukuk in terms of valuation is still too far, mainly due to the lack of public education in the sharia community regarding these capital market products. And the most vital thing is the lack of investor interest in trading, looking at Sukuk as an investment instrument so that Sukuk transactions in Indonesia are still low.

With the assumptions described above, it makes sense that the money supply cannot strengthen or weaken the effect of the Sukuk on economic growth. Although the money supply is high, interest in Sukuk is still low, and the velocity of money in transactions for Sukuk has not increased. Because the public will be more interested

in investment instruments such as conventional bonds that have existed before and have been proven to give trust to the public.

## **E. CONCLUSION**

After carrying out a series of research starting from theory development to hypothesis testing, it can be concluded that the effect of the sharia stock index, Sukuk, and sharia mutual funds on economic growth moderated by the money supply is that the sharia stock index has a positive effect on economic growth. Sukuk has a positive effect on economic growth. Sharia mutual funds do not affect economic growth. The money supply is not able to moderate the effect of the Sukuk on economic growth.

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