The Influence of Islamic Financial Instruments On Indonesia's Economic Growth: An Autoregressive Distributed Lag Approach

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Abstract

The growth of Islamic finance in Indonesia has experienced very significant growth. The Indonesian government hopes that the financial sector will become an important instrument in promoting economic growth in Indonesia, but it seems that the percentage of economic growth in Indonesia has declined over the past decade. This study aims to analyze the impact of Islamic financial instruments on economic growth in Indonesia. This study uses a quantitative method with an Autoregressive Distributed Lag (ARDL) model analysis tool. The results of this study show that all Islamic financial instrument variables have a negative effect on economic growth in the short term. Meanwhile, in the long term, all independent variables have a positive effect on economic growth except for Sharia Mutual Funds which show a negative effect and Sharia Bank Financing and Sharia Stocks have no effect on economic growth in Indonesia. Thus, it can be concluded that Islamic financial instruments in the long term have a positive influence on encouraging economic growth in Indonesia.

Keywords: Economic Growth, Zakat, Islamic Bank financing, Islamic Stocks, Islamic Mutual Funds, Corporate Sukuk, Government Sukuk

Abstrak

Pertumbuhan keuangan syariah di Indonesia mengalami pertumbuhan yang sangat signifikan. Pemerintah Indonesia menyakini sektor keuangan syariah menjadi instrumen penting dalam mendorong pertumbuhan ekonomi di Indonesia, namun tampaknya persentase pertumbuhan ekonomi di Indonesia mengalami penurunan selama satu dekade terakhir. Penelitian ini bertujuan untuk menganalisa sejauh mana dampak instrument keuangan syariah terhadap pertumbuhan ekonomi di Indonesia. Penelitian ini menggunakan metode kuantitatif dengan alat analisis model Autoregressive Distributed Lag (ARDL). Hasil penelitian ini memperlihatkan bahwa semua variabel instrumen keuangan syariah memiliki efek negatif terhadap pertumbuhan ekonomi dalam jangka pendek. Sedangkan dalam jangka panjang, semua variabel independen memiliki pengaruh positif terhadap pertumbuhan ekonomi kecuali Reksadana Syariah yang menunjukkan efek negatif dan Pembiayaan Bank Syariah serta Saham Syariah tidak berpengaruh terhadap pertumbuhan ekonomi di Indonesia. Dengan demikian dapat disimpulkan bahwa instrumen keuangan syariah dalam jangka panjang memiliki pengaruh positif mendorong pertumbuhan ekonomi di Indonesia.

Kata Kunci: *Pertumbuhan Ekonomi, Zakat, Pembiayaan Syariah, Saham Syariah, Reksadana Syariah, Sukuk Korporasi, Sukuk Pemerintah*

INTRODUCTION

Growth in the financial sector cannot run in accordance with its function, namely as financial intermediation, or often referred to as Money Concentration. This is because the flow of funds in the financial sector only revolves around the financial sector or is not distributed optimally in the real sector so that it can interfere with economic development (Juhro et al, 2018).

The financial sector is believed to have an important role in increasing economic growth. Indonesia's Ministry of National Development Planning (BAPPENAS) revealed that the financial services sector is one of the important sectors needed to finance investment and development needs and encourage economic growth. Because the government believes that, the development of the financial sector is an important factor to increase the economic growth of a country (Supartoyo et al, 2018).

Indonesia is the country with the largest Gross Domestic Product (GDP) in Southeast Asia which reached $1.02 trillion US dollars in 2020. However, the movement of Indonesia's economic growth has stagnated and even tended to decline since the last decade. Based on the central statistics report, Indonesia's GDP growth contracted to touch -2.07% in 2020, while in 2019 Indonesia's economic growth was only 5.02% or lower than the previous year which reached 5.17%. The Indonesian government believes this is due to the slowing growth of the real sector over the past few years. Based on data from the investment coordinating board, the real sector investment growth in 2019 was only 5.30%, which is very much decreased when compared to 2012 which reached 30.80%.
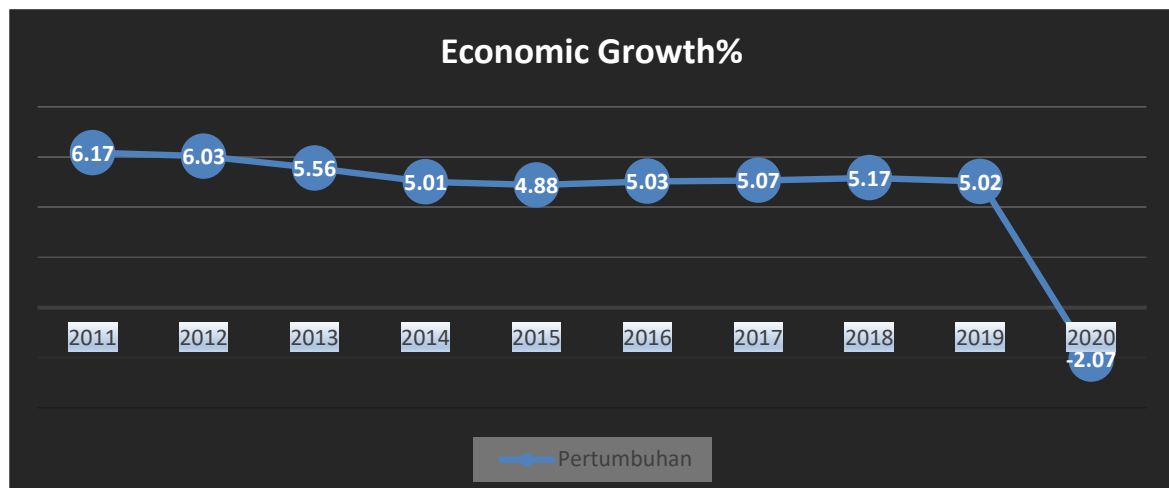
Gambar I.1 Pertumbuhan Ekonomi tahun 2014-2019

Sumber: Badan Pusat Statistik, 2020

Indonesia's financial sector experienced significant growth, based on data from the Financial Services Authority (OJK) indonesia's conventional financial industry experienced an average asset growth of above 8% over the past decade or higher than the percentage of economic growth. The same thing happened to the Islamic financial industry also shows a very progressive development in Indonesia. According to a report by Bank Indonesia (2019), Indonesia's Islamic economic performance has a growth of 5.72%. According to the OJK report, the average growth of Islamic financial assets has reached 22% per year since the last one windu. In fact, OJK also reported that total Islamic financial assets excluding Sharia stocks have reached Rp.1,468 trillion or 8.71% of the total assets of indonesia's national financial Inndustry.

Figure I.2 Growth of Indonesia's Total Islamic Financial Assets in 2014-2020

Sumber: Otoritas Jasa Keuangan 2020.

The development of the Islamic financial sector is a representation of the rapid growth and innovation of various Islamic financial products or instruments such as Islamic banking, Sharia mutual funds, Islamic stocks, and Islamic bonds. In addition to more significant growth compared to the conventional financial industry, the Islamic financial industry has a more stable resilience, especially in the event of a crisis.Even in a state of economic crisis such as the Covid-19 pandemic crisis, Indonesia's finance minister Sri Mulyani revealed that the performance of the Islamic financial industry is more stable than conventional finance.

Studies related to the relationship between the Islamic financial sector and economic growth have been carried out by previous studies, but the majority of previous studies have conducted partial research on one or several specific Islamic financial instruments. In addition, the results of previous studies are also inconsistent and varied. Some stated that various Islamic financial instruments such as zakat, Islamic banks, sharia mutual funds, sharia stocks, and sukuk 8 have a positive role in encouraging economic growth, as found by Wahyuningsih & Nurzaman (2020), Sukmana et al (2019), Yusoff (2011), Tabash & Dhankar (2014), Abduh & Sukmana (2013), Naz & Gulzar (2020). Others found different things, where the various Islamic financial instruments had no impact on economic growth. Among them Khasandy & Badrudin (2019), Afandi & Amin (2019), Muharram et al (2019) and Yildirim et al (2020). Even the research of Pradhan et al (2015), Nurafiati (2019) found that Islamic financial instruments, namely Sharia stocks and Islamic mutual funds, had a negative impact on economic growth.

Since there are still theoretical and empirical gaps related to the relationship between Islamic financial instruments and economic growth supported by the gap in the results of previous research, this study will further examine the role of Islamic financial instruments that can affect economic growth in Indonesia. dan empiris terkait dengan hubungan antara instrumen keuangan syariah dengan pertumbuhan ekonomi didukung dengan adanya kesenjangan hasil penelitian terdahulu, penelitian ini akan meneliti lebih lanjut terkait peran instrumen keuangan syariah ini dapat mempengaruhi pertumbuhan ekonomi di Indonesia.

LITERATURE REVIEW

Economic Growth

Economic growth is a change in the level of economic activity at a time that usually prevails from year to year (Sukirno, 2006). Economic growth is used as an important indicator to measure the success of a country's development (Todaro dan Smith, 2011). Economic growth can be reflected in the growth of Gross Domestic Product (GDP) (Adisasmita, 2013). GDP is a measure of the market value of goods and services produced by resources located within a country for a certain period of time, usually one year (Rudiger, 2006).

John Keynes and Harrod-Domar revealed that investment expenditure has an important role in driving aggregate demand and aggregate supply through its role in production capacity because any increase in people's capital stocks will increase people's ability to produce output. The output in question is the potential output that can be generated with the availability of existing capital (Stock Capital) (Ma'ruf & Wihastuti, 2008). Economic growth can be encouraged by the addition of the money supply controlled by the central bank through a network of banking systems with monetary policy (Wibowo, 2020). In the Islamic perspective Chapra argues that economic growth is

the sustainable development of production factors that are truly capable of contributing to human well-being (Al-Tariqi, 2002).

Islamic Financial Instruments

According to the KBBI, the word instrument is defined as a tool or means to do something. Meanwhile, according to PSAK 50, a financial instrument is a contract that adds value to financial assets or liabilities or other equity instruments. Prastyo et al (2017) define Islamic financial instruments as a certain contract or contracts where the terms and conditions will determine certain risks and benefits. In other words, Islamic financial instruments can be interpreted as financial products that apply sharia principles. Unlike conventional financial instruments, Islamic financial instruments are not only commercial but also there are social financial instruments such as zakat, waqf and almsgiving.

Zakat

Zakat is linguistically derived from the word "Zakka" which has the meaning of holy, blessing, growing and praiseworthy (Huda dan Heykal, 2010). Meanwhile, in sharia zakat is defined as a concept of distributing wealth determined by God to the category of worthy people. Herianingrum (2020) stated that the application of zakat will have a positive impact on the savings of the poor and in the aggregate increase national savings. With an increase in savings, it will encourage investment activities. The increase in investment will certainly encourage an increase in the production of goods and services which then increases the real income of the community and increases economic growth.

Sharia Bank Financing.

Financing is a funding activity carried out by an institution or financial institution such as Islamic banking to customers who need funding. According to Antonio (2001) financing is one of the main tasks of banks, namely the provision of fund facilities to meet the needs of parties who lack funds. When Islamic banks increase financing in various business sectors, it will have an impact on increasing customers' productive business capital, increasing productivity will increase the real sector economy and increase economic growth (El Ayyubi et al, 2018).

Sharia Stocks

Sharia shares are securities or securities proof of capital participation to companies with the concept of business profit sharing rights that do not conflict with sharia principles for stockholders (Sutedi, 2011).The Islamic stock market has an important role in driving the pace of economic growth. Pujoalwanto (2014) said that a high level of investment would have a positive impact on economic growth. Sharia stocks are one of the means to increase investment in encouraging economic growth. The hypothesis theory of "supply leading" in the financial sector states that the development of financial sectors such as the stock market causes economic growth, because the stock market stimulates the movement of unused funds into productive and useful finances for a country's economy (Umam, 2013). .

Sharia Mutual Funds

Etymologically 'mutual fund' consists of two words, namely "mutual fund" which means guard or maintain and "fund" which means (set of) money. Mutual funds are also

known as Mutual Funds which means joint funds. Sharia mutual funds are mutual funds whose management and policies uphold islamic sharia values, for example, do not invest in investment instruments or products whose management and products are contrary to Islamic law (Haerisma, 2014). Schumpeter (1911) explains that a well-developed financial system can facilitate technological innovation and economic growth through the provision of financial services and resources to investors. In the context of Sharia mutual funds, the flow of funds from the investor community through mutual fund products will be allocated in the form of capital to finance the company's new investment, the existence of these new investment activities will increase economic activity and also increase people's income and consumption and increase economic growth.

Corporate Sukuk

According to Nugroho (2013) sukuk is a certificate that is of equal value to part or all of the ownership of tangible property. This certificate will be evidence and a tool to obtain results and services for the ownership of certain assets and projects or other special investment activities that apply when it has received the sukuk value. Sukuk funds will be fully returned to their owners when they mature. Meanwhile, corporate sukuk is a sukuk issued by companies, both private companies and State-Owned Enterprises (BUMN) based on the regulations of the Financial Services Authority. When a company issues sukuk, the company will get funding for investment from the sale of the sukuk, the additional funds from the sukuk issuance will be used by the company to increase production capacity and with the addition of the company's output will in turn increase economic growth.

Government Sukuk

Government sukuk is a securities (bonds) issued by the government of the republic of Indonesia based on sharia principles as evidence of the share of participation in an asset owned by the government both in Rupiah and foreign currencies (Latifah, 2020). Infrastructure development carried out by the government often requires private funding, one of which is by issuing Islamic bonds or sukuk. The funds raised from the issuance of sukuk are allocated to government development projects aimed at supporting socio-economic activities in order to improve general welfare. Government sukuk can have positive implications for economic growth through infrastructure development that encourages economic activity and with the absorption of new labor (Al Taleb & Alkhatib, 2016).

METHODE

This research uses quantitative methods. This research uses data from various sources, websites of related institutions or agencies such as, the National Amil Zakat Agency (BAZNAS), the Financial Services Authority (OJK), the Indonesian Ministry of Finance and the Central Bureau of Statistics (BPS). The data used is quarterly timeseries data from 2011 First quarter to 2020 fourth quarter in Indonesia. This study uses the Autoregressive Distributed Lag (ARDL) research model, the ARDL Model is a model that includes past variables both free variables and bound variables in regression analysis. The use of the ARDL method is because often the dependence between dependent variables on independent variables is very difficult to find in a constant state, or in other words, the influence of independent variables on dependent variables

requires a certain time lag or known as lag (Supriani & Sudarsono, 2018).

$$GDP_t = \beta_0 + \beta_1 ZAKATeko_t + \beta_2 PBS_t + \beta_3 JII_t + \beta_3 Reksadana_t + \beta_1 SUKUKkor_t + \beta_1 SBSN_t + e_t$$

Where, GDP (Economic Growth), ZAKAT eko (Zakat Distribution in the Economic Sector), PBS (Sharia Bank Financing), JII (Jakarta Islamic Index Capitalization), SUKUK COR (Private Sukuk), SBSN (State Sharia Securities). The ARDL model equation for the above equation can be written as follows:

$$\Delta GDP = \theta_0 + \theta_1 GDP_{t-1} + \theta_1 ZAKATeko_{t-1} + \theta_1 PBS_{t-1} + \theta_1 JII_{t-1} + \theta_1 Reksa_{t-1} + \theta_1 Sukuk\_kor_{t-1} + \theta_1 SBSN_{t-1} + \sum_{i=1}^{n}\alpha_{1i}\Delta GDP_{t-1} + \sum_{i=1}^{n}\alpha_{2i}\Delta Zakateko_{t-1} + \sum_{i=1}^{n}a_{3i}\Delta PBS_{t-1} + \sum_{i=1}^{n}a_{4i}\Delta JII_{t-1} + \sum_{i=1}^{n}a_{5i}\Delta Reksa_{t-1} + \sum_{i=1}^{n}a_{6i}\Delta Sukuk\_kor_{t-1} + \sum_{i=1}^{n}a_{7i}\Delta SBSN_{t-1} + e_t$$

Where Δ is lag. The α_1i-α_7imerupakan coefficient of short-term dynamic relationships and the coefficient of θ_0+θ_7menunjukan the model of long-term dynamic relationships. The initial stage of the data processing process begins with conducting a data stationaryity test at the level level and first difference level using the Augmented Dickey-Fuller test (ADF). This test is carried out to find out whether the data is cointegrated in the same order or not. If there is cointegration of different orders, the Autoregressive Distributed lag (ARDL) method is carried out. After conducting a stationaryity test, it will be continued to select the ARDL model that will be used in research based on Akaike Information Crition (AIC) and conduct a classical assumption test. It then performs a test estimate using the selected ARDL model. Then conduct a short-term estimate based on the selected ARDL model and conduct a long-term ARDL model test based on the selected model with the Bound Test to determine the long-term cointegration and causality relationship between independent variables and dependent variables.

RESULTS AND DISCUSSION

Stationaryity Test Results

Before testing the entire model, the initial stage will perform a stationaryness test of the data used. Data stationaryness testing is based on the Augmented Dickey Fuller test (ADF test).

Table IV.3 Unit Root Test (ADF) Level 1st Difference

Intermediate ADF test results UNTITLED				
Series	Prob.	Lag	Max Lag	obs.
GDP	0.0001	9		35
Zakat Eko	0.0000	9		36

PBS	0.0000	9	38
JII	0.0000	9	38
RDS	0.0000	9	38
Sukuk Korporas	0.0000	9	38
SBSN	0.0000	9	38

Based on the results of ADF testing at the 1st difference level in table IV.3 above, it can be seen that all variables have a probability smaller than 0.05 which means that all variables in this study are stationary at the 1st difference level. Thus all the variables in this study have been qualified to perform a test analysis of the ARDL model.

ARDL Model Estimation

The purpose of testing the model is to find the most appropriate model to use in analyzing. The following are the results of testing the model with the ARDL approach:

Table Model ARDL

Dependent variabel: GDP			
Method: ARDL			
Selected Model: ARDL (4, 4, 4, 4, 4, 2, 4)			
R-squared	0.999966	Mean dependent var	14.66607
Adjusted R-squared	0.999608	S.D. dependent var	0.121469
S.E. of regression	0.002406	Akaike info criterion	-9.873267
Sum squared resid	1.74E-05	Schwarz criterion	-8.421708
Log likelihood	210.7188	Hannan-Quinn criter.	-9.366634
F-statistic	2787.637	Durbin-Watson stat	3.434374
Prob(F-statistic)	0.000010		

Based on table IV.4 above, it can be seen that the probability number (F-statistical) of 0.000010 is smaller than 0.05 with an Akaike Criterion value of -9.87 which shows that the best ARDL model in this study is (4, 4, 4, 4, 2, 4) and can be continued to the next stage.

Autocorrelation Test (Serial LM Test)

Based on the test results with LM Test in table IV.5 above, it can be seen that the Chi-Square (2) values are 0.0000 < 0.05, which means that the model used in this study has Autocorrelation. So to solve the problem, researchers use the HAC (Newey-West) method. Based on the test results of the HAC (Newey-West) method, there has been a difference in the results of the first estimate of table 4.4 on std.error, t-statistic and its probability. Where the std.error value has been corrected to 0.002406.

Heteroskedasticity Test

The Heteroskedasticity test shows that all variables used in this study, namely GDP, Zakat Eko, Total Sharia Financing, JII Capitalization, Sharia Mutual Funds, Corporate Sukuk, and SBSN (Government Sukuk) have a probability value greater than 0.05, which means that the model used does not contain Heteroskedasticity.

Normality Test

The Normality Test shows a probability value showing 0.953975 > 0.05, which means that the data used in this study has been distributed normally according to what

Model Stability Test

The stability test of the model showed that the position of the blue Cusum line was between the two significance lines of the 5% which were red. Thus it can be concluded that the ARDL model in this study is stable.

Test Bounds test

The Bound test on the ARDL model showed that the F-statistic of 5,870,619 was greater than 1(1) bound level 5% and even exceeded 1(1) bound level 1%. These results can be interpreted to mean that all variables used in this study are cointegrated in the long term or the variables move together in the long term.

ARDL model Bounds test results (4, 4, 4, 4, 4, 2, 4)

Tes Statistic	Value	K
F-statistik	5.870.619	6
Critical Value Bounds		
Signif	I(0) Bound	I(I) Bound
10%	1.99	2.94
5%	2.27	3.28
2.5%	2.55	3.61
1%	2.88	3.99

Short-Term Test Results

After passing the bounds test in table IV.8 above and confirming that the variables in this study have a long-term cointegration characterized by a greater F-statistical number than the critical value at the level of 5%.

Short-term estimates table

ARDL Error Correction Regression
Dependent Variable: DLOG(GDP)
Selected Model: ARDL(4, 4, 4, 4, 4, 2, 4)
ECM Regression
Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(GDP(-1))	0.943782	0.034263	27.54547	0.0001
DLOG(GDP(-2))	-0.473444	0.032807	-14.43101	0.0007
DLOG(GDP(-3))	0.369685	0.043482	8.502068	0.0034
DLOG(ZAKATEKO)	0.008603	0.000584	14.73714	0.0007
DLOG(ZAKATEKO(-1))	-0.009479	0.000815	-11.63509	0.0014
DLOG(ZAKATEKO(-2))	-0.022766	0.000810	-28.11275	0.0001
DLOG(ZAKATEKO(-3))	-0.010063	0.000623	-16.16165	0.0005
DLOG(PBS)	-0.309329	0.026537	-11.65667	0.0014
DLOG(PBS(-1))	0.061744	0.021061	2.931695	0.0609
DLOG(PBS(-2))	-0.329180	0.025980	-12.67036	0.0011
DLOG(PBS(-3))	-0.597456	0.018440	-32.40042	0.0001
DLOG(JII)	-0.040123	0.004772	-8.407602	0.0035
DLOG(JII(-1))	-0.150136	0.007095	-21.16096	0.0002
DLOG(JII(-2))	-0.092286	0.005192	-17.77315	0.0004
DLOG(JII(-3))	0.039021	0.003932	9.923845	0.0022
DLOG(RDS)	-0.067967	0.002933	-23.17625	0.0002
DLOG(RDS(-1))	-0.007047	0.002896	-2.433378	0.0930
DLOG(RDS(-2))	0.002688	0.003686	0.729231	0.5186

	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(RDS(-3))	-0.107552	0.004142	-25.96742	0.0001
DLOG(SUKUKC)	0.105950	0.003743	28.30926	0.0001
DLOG(SUKUKC(-1))	-0.015764	0.004008	-3.933198	0.0293
DLOG(SBSN)	0.007909	0.005389	1.467822	0.2385
DLOG(SBSN(-1))	-0.260976	0.008062	-32.37179	0.0001
DLOG(SBSN(-2))	-0.141708	0.006608	-21.44631	0.0002
DLOG(SBSN(-3))	-0.137610	0.006646	-20.70667	0.0002
CointEq(-1)*	-1.477591	0.037345	-39.56638	0.0000
R-squared	0.999280	Mean dependent var		0.010733
Adjusted R-squared	0.997480	S.D. dependent var		0.026253
S.E. of regression	0.001318	Akaike info criterion		-10.26216
Sum squared resid	1.74E-05	Schwarz criterion		-9.118503
Log likelihood	210.7188	Hannan-Quinn criter.		-9.862990
Durbin-Watson stat	3.434374			

Based on the table of short-term test results, an ECT or CointEq1 value of -1.477591 with a probability value of 0.0000 was obtained. Thus, it can be translated that the model used occurs cointegration. A negative cointeEq value indicates that the model will show a balance recovery at a rate of 147% per quarter. Then it can be translated that there is a cointegration between dependent and independent variables in this study. The short-term results explain that economic growth (GDP) can be affected by the GDP of the previous few quarters. Meanwhile, zakat disbursements in the economic sector have a negative impact on the third lag, Sharia Bank Financing (PBS), Sayriah JII Shares, while Sharia Mutual Funds (RDS), government sukuk (SBSN) have a negative effect on the fourth lag and corporate sukuk negatively affect the second lag on economic growth in the short term.

Long-Term Test Results

The long-term test results are as follows:

Long-Term Test Results Table

Hasil Uji Jangka Panjang				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(ZAKAT EKO)	0.018280	0.003595	5.085418	0.0147

LOG(PBS)	-0.211136	0.079362	-2.660418	0.0763
LOG(JII)	0.081663	0.046056	1.773130	0.1743
LOG(RDS)	-0.019030	0.004216	-4.513771	0.0203
LOG(SUKUKC)	0.117620	0.025392	4.632078	0.0190
LOG(SBSN)	0.159237	0.016423	9.696245	0.0023
C	13.52367	0.304189	44.45815	0.0000

Based on the results of long-term tests in the table above, it shows that in the long run, the distribution of zakat in the economic sector, Corporate Sukuk, and SBSN has a positive and significant effect on GDP, while Sharia Mutual Funds have a significant negative effect on GDP, then JII and Sharia Bank Financing (PBS) have no effect on economic growth.

DISCUSSION

The Effect of Economic Zakat on Indonesia's Economic Growth

The negative relationship between the distribution of zakat in the economic sector to economic growth in the short term in the fourth lag is due to Indonesia's economic development being in crisis due to the Covid-19 pandemic. The existence of the Large-Scale Social Restrictions (PSBB) policy has disrupted all economic activities, including the Micro, Small and Medium Enterprises sector. The disruption of economic activity seems to have an impact on the SME sector managed by mustahik or zakat recipients, which negatively affects economic growth. While in the long run zakat has a positive effect on economic growth, this is due to the addition of capital and intensive assistance such as skills training and financial recording, building mental and spiritual strength seems to have good implications for increasing mustahik income and increasing national output.

Effect of Sharia Bank Financing (PBS) on Indonesia's Economic Growth

The negative relationship in the short term between Islamic bank financing and economic growth can be caused by the financing of Islamic banks not balanced with an increase in Gross Fixed Capital Formation which experienced a decrease in particular in the second quarter of 2020. In addition, household consumption also weakened in the first quarter by 2.97% and contracted by minus 5.32% in the second quarter of 2020 (BPS, 2020). Although Islamic bank financing (supply side) channeled to the production and investment sectors has increased, business actors do not realize these funds in investment activities in the real sector and coupled with weaker purchasing power of the people (demand side) will certainly cause economic growth to decline. In the long run, Islamic bank financing does not affect economic growth, according to Hachicha & Amar (2015) because Islamic banking is still oriented towards short-term financing and the distribution of consumptive financing is greater than productive.

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Effect of JII Sharia Shares on Indonesia's Economic Growth

The negati influence of Islamic stocks on economic growth in the short term due to the economic crisis caused by the Covid-19 pandemic. The existence of Large-Scale Social Restrictions (PSBB) carried out by the government since the second quarter of 2020 has had a broad impact on the production, distribution, and other operational activities and disrupted the performance of the national economy. Although the capitalization of the Jakarta Islamic Index (JII) grew positively, it was not accompanied by an increase in expansion. Companies and even declining industrial output will have a negative impact on economic growth. In the panjanng term, Sharia stocks have no effect on Indonesia's economic growth. According to Al Fathan & Arundina (2019), the number of capital market investors in Indonesia is still relatively small and the Indonesian people are consumptive so that the level of investment is lower than consumption. Meanwhile, according to Radjak and Kartika (2019), this is because companies that have sharia criteria are still relatively less than conventional, so that income from Sharia stocks is only within the scope of Sharia stock companies, so that its influence on national economic growth is not directly and thoroughly.

Effect of Sharia Mutual Funds (RDS) on Indonesia's Economic Growth

The negative influence of Islamic mutual funds on economic growth in the short term seems to be related to Indonesia's economic condition which is experiencing a recession due to the Covid-19 pandemic. The net asset value can grow positively in a pandemic situation starting from the first to the fourth quarter of 2020. Meanwhile, Gross Fixed Capital Formation (PMTB) experienced a decline, especially in the second quarter. Although the Net Asset Value (NAV) of Islamic mutual funds grew positively, not offset by an increase in company productivity, household consumption and government spending would certainly have a negative impact on economic growth. In the panjan period, Sharia mutual funds also have a negative effect on economic growth, according to Ridlo and Wardani (2020) caused by market risks such as macroeconomic developments and negative foreign investment sentiment that have an impact on investment in Indonesia. Although the largest type of sharia mutual fund is the type of protected mutual fund which reaches 33%, the large type of foreign securities mutual fund which reaches 17% seems to be the reason why sharia mutual funds have a negative impact on economic growth in Indonesia.

Effect of Corporate Sukuk on Indonesia's Economic Growth

In the short term, corporate sukuk has a negative effect on economic growth in the previous quarter, apparently due to Indonesia's economic condition which is still recovering from negative growth due to the Covid-19 pandemic. This is in accordance with Sulistyowati's statement (2020) which states that investment activities will only affect the economy if the investment is used for financing in the sector. real. Because investment activities will only affect the economy if the investment is used for financing in the real sector (Sulistyowati, 2020). Meanwhile, in the long term, sukuk has a positive effect on economic growth. This is according to Faiza & Syafiatun (2018) because when a company issues sukuk, the company will get funding for investment from the sale of the sukuk, additional funds from the sukuk issuance will be used by the company to increase production capacity and with the addition of the company's output in turn will increase economic growth.

The Effect of Government Sukuk (SBSN) on Indonesia's Economic Growth

The negative relationship between government sukuk and short-term economic growth in the previous three quarters seems to be related to Indonesia's economic condition which is still experiencing negative growth of minus 5.32 due to the Covid-19 pandemic. This is because the issuance of sukuk reduces the circulation of money, especially in third-party funds in the banking sector (Yaya & Sofiyana, 2018). Meanwhile, in the long term, it shows a positive relationship between government sukuk and economic growth because government sukuk has helped source state budget financing and infrastructure development in Indonesia so that with this encouragement it can support the development of a prospective economic situation (Khatimah, 2017). Based on data from the Ministry of Finance during the 2015-2020 period, government sukuk experienced a growth of 227% with annual growth reaching 37%, this is in line with the total infrastructure financing of the Indonesian government which increased by 45% with an average growth of 7.6% during 2015 to 2020.

CONCLUSION

This research found that: (1) Islamic financial instruments, both social and commercial, simultaneously affect economic growth. (2) In the short term, Islamic financial instruments such as economic zakat, Islamic Bank Financing, Sharia stocks, Sharia mutual funds, corporate sukuk and government sukuk have a negative effect due to the economic crisis caused by the Covid-19 pandemic, resulting in weak capital goods spending and weak purchasing power of the community worsening economic growth in the short term. (3) In the long run, Islamic financial instruments such as economic zakat, corporate sukuk and government sukuk have a positive effect on economic growth while Islamic mutual funds have a negative effect, and islamic bank financing and Islamic stocks have no effect on economic growth in Indonesia.

Further research is expected to add variables of financial instruments and add research data or replace other analytical models in order to find different or better results from the results of this study. The potential of Islamic finance in Indonesia is very large supported by a large financial market where Indonesia is a country with the largest Muslim population in the world. The huge potential of Islamic finance must be realized in the form of additional capital in the real sector in order to increase production. So that the financial sector that is effectively distributed in increasing company production will have a positive impact on the calculation of economic growth in the aggregate.

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