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Analysis of the Influence of Total Assets and Islamic Banking Financing on Economic Growth in the 2020-2024 Period

Siti Baghiatul Khair[1], Marjan[2], Siti Raihanun[3]

[1,2,3]Islamic Banking, Sharia, Hamzanwadi Islamic Institute, Pancor, East Lombok, Indonesia

Corresponding Author: baghiatlkhr@gmail.com marjanbmt@gmail.com Ummuzhafran2727@gmail.com

Abstract

This study aims to analyze the influence of Total Assets and Financing of Islamic banking on economic growth in Indonesia for the 2020-2024 period, both partially and simultaneously. This research is motivated by the development of Islamic banking in Indonesia, which is characterized by an increase in total assets and financing, but this increase is not necessarily followed by proportional economic growth. This study uses a quantitative approach with secondary data obtained from official publications of the Financial Services Authority (OJK) and the Central Statistics Agency (BPS). The independent variables in this study are Total Assets (X1) and Financing (X2), while the dependent variable is Economic Growth (Y) which is proxied by Gross Domestic Product (GDP) at Constant Prices (ADHK). Data analysis techniques used include multiple linear regression analysis, partial tests (t-test), simultaneous tests (F-test), and coefficient of determination tests. The results show that Total Assets of Islamic banking have a significant effect on economic growth in Indonesia, as evidenced by a significance value of 0.000 <0.05. Meanwhile, Sharia banking financing partially has no significant effect on economic growth. However, simultaneously, Total Assets and Financing have a significant effect on economic growth with a significance value of 0.000 <0.05 in the F test. The results of the coefficient of determination test show an Adjusted R Square value of 0.949, which means that 94.9% of the variation in economic growth can be explained

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by Total Assets and Financing in the research model, while the remaining 5.1% is explained by other factors outside the research model.

Keywords: Total Assets, Financing, Islamic Banking, Economic Growth, GDP ADHK.

INTRODUCTION

Islamic banking is part of the national financial system that carries out an intermediary function based on sharia principles. As an intermediary institution, Islamic banking collects funds from those with excess funds and distributes them to those in need through various financing contracts, including murabahah, musyarakah, mudharabah, and ijarah. This function positions Islamic banking not only as an institution that manages funds, but also as a financing channel for community economic activities and the real sector. Therefore, the development of the Islamic banking industry needs to be viewed not only in terms of the growth in the number of institutions, but also in terms of the industry's ability to manage assets and channel financing effectively (Warka & Hariyanto, 2016; Nugroho, 2016).

Total assets reflect the resource capacity owned and managed by Islamic banks to carry out operational and intermediation activities. The greater the assets managed, the greater the bank's capacity to conduct business and distribute funds. Furthermore, financing represents a manifestation of the intermediation function, as bank funds are channeled to the public and businesses for both productive and consumptive needs. Financing directed toward productive activities has the potential to increase investment, production, employment opportunities, and community income, thus contributing to economic activity (Hasyim, 2016; Arum & Himmati, 2022).

The relationship between financial sector development and economic growth can be explained through Financial Intermediation Theory. This theory views financial institutions as intermediaries between surplus and deficit units, allowing their ability to allocate resources to economic sectors to influence production activities. From a neoclassical perspective, capital accumulation is a crucial factor supporting increased production capacity (Solow, 1956). Islamic banking can support this process through asset management and financing for economic activities.

During the study period, the development of Islamic banking in Indonesia showed an upward trend. The Financial Services Authority (OJK) data used in the study showed that total Islamic banking assets increased from Rp593,947.99 billion in the fourth

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quarter of 2020 to Rp955,263.49 billion in the fourth quarter of 2024. Total financing also increased from Rp383,944.44 billion in the fourth quarter of 2020 to Rp626,747.48 billion in the fourth quarter of 2024. On the macroeconomic side, the Gross Domestic Product (GDP) increased from Rp270,972.17 billion in the fourth quarter of 2020 to Rp329,681.38 billion in the fourth quarter of 2024. These developments indicate an increase in Islamic banking indicators and economic output during the observation period, but the descriptive increase is not sufficient to prove a causal relationship.

Previous research findings on the relationship between Islamic banking and economic growth have also been inconsistent. Hasyim (2016) demonstrated that Islamic banking plays a role in driving real sector growth. Hidayat and Irwansyah (2019) found a relationship between third-party funds (TPF) and financing and Indonesian economic growth, but the effect was not always partially significant. Arum and Himmati (2022) also examined third-party funds (TPF) and financing in relation to economic growth, while Rahayu (2024) showed that Islamic banking indicators did not all have a significant influence. Setiawan (2020) included the development of Islamic and conventional banking in a discussion of Indonesian economic growth. These differences in variables, periods, and results indicate a research gap that needs further examination.

This study specifically examines the influence of Total Assets and Islamic banking Financing on Indonesia's economic growth during 2020–2024 using 20 quarterly observations of data. Economic growth is proxied by GDP ADHK so that the observed output changes better reflect real changes and are not dominated by price changes. The research questions are formulated as follows: (1) do Total Assets affect economic growth; (2) does Financing affect economic growth; and (3) do Total Assets and Financing simultaneously affect economic growth in Indonesia during the 2020–2024 period. The objective of this study is to obtain empirical evidence on these three relationships.

Hypothesis

H1: Total assets of Islamic banking have a significant influence on economic growth in Indonesia.
H2: Sharia banking financing has a significant impact on economic growth in Indonesia.
H3: Total assets and Islamic banking financing simultaneously have a significant effect on economic growth in Indonesia.

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RESEARCH METHODS

This study uses a quantitative approach with an associative research design to examine the relationship between the independent and dependent variables. The data used are secondary data obtained from official publications of the Financial Services Authority (OJK) and the Central Statistics Agency (BPS). Total Assets and Islamic banking financing data are sourced from the OJK's Islamic Banking Statistics, while economic growth data uses GDP at Constant Prices (ADHK) from BPS. The unit of analysis is Islamic banking data and Indonesian GDP for the quarterly period 2020–2024.

The study population comprised all data related to the development of Islamic banking and economic growth published by the Financial Services Authority (OJK) and Statistics Indonesia (BPS). The sample consisted of quarterly data on Total Assets, Financing, and GDP of Islamic Banking (ADHK) for five years, namely the first to fourth quarters of 2020–2024, resulting in 20 observations. Data selection was conducted purposively based on the availability of complete data and its suitability to the research variables.

Operational Definition of Variables

Total Assets (X1) are all economic resources owned and managed by Islamic banking to support operational activities and intermediation functions, measured using total Islamic banking assets (Rp billion). Financing (X2) are funds distributed by Islamic banking to the public based on Islamic principles, measured using total financing disbursed (Rp billion). Economic Growth (Y) is the development of economic output proxied using GDP ADHK (Rp billion).

Data Analysis Techniques

The analysis was conducted using descriptive statistics, classical assumption tests, multiple linear regression, t-test, F-test, and coefficient of determination. The classical assumption tests include residual normality, multicollinearity, heteroscedasticity, and autocorrelation. The regression model used is $Y = \alpha + \beta1X1 + \beta2X2 + \varepsilon$, with Y as ADHK GDP, X1 as Total Assets, and X2 as Financing. The partial test decision is based on a 5% significance level, while the simultaneous test is used to assess the influence of both independent variables simultaneously.

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RESULTS AND DISCUSSION

Development of Research Variables

The development of research indicators shows that Total Assets and Financing in Islamic banking tended to increase during the observation period. To provide a concise overview of year-end changes, the fourth quarter values for each year are presented in Table 1. This data does not replace 20 observations, but rather provides a summary of annual developments to facilitate the analysis of trends.

Table 1. Development of research variables in the fourth quarter

Year	Total Assets (Rp billion)	Financing (Rp billion)	ADHK GDP (Rp billion)
2020	593,947.99	383,944.44	270,972.17
2021	676,735.46	410,455.60	284,605.69
2022	782,099.56	493,161.84	298,852.74
2023	868,985.74	570,262.42	313,915.49
2024	955,263.49	626,747.48	329,681.38

Source: OJK and BPS, processed from research data.

Descriptive Statistics

The results of descriptive statistics on 20 observations show that Total Assets has a minimum value of 52,255,988 and a maximum of 95,526,349, with an average of 72,422,449.55 and a standard deviation of 13,253,778.231. Financing has a minimum value of 5,497,759 and a maximum of 64,755,650, with an average of 45,191,805.25 and a standard deviation of 13,148,657.356. GDP ADHK has a minimum value of 258,976,920 and a maximum of 329,681,380, with an average of 293,896,338.00 and a standard deviation of 21,332,433.712. This figure shows inter-period variations in the three variables during 2020–2024.

Table 2. Descriptive statistics

Variables	N	Minimum	Maximum	Mean
Total Assets (X1)	20	52,255,988	95,526,349	72,422,449.55
Financing (X2)	20	5,497,759	64,755,650	45,191,805.25

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GDP ADHK (Y)	20	258,976,920	329,681,380	293,896,338.00

Source: SPSS Version 22 output, processed in 2026.

Classical Assumption Test

The normality test using One-Sample Kolmogorov-Smirnov produces an Asymp. Sig. (2-tailed) value of 0.200 for 20 observations. Since 0.200 > 0.05, the residuals are declared normally distributed. The multicollinearity test shows a Tolerance value of 0.675 and a VIF of 1.481 for both Total Assets and Financing. These values meet the criteria of Tolerance > 0.10 and VIF < 10, so there are no symptoms of multicollinearity. The heteroscedasticity test using a scatterplot shows that the residual points spread randomly above and below the number 0 on the Y-axis and do not form a specific pattern. The autocorrelation test produces a Durbin-Watson of 1.918 which is close to the number 2, so the model is considered free from symptoms of autocorrelation.

Table 3. Summary of classical assumption tests

Testing	Results	Decision
Normality	Significant 0.200	Normal
Multicollinearity	Tolerance 0.675; VIF 1.481	There is no multicollinearity
Heteroscedasticity	Random scatterplot points	There is no heteroscedasticity
Autocorrelation	DW 1,918	No autocorrelation

Source: SPSS Version 22 output, processed in 2026.

Multiple Linear Regression

The multiple linear regression estimation results produce the equation Y = 180,407,378,469 + 1.612X1 – 0.073X2. The constant indicates the predicted value of ADHK GDP when Total Assets and Financing are considered constant at zero in the model. The Total Assets coefficient of 1.612 is positive, so a one-unit increase in Total Assets is estimated to increase ADHK GDP by 1.612 units with fixed Financing. Conversely, the Financing coefficient of -0.073 indicates a negative direction in the model, but this direction must be read in conjunction with the results of the significance

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test because an insignificant coefficient does not provide sufficient evidence of a real effect.

Table 4. Multiple linear regression results

Variables	B	Std. Error	t	Sig.
Constant	180,407,378,469	6,147,706,318	29,345	0,000
Total Assets (X1)	1,612	0.101	15,892	0,000
Financing (X2)	−0.073	0.102	−0.711	0.487

Source: SPSS Version 22 output, processed in 2026.

Hypothesis Testing

The t-test shows that Total Assets has a t-value of 15.892 with a significance of 0.000. Since 0.000 < 0.05, H1 is accepted. Thus, Total Assets has a significant effect on economic growth as proxied by GDP ADHK. Financing has a t-value of -0.711 with a significance of 0.487. Since 0.487 > 0.05, H2 is not supported; Financing does not have a partial significant effect on economic growth.

The F test yielded a calculated F of 177.904 with a significance of 0.000. This significance value is less than 0.05, so H3 is accepted. This means that Total Assets and Financing simultaneously have a significant effect on economic growth. The coefficient of determination yielded an R Square of 0.954 and an Adjusted R Square of 0.949. This means that 94.9% of the variation in GDP ADHK in the model can be explained by Total Assets and Financing, while the remaining 5.1% is related to other factors outside the model. This value indicates a very strong explanatory power of the model, but should not be interpreted as an absolute causal percentage.

Table 5. Summary of hypothesis testing results

Testing	Statistics	Sig.	Decision
t – Total Assets	15,892	0,000	Significant
t – Financing	−0.711	0.487	Not significant
F simultaneous	177,904	0,000	Significant
Adjusted R^2	0.949	—	94.9% of the variation is

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			explained by the model

Source: SPSS Version 22 output, processed in 2026.

DISCUSSION

The Effect of Total Assets on Economic Growth. The results of the study indicate that Total Assets significantly influence economic growth with a significance value of 0.000. This finding aligns with the Financial Intermediation Theory framework, as increased asset capacity can strengthen a bank's ability to carry out operational and intermediation activities. Total assets not only reflect industry size but also indicate the extent of resources that can be managed to support banking activities. In the context of this study, the positive relationship between Total Assets and ADHK GDP indicates that changes in Islamic banking capacity are related to changes in economic output during the observation period.

These findings can also be explained through Solow's neoclassical growth theory, which positions capital accumulation as a crucial element in increasing production capacity. As financial resources managed by intermediary institutions increase, there is greater scope to support investment and production activities. These findings align with those of Aslamiyah (2022), who previously demonstrated a positive and significant effect of Total Assets on GDP. However, these results must be understood within the limits of the model used: statistical significance indicates a significant relationship within the model, not necessarily implying that all changes in economic growth are solely attributable to Total Assets.

The Effect of Financing on Economic Growth. Unlike Total Assets, Financing does not have a partial significant effect on economic growth with a significance value of 0.487. This result indicates that the increase in the amount of financing in aggregate during the study period does not provide sufficient statistical evidence to explain the change in GDP ADHK individually. The negative regression coefficient also cannot be directly interpreted as evidence that financing reduces economic growth, because the effect is not significant at the 5% level. Empirically, this result indicates that the amount of financing distribution alone is not necessarily identical to the size of the contribution to economic output.

One possible explanation is that the impact of financing on economic activity depends on its quality, composition, intended use, and timing. Consumptive financing may have a different transmission mechanism than financing for investment or working

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capital. Furthermore, there is a time lag between financing disbursement and its realized impact on production. These findings are still within the context of research using 20 quarterly observations, so interpretation must be limited to the period and model analyzed. These results also demonstrate that the intermediation function cannot be evaluated solely on the nominal amount of financing, but rather requires consideration of distribution effectiveness and the target sector.

These results are related to research by Hidayat and Irwansyah (2019), who found a relationship between third party funds (DPK) and financing and economic growth, but the effect was not always partially significant. Arum and Himmati (2022) also demonstrated the importance of examining intermediation indicators in the context of the relationship between Islamic banking and economic growth. Therefore, the insignificant result of financing in this study does not contradict intermediation theory, but rather indicates that this theoretical relationship does not automatically produce a statistically significant effect across all periods and model specifications.

The Simultaneous Effect of Total Assets and Financing. The F-test yielded a significance of 0.000, indicating that Total Assets and Financing simultaneously have a significant effect on economic growth. This finding is important because banking intermediation activities consist of resource capacity and the realization of fund distribution, which are interrelated. Total Assets describe resource capacity, while Financing describes one form of resource utilization in channeling funds to the public and the business world. When both variables are considered simultaneously, the model provides significant information regarding changes in GDP ADHK.

The Adjusted R Square value of 0.949 indicates the model's very high explanatory power. However, this value should be understood as the proportion of variation in the dependent variable that can be explained by the independent variables in the model, not as the percentage of economic growth that is absolutely caused by both variables. The remaining 5.1% of unexplained variation may be related to other factors such as household consumption, investment, government spending, trade, inflation, real sector development, financial market conditions, and other macroeconomic factors. Because the study focuses on two Islamic banking indicators, these factors are outside the scope of the model.

Overall, the research results demonstrate that the relationship between Islamic banking and economic growth requires a more comprehensive examination. Total Assets proved partially significant, Financing was partially insignificant, while both were significant when tested simultaneously. This finding strengthens the argument that

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banking industry capacity and intermediation activities need to be analyzed simultaneously. The results also provide room for further research to add other variables, use a longer period, or differentiate the types of financing to further elucidate the mechanisms of the relationship with economic growth.

The limitations of this study lie in the limited number of observations (20 quarterly data sets) and the use of two independent variables. Therefore, the results cannot fully describe the mechanisms influencing Indonesia's economic growth. Further research could extend the observation period, include third-party funds (DPK), investment, inflation, consumption, or other macroeconomic variables, and examine more specific types of financing. The use of more comprehensive time series methods could also be considered to examine short-term and long-term relationships.

The implication for regulators is the importance of policies that encourage the healthy development of Islamic banking while strengthening its links with the real sector. Strengthening Islamic financial literacy and inclusion, developing a halal business ecosystem, and facilitating access to productive financing can be part of these efforts. However, policies must still consider that economic growth is influenced by many factors, making the development of Islamic banking one component of the overall economic system.

On the other hand, the insignificance of partial financing suggests that the nominal size of disbursements is insufficient to reflect the economic impact. Islamic banking needs to consider financing quality, recipient sectors, intended use of funds, and customer business sustainability. Disbursement to productive sectors, which are strongly linked to output and job creation, theoretically has a clearer transmission path to economic growth. Therefore, financing performance evaluation can be complemented by measures of financing quality and composition, not just nominal growth.

Implications of the Findings. The research results offer several implications for the development of Islamic banking and economic policy. The significance of Total Assets indicates that strengthening industrial capacity remains relevant in explaining the development of economic output. This strengthening does not merely mean increasing asset size, but also ensuring that assets can be managed productively, healthily, and efficiently. Increased asset capacity can provide banks with more room to carry out their intermediary function and provide financial services to the public.

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CONCLUSION

Based on the analysis of 20 quarterly observations for the 2020–2024 period, it can be concluded that Total Assets of Islamic banking have a significant effect on Indonesia's economic growth as proxied by GDP ADHK, with a significance value of 0.000. Islamic banking financing does not have a partial significant effect on economic growth, with a significance value of 0.487. Simultaneously, Total Assets and Financing have a significant effect on economic growth, with an F value of 177.904 and a significance of 0.000. The Adjusted R Square value of 0.949 indicates that 94.9% of the variation in GDP ADHK in the model can be explained by Total Assets and Financing, while 5.1% is explained by other factors outside the model.

The implication is that Islamic banking needs to optimize asset growth while simultaneously improving the quality and accuracy of financing targets to ensure a more productive intermediation function. For the government and regulators, strengthening the Islamic economic and financial ecosystem, promoting Islamic financial literacy and inclusion, and supporting financing for the productive sector can be further developed. Further research is recommended using a longer observation period and considering more specific macroeconomic variables or financing characteristics.

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