

# Analysis of the Effect of Sharia Financing, Non-Profit Finance (NPF) and Human Development Index (HDI) Through Investment and Consumption on Economic Growth in Indonesia

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## ABSTRACT

This study is motivated by the phenomenon of the development of economic growth in Indonesia over the past fifteen years experienced fluctuations and the development of Islamic financing that helps the community in increasing its economic activities in consumption and production, as well as people's choices in choosing Islamic financing due to increased public awareness in Sharia transactions, as well as the encouragement of Sharia trends in Indonesia that increase investment and consumption in Indonesia. For this reason, academically, the researchers tried to parse it by analyzing the influence of Sharia financing, NPF and HDI through investment and consumption on economic growth in Indonesia.

This study uses a quantitative type of research, with data sources in the form of secondary data in the form of time series data, namely 15 years in Indonesia in the period 2009-2023. In this study the approach to processing using Path Analysis model as multiple data regression model with the help of SPSS Software.

The results of this study indicate that Islamic finance, NPF and HDI have a positive and significant effect on investment and only Islamic finance is significant for

consumption and economic growth. While NPF and HDI have a positive and insignificant effect on consumption and economic growth. However, Sharia financing, NPF and HDI through investment and consumption have a positive and significant effect on economic growth in Indonesia.

**Keywords:** *Economic Growth, Islamic Financing, NPF, HDI, Investment, Consumption*

## INTRODUCTION

In economic development efforts the role of Islamic banking is very important. One of them is Islamic bank financing in the real sector in order to increase overall economic growth. Islamic banking financing allocated to economic sectors include the agricultural sector, hunting and agricultural facilities, mining sector, industrial sector, electricity, gas and water sector, construction sector, trade sector, restaurants and hotels, transportation sector, warehousing, business services sector, social/community services sector and others. Of course, this increases the ability of the community to meet their needs and affect the increasing supply from producers so that it will increase regional and national economic growth. To see the

economic growth of Indonesia in which there is Islamic banking compared to countries

without Islamic banking can be seen from the following graph:

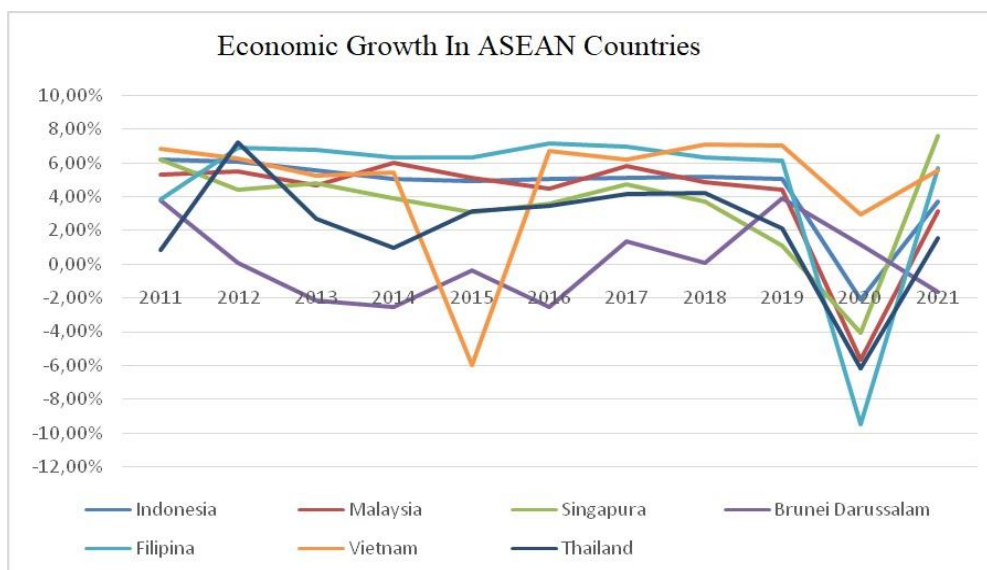


Figure 1: economic growth in ASEAN countries  
Data source: Macro Trends

The growth of several ASEAN countries attached above showed economic symptoms in the Year of the Covid-19 pandemic, namely in 2020 where the average economic growth experienced minus approximately 3%, except for Vietnam which remained resilient and grew 2.91%. From the graph above, it can be seen that Indonesia's economic growth is quite stable in addition to 2020, but in 2021 it returned to stability even though it only grew 3.69%. For countries that run Islamic banking such as Indonesia, Malaysia and Brunei Darussalam, economic stability can be seen except Brunei Darussalam which experienced minus growth in recent years. When compared with other ASEAN countries that have not embraced Islamic banking, it is necessary to examine more deeply whether there is an influence of Islamic banking on the economic growth of a country.

In the midst of unstable global economic conditions, the involvement of the financial sector is very necessary to play a very important role in improving the welfare of society. Because it will have an impact on reducing poverty, reducing income inequality and increasing economic growth. The relationship between the financial sector

defined as an increase in the volume of products and services of banks and other intermediary institutions as well as financial transactions in the capital market and economic growth has long been the object of research in the field of monetary economics. Banking as a financial institution that is considered capable of supporting the development being carried out by the government, namely by performing its function as an intermediary institution, the bank can help the real sector in the economy to increase output levels, so that it can help increase economic growth. Therefore, the progress of banking in a country can be used as a measure for the progress of the country. According to Kasmir (2011), the more developed a country is, the greater the role of banking in the economy.

In Indonesia, there are two banking systems (dual banking system), namely conventional banking credit and Islamic banking financing. As a financial institution that has the role of intermediary between the two banking systems, both have an effect on economic growth. By channelling the amount of credit or financing in the real sector. The fundamental difference between the two is that if the return on credit is

through interest, then the return on financing is carried out in other ways determined in accordance with the contract of each Sharia financing (based on the principle of profit sharing, buying and selling, or renting and renting). Meanwhile, in the relationship of customers and Islamic banks in the form of partnership relationships, not debtor-creditor relationships as in conventional banks

In government policy, economic growth is also assisted by government programs, namely direct cash assistance (BLT) since the leadership of the sixth president of the Republic of Indonesia, Mr. H. Susilo Bambang Yudhoyono in 2004 and continued by the seventh president of Indonesia by developing a program of giving funds to the villages so that the policy increases the income and productivity of the community in running the household economy. The success of government programs in providing village funds and community empowerment programs improves the quality of villages and communities in Indonesia. so that the people of the city and in the village have touched the national market in meeting the needs of production and consumption needs. Especially in this modern era, technology has also reached villages and corners of Indonesia. The ease of the community and the government in transactions to meet the needs of affecting the consumption of the community and the government, so as to attract the attraction of banks and non-bank financial institutions to provide services and assistance to the community, not terkelesuail Islamic banks are beginning to be present at the district level in each region. Since the success of Bank Muamalat in 2008 in obtaining a profit of more than 300 billion, making many conventional banks present Sharia units and branches of companies with a Sharia system.

The growth and positive performance of the financial sector will be positively correlated to the economic performance of a country. The financial sector can be the main source of growth of the real sector of the economy. A number of studies have shown that the

banking sector plays an important role in supporting economic growth and well-being of a country. Today, almost all business sectors, especially in developing countries, are highly dependent on banking financing as a source of financing capital. The significance of the influence of banking financing on economic growth makes sharia banks present financing programs in accordance with Islamic Sharia and supported by the wishes of the Indonesian people, the majority of whom are Muslims, long for a new system to support their sharia economy. Therefore, many investors are interested in investing some of their funds to Islamic banks in Indonesia.

One of the sharia banks that grew significantly was bank BTPN Syariah which was formed from the conversion of PT Bank Sahabat Purba Danarta (Bank Sahabat) based in Semarang, into a Sharia Bank and then the spin-off of BTPN's Sharia Business Unit into this new Sharia Bank. Bank Sahabat was established in 1991 with a non-foreign exchange bank license. As the only Sharia Commercial bank in Indonesia that focuses on providing services for the empowerment of inclusive communities and developing inclusive finance, BTPN Syariah always strives to add value and change the lives of everyone it serves, apart from producing good financial performance. The experience of the author who has worked at BTPN Syariah for 5.5 years makes the author observe the changes in the ability to pay customers in each cycle and with changes in their social lives with the number of customers held by approximately 1500 customers. Changes in the lives of customers is what makes the author interested in researching the effect of financing on economic growth through consumption.

In Islamic finance reinforcement indicators, there are several assessment indicators, namely Quantitative development, knowledge, governance, concern, and Corporate Social response. To see Indonesia's position in the Islamic finance strengthening indicators among countries

that run Sharia economies can be seen below this table:

**Table 1: Top IFDI Markets and Global Average IFDI Values For 2020**

Country	Ranking	IFDI 2020	Quantitative Development	Knowledge	Governance	Awareness	CSR
Malaysia	1	111	94	185	86	149	41
Indonesia	2	72	27	181	67	60	23
Bahrain	3	67	38	68	88	103	38
Uni Emirates Arab	4	66	31	67	79	91	60
Saudia Arabia	5	64	59	52	41	50	119
Jordan	6	53	14	75	51	29	99
Pakistan	7	51	18	80	74	53	31
Oman	8	45	14	46	66	73	25
Kuwait	9	43	48	13	63	48	42
Qatar	10	38	28	19	63	52	29

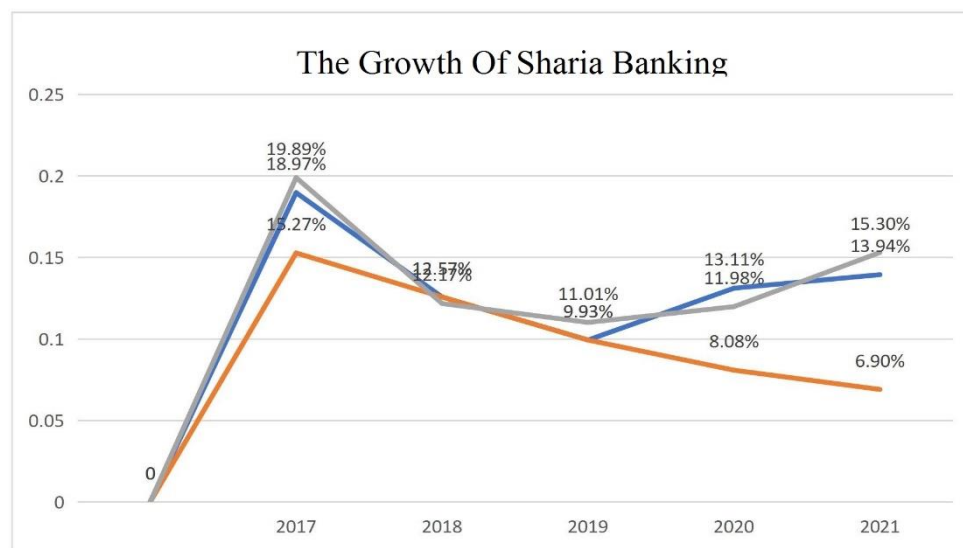
Source: CNBC Indonesia

From the table above, Indonesia shows one of the most prominent improvements in the Islamic Finance Development Indicator (IFDI), which is in second place for its high knowledge and awareness of Islamic finance, although Malaysia is superior to Indonesia, but this development is quite capable of showing the development of Islamic Finance in Indonesia. Although the level of awareness of Indonesian Sharia Finance is still below Malaysia, Bahrain, the United Arab Emirates, and Oman, but the level of knowledge and insight into Indonesian Sharia Finance is only four points different from Malaysia which is ranked first.

Indonesia, which is one of the largest Muslim countries in the world, has become a place for the growth of the sharia economy so that the emergence of Sharia banking as part of the national banking system has an important role in the economy. Islamic banks are banks whose implementation is based on Islamic or Sharia law that do not apply an interest system to their services. Because it is considered incompatible with Islamic law. Islamic banks use a profit-sharing system and

get a number of benefits from the system. This profit is then used by the bank (as the manager) to finance all banking operations carried out.

Islamic banks in Indonesia emerged as an alternative solution in getting around the global economic turmoil that is increasingly difficult to predict. This can be seen from the growth and development that has colored the ups and downs of national and global economic development over the past two decades, including through two crisis periods in 1998 and 2008. But thanks to the presence of Law No. 21 of 2008 on Islamic banking on July 16, 2008, the development of the National Islamic banking industry increasingly has an adequate legal basis and will encourage its growth more rapidly. With its impressive development progress, which achieved an average asset growth of more than 65% per year in the last five years, it is expected that the role of the Islamic banking industry in supporting the national economy will be more significant. To see the development of Islamic banks from year to year can be seen with the following chart:



\_\_\_\_ Assets \_\_\_\_ PYD \_\_\_\_ DPK  
**Figure 2: The Growth Of Islamic Banking**  
**Data source: Financial Services Authority**

From these data, it can be seen that the growth of assets, financing, and Islamic banking deposits showed a fairly good performance. The growth of Islamic banking assets in 2021 increased by 13.94% (yoy) this is known due to the improvement of the Indonesian economy after being hit by Covid-19. Islamic banks in Indonesia were able to maintain their existence by continuing to grow even though Indonesia's economic growth declined during the Covid-19 pandemic in 2020.

The largest source of income for banks generally comes from financing products or loans as the task of banks in channeling funds to assist the government in carrying out economic activities, namely helping to increase the money supply which is one of the monetary policies to achieve economic stabilization. Islamic banks certainly have many products, one of which is financing. The competitiveness of conventional banks in presenting the Sharia system in providing savings and financing services makes Islamic banks sell convenience in the process of

financing and opening accounts so as to attract public interest in transactions in Islamic banks in Indonesia. Investment support, especially from Islamic bank financing channeled to the economic sector, increases the attractiveness of the community in meeting production needs and consumption so that there is competition between Islamic banks. The growth of Islamic banking is quite high compared to banking in general even though the economic condition is still recovering, especially during the Covid-19 pandemic which has reduced the ability to pay so that bad loans occur in several branches of Islamic banks and conventional banks. But people's creativity does not stop so that the presence of Islamic bank financing products is still in demand so that Islamic and conventional banks to see the existence of Islamic banks in providing financing to conventional Bank loans in Indonesia as a distributor of funds to the community can be seen with the following graph:

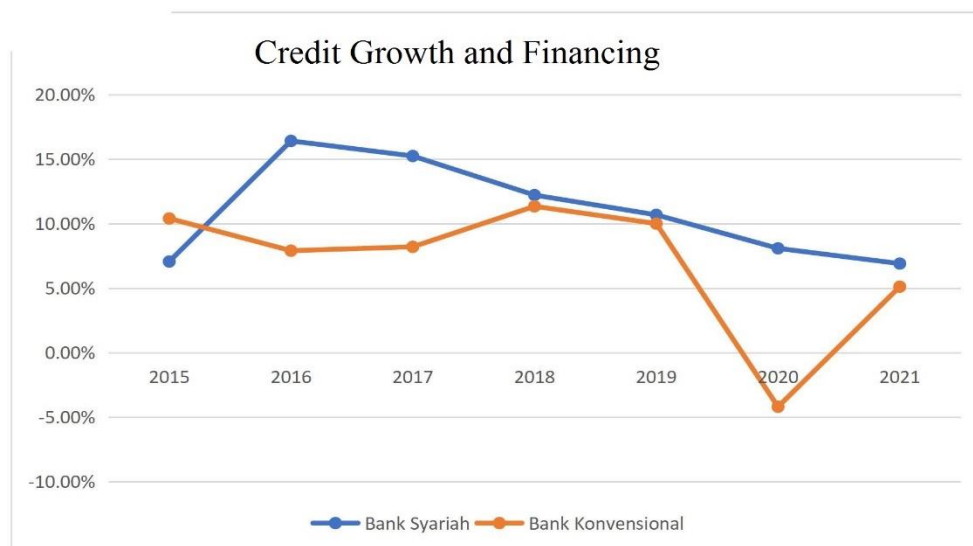


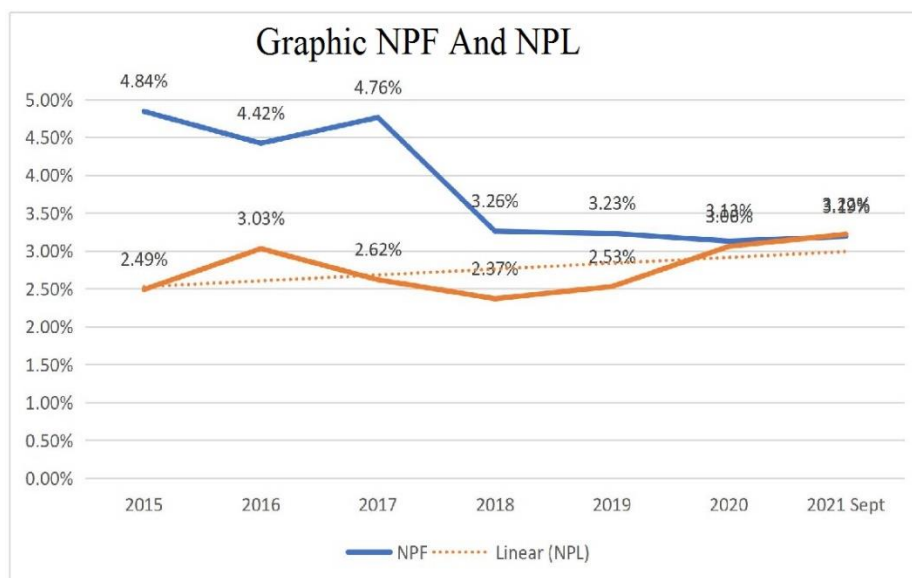
Figure 3: financing and credit growth development  
data source: OJK

The distribution of Islamic banking financing in 2021 grew by 6.90% (yoy), slowing compared to the previous year which grew by 8.08% (yoy). Despite a decline in growth as a result of the Covid-19 pandemic that affected the distribution of financing to the industrial sector, Islamic banking still recorded positive growth. In the midst of an economic slowdown that led to low credit growth of commercial banks, Islamic banking incised a brilliant performance with credit growth of 18,5% (2015), 20,96% (2016) and only decreased 2% in 2019 to 2020 when the entire economy slumped, Islamic financing remained afloat from 10.68% to 8.08% compared to the performance of conventional banks that look unprepared for economic turmoil, namely the number of loans decreased by 5.80% which was originally 10% to -4.20%. The performance of Islamic banks in providing credit services is considered quite good with a fairly high growth with an increasing market share showing that Islamic banking services are increasingly trusted by the public, especially during the pandemic.

Previous researchers from the Turkish state pointed out that Islamic financing accelerates Turkey's economic growth which is Turkey's economic program in 2019-2021 that

accelerates economic growth by increasing Islamic financing distributed to the Turkish banking sector and the global market (Ledhem, and Mekidiche, 2020).

One of the key indicators for assessing bank performance apart from financing is problem financing. If in conventional banks known as NPL (Non Performing Loan) and the term known in Islamic banks is NPF (Non Performing Financing). If problem financing increases, the risk of decreased profitability is greater. If profitability decreases, the bank's ability to expand financing is reduced and the rate of financing becomes down. According to the attachment of Circular Letter of Bank Indonesia number No.9/24 / DPBs, NPF is measured from the ratio of the comparison between the problem financing to the total financing provided. The smaller the NPF, the smaller the financing risk that will be borne by the bank. Bank Indonesia stipulates that the quality of financing is good if the amount of problematic financing is a maximum of 5% of the total financing provided. Therefore, the NPF ratio must always be below 5% to avoid the risk of financing or financing whose collectibility is substandard, and stuck. To see the quality of Islamic bank performance through its NPF can be seen with the following graph:

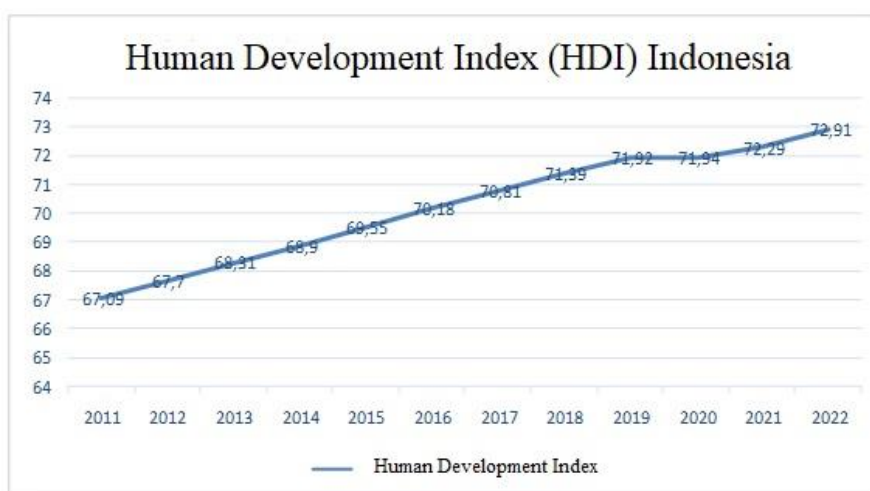


**Figure 4: development of non-Performing Islamic Bank Finance and Non-Performing loans**  
**Source: Financial Services Authority**

From these data, it can be seen that the NPF ratio of Islamic banking has consistently decreased, especially since 2017. The decline even continued in 2020 when demand for credit restructuring was very high and many customer businesses were depressed due to the Covid-19 pandemic. Although the level of Islamic banking NPF tends to be quite high, which is above 3% compared to the stable NPL of conventional banks in 2018 and 2019, which ranged from 2%, but in 2020 and September 2021 the NPL and NPF entered at 3%. The downward trend of stable NPF from 2018 to September 2019 is a very good thing that shows the continued improvement of the Islamic banking industry.

Classical growth theory according to the views of classical economists there are four factors that affect economic growth, namely: the number of people, the number of stocks of capital goods, land area and natural resources, as well as the level of technology used. Based on these factors, namely the population, then Indonesia as the majority of the Muslim community is 84% of the population according to the World

Population Review in 2021, then of course the Muslim community needs a Sharia financial system and amid the increasing phenomenon of halal tourism and fashion trends that support the Muslim community, the financial sector continues to fix and provide services to support the Indonesian Muslim community. This has been emphasized by Muharromah (2020) in his research, which shows that knowledge and behavioral control variables have a positive and significant effect on people's interest in using Islamic bank financing products. Attitude and religiosity variables have a positive but not significant effect on public interest in using Islamic bank financing products. Knowledge has a positive and significant effect on people's decision to choose financing products in Islamic banks, while religiosity has a significant negative effect on the decision to choose financing products in Islamic banks. Community interest variables have a positive and significant effect on financing decisions. To see the development of the Human Development Index can be seen through the following figure:



**Figure 5: Indonesia Human Development Index (HDI) development Year 2011-2022**  
Source: Central Bureau Of Statistics

Indonesia's Human Development Index (HDI) in 2022 reached 72.91, an increase of 0.62 points (0.86 percent) compared to the previous year (72.29). During 2010-2022, Indonesia's HDI on average increased by 0.77 percent per year. HDI is an important indicator to measure success in efforts to build the quality of human life (community/population).

Because Indonesia's HDI increases every year, this supports the productivity of human resources in Indonesia, so that many investments are given by investors to Indonesia so that it can be concluded that investment and HDI can be in line and influence each other. This is confirmed in some previous researchers.

Nawaz, Abrar, et al (2019) in their research found that Islamic financing works very well in promoting economic growth and also found indirect evidence between Islamic asset financing and the population affecting Islamic financing and the population increasing Islamic financing.

According to Mifrahi and Tohirin (2020), Islamic banks (Islamic banks) cannot affect the economy directly, but can indirectly affect economic growth through investment and capital. This is in line with previous researcher Camlibel (2014) who said that Islam itself does not have any influence on the economy in Muslim countries, but by

using state regression and by adapting technology and knowledge innovation, investment in Human Resources, Human Development Index and freedom to run the economy is very significant influence and needed by economic growth in Muslim countries.

The increasing quality of Indonesian human resources and public interest in the sharia economy and the Sharia system encourage an increase in halal fashion and culinary trends that also affect the consumptive attitudes of the community. The State of the Global Islamic Economy Report 2018/2019 reports the amount of halal food and lifestyle spending by Muslims in the world reached USD 2.1 trillion in 2017 and is expected to continue to grow to USD 3 trillion in 2023. The main factor influencing this is the increase in the Muslim population in the world, which in 2017 reached 1.84 billion people. This number will continue to increase and reach 27.5 percent of the total world population by 2030. This increase in population will increase the demand for halal products and services significantly. To see the development of Indonesian consumption in a few years since the presence of Islamic banks in Indonesia, can be seen from the picture below:



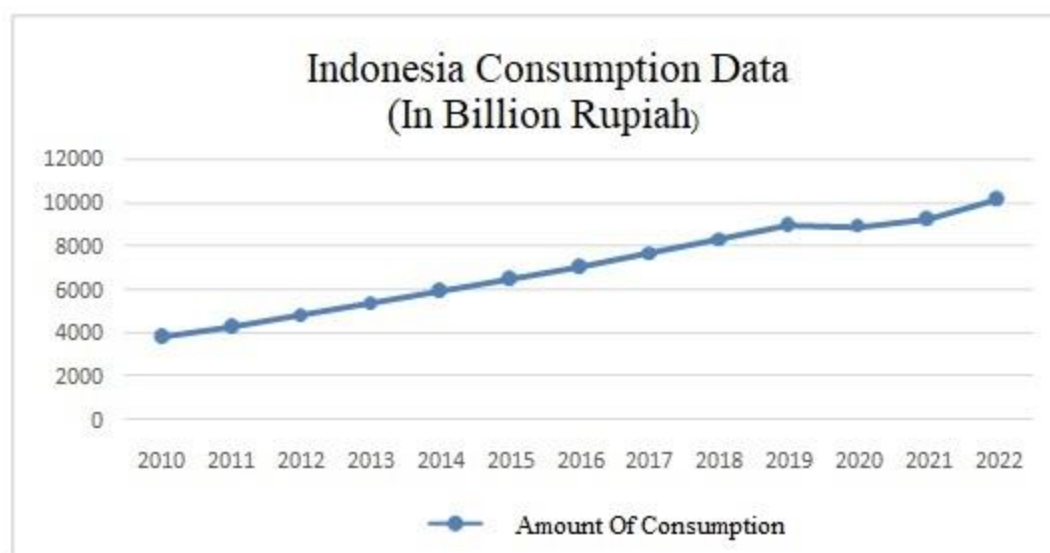


Figure: 6 Indonesian Consumption Data For 2010-2022  
Source: Central Bureau Of Statistics

Based on Figure 6 in the last 12 years, Indonesia's consumption has on average increased by 500 trillion rupiah except in 2020 it decreased by 66 trillion rupiah this is due to the covid-19 pandemic which limits the financial sector and the industrial sector in carrying out economic activities. In addition, the government's policy on Covid-19 Prevention also limits people's activities in interacting and conducting economic activities so that Indonesian consumption as a whole decreases. But after the pandemic can be overcome, the government began to make adjustment policies so that in 2021 Indonesian consumption increased by 3.7% and in 2022 increased by 10% this is because Indonesia's economic activity has returned to normal, as before the pandemic and this is the highest increase in Indonesian consumption over the past 12 years.

Errikson and Stelleck (2020), stated in their research that the wider knowledge of humans (on the environment) also influences their decisions in consumption (especially in choosing transportation) and of course increases physical costs. These costs certainly increase economic growth in a country. Although there are researchers who say that consumption is not significant to the economy as found by Padli (2017) WHO states that household consumption spending and private investment do not have a

significant effect on economic growth while direct spending by local governments has a significant effect on economic growth, according to according to Jedidia and Guerbouj (2020) states that through zakat funds used for consumption and investment allocation can trigger economic growth. It is also stated by Murniati and Beik (2014) in his research which explains that zakat funds received can provide additional income to the community that is ready to spend. More income and spending will certainly increase the offer that invites many investors to make investments so that it will foster economic growth in a country.

Research conducted by Ernita, Amar, Syofian in Munfaati (2020) with the title analysis of economic growth, investment and consumption in Indonesia concluded that consumption affects economic growth if consumption decreases, economic growth will also decrease.

One of the main characteristics of Islamic banking that has a positive impact on the growth of the real sector and the economy is that Islamic financial institutions place more emphasis on increasing productivity. Through the pattern of Islamic financing that emphasizes the majority of such productivity, the real sector and the financial sector will move in a balanced manner. As a result, the more Islamic banking grows, the

greater its contribution to economic performance and growth. The amount of poverty and unemployment will be directly resolved through good economic performance. The condition of good economic performance will have a good impact on the development of investment, this condition will affect how the economy in the future.

The interaction between banks and economic actors in disbursing loans and Islamic

financing and other financing as well as mobilizing public deposits has an effect on the development of the capital market both in terms of the investment of funds by investors (Warijoyo, 2004). Own investment consists of domestic investment (PMDN) and foreign investment (PMA) (Siregar, 2022). The following data on investment developments in Indonesia:

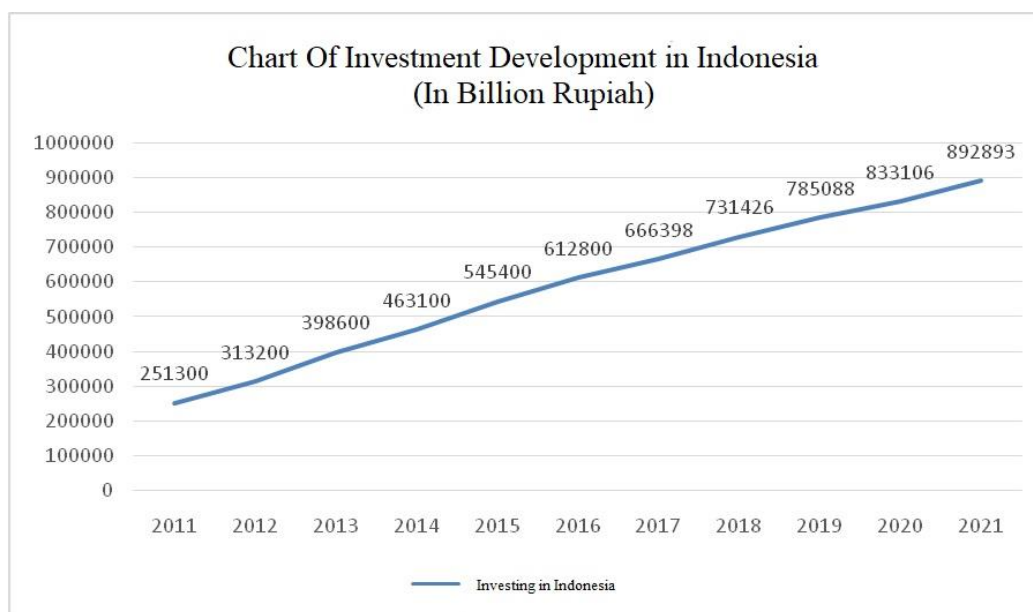


Figure 7: Investment Development in Indonesia  
Source: Central Bureau Of Statistics

Based on the figure above, it can be seen that the development of investment has increased, especially in 2018 and 2019, where Indonesian investment increased by 152%. This proves that the development of Islamic financing is also in line with investment in Indonesia, thereby increasing consumption and economic growth because the transmission of the financial sector to the real sector will depend on its influence on consumption and investment demand in the economy (Siregar, 2022).

## LITERATURE REVIEW

### Islamic Bank Financing

Financing according to law No. 21 of 2008 article 1 Number 25 is the provision of funds or bills equated with it in the form of: a.

profit-sharing transactions in the form of mudharabah and Musharakah; b. lease transactions in the form of ijarah or hire purchase in the form of Ijarah muntahiya bittamlik; c. sale and purchase transactions in the form of receivables Murabaha, salam, and istishna'; d. borrowing and borrowing transactions in the form of qardh receivables; and e. leasing transactions in the form of ijarah for multi-service transactions based on agreements or agreements between Islamic banks and/or UUS and other parties that require the party financed and/or provided with funding facilities to return the funds after a certain period in exchange for ujah, without compensation, or profit sharing.

### **Non Performing Finance (NPF)**

In assessing credit products in banking to creditors, namely the level of smooth payment of debtors to banks. The smoothness in lending is a reflection of the performance of banks in performing their duties in the financial sector. Bad loans are avoided by banks, namely by several ways to improve services and increase selection in lending to customers. This level of bad loans is known as Non-Performing loans (NPL). In Islamic banking, the term used for the percentage of bad loans is Non-Performing Finance (NPF).

### **Human Development Index (HDI)**

Human Development Index or Human Development Index (HDI) is a composite index calculated based on life expectancy, level of education and a decent standard of living. According to the Central Bureau of Statistics, HDI explains how the population can access the results of development in obtaining income, health, education, and so on. HDI was introduced by the United Nations Development Programme (UNDP) in 1990 and is regularly published in its annual Human Development Report (HDR). In addition to the above, it is also used as an indicator to measure the development of a region and is also one of the single statistical indicators that can be used as a reference for social and economic development (undp.org.id).

### **Investment**

Investment is the placement of a number of funds in the hope of maintaining, increasing the value, or providing a positive return (Sutha, 2000). Investment is the planting of money in the hope of getting results and added value (Webster, 1999). According to Lypsey (1997), investment is the expenditure of goods that are not consumed at this time where based on the time period, investment is divided into three of them are short-term

investments, medium-term investments, and long-term investments. Investment is a commitment of a certain amount of funds in a period to obtain the expected income in the future as a compensation unit.

### **Consumption**

Consumption is an activity that aims to reduce or consume the utility of an object, whether in the form of goods or services, to meet needs and satisfaction directly. Consumption is all the use of goods and services that human beings carry out to meet their needs. The goods and services used in the production process do not include consumption, since they are not used to meet the needs of human life. These goods and services in the production process are used to produce other goods. The act of consumption is carried out every day by anyone, its purpose is to obtain the highest satisfaction and achieve a level of prosperity in the sense of meeting various needs, both basic and secondary needs, luxury goods and physical needs and spiritual needs. The level of consumption gives an idea of the level of prosperity of a person or society. The definition of prosperity here is the higher the level of consumption of a person, the more prosperous, on the contrary, the lower the level of consumption of a person means the poorer.

### **Economic Growth**

Economic growth is an indicator of the success of economic development. Along with the progress of economic growth, countries not only increase the production of goods and services applied annually, but also invest in various matters such as the development of education, technological development, improvement of medical care, improvement of available infrastructure, improvement of infrastructure (M. P. Todaro & Smith, 2011).

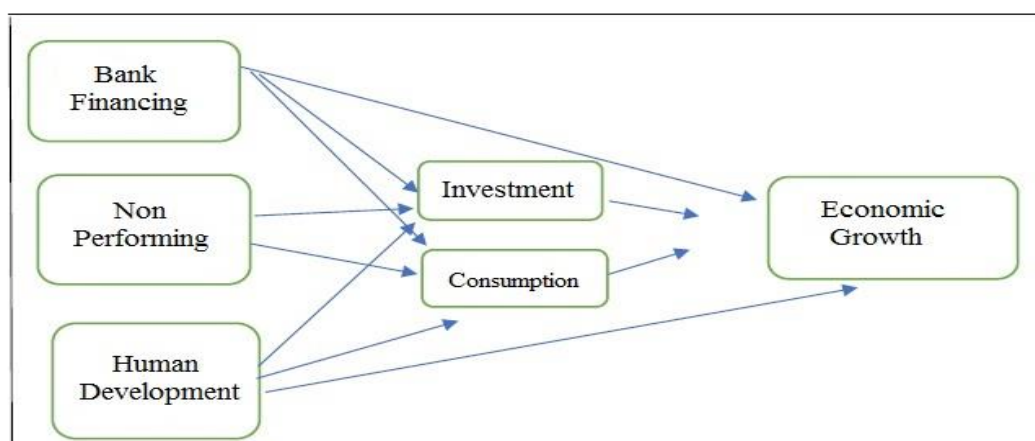


Figure 8. Conceptual Framework

### Hypothesis

Based on the background of research and the relationship between variables, the research hypothesis:

1. Islamic bank financing positive effect on Indonesian investment?
2. Is NPF negatively affecting Indonesian investment?
3. Is it a positive impact on Indian investment?
4. Islamic bank financing positive effect on Indonesian consumption?
5. Is NPF negatively affecting Indonesian consumption?
6. Does it have a positive impact on Indian consumption?
7. Islamic bank financing has a positive effect on Indonesia's economic growth?
8. Does the HDI have a positive impact on Indonesia's economic growth?
9. Does investing have a positive impact on India's economic growth?
10. Does consumption have a positive effect on Indonesia's economic growth?
11. Islamic bank financing positive effect on economic growth through investment?
12. NPFS negatively affect economic growth through investment?
13. Does HDI positively affect economic growth through investment?
14. Islamic bank financing positive effect on economic growth through consumption?
15. NPFS negatively affect economic growth through consumption?

16. Does HDI positively affect economic growth through consumption?

### MATERIAL AND METHODS

This study was conducted in Indonesia where this study examines the effect of Islamic bank financing, non-performing loan (NPF), human development index (HDI) through investment and consumption on Indonesia's economic growth. The time of the study was conducted with quarterly time series data from 2009-2023 in which this study looked at the positive or negative influence between the analyzed variables. Commencement in 2009 due to the birth of the Islamic Banking Act in 2009 and the growth of Islamic banking assets of more than 65% a year (OJK).

This study uses secondary data in the data that has been collected by the data collection agency and published in the community of data users (Kuncoro, 2009). Secondary Data in this study were also obtained from books, journals, the internet, previous research, records and other sources with research problems. Secondary Data is also data that has been available and processed by other parties as a result of previous research.

Secondary data can be obtained from SEKI (Indonesian economic and Financial Statistics), Bank Indonesia, Islamic banking statistics (SPS), The Financial Services Authority, and the Central Statistics Agency. The data source of Sharia financing and NPF is from SEKI (economic and financial

statistics of Sharia and OJK, namely total financing in Sharia commercial banks and NPFS in Indonesia. While HDI, consumption and investment as well as economic growth can be from the Central Statistics Agency. For investment data using the total investment is a combination of domestic investment and Foreign Investment.

This study was conducted by quantitative descriptive method using Path Analysis to assess the effect (effect) directly or indirectly from the variables hypothesized as a result of the effect of treatment on these variables, one of which is through intervening variables. Path analysis presents causal relationships between variables in the form of images to make it easier to read. In this study, many endogenous variables are two variables, namely investment (Y1) and consumption (Y2). This description is done to explain the relationship that occurs both dependent and independent variables or other relationships to the variable moderation. It differs from

regression data analysis in that it affects only directly. Path analysis is able to analyze the data of indirect relationships between variables. As a result of the limitations possessed by multiple linear regression analysis, the path analysis or path analysis is able to cover all that is needed for the purposes of data analysis based on the value that will be compared against the level of significance.

## RESULTS AND DISCUSSION

### RESULTS

#### Classical Assumption Test

##### Normality Test

Normality test is used to see whether a regression, dependent variable and both have a normal distribution or not. Normality test in this study using the Model Kolmogorov Smirnov. To see the normality of the independent variables (Islamic financing, NPF, HDI) and dependent investments are as follows:

**Table 1 Results of the normality test of Islamic financing, NPF, and HDI Against Investment**

		Undstandardized Residual
N		59
Normal Parameters <sup>a,b</sup>	Mean	.00000
	Std. Deviation	.05103892
Most Extreme Differences	Absolute	.080
	Positive	.044
	Negative	-.080
Test Statistic		.82
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

Source: SPSS 2024 processed Data

Based on the results of the normality test of the dependent variable is Sharia financing, NPF and HDI to the independent variable known investment significance value is  $0.295 > 0.05$  it can be concluded that the

residual value of the normal distribution. While the normality test of Islamic financing, NPF and HDI against consumption dependent variable can be seen as follows:

**Table 2 Results of the normality test of Islamic financing, NPF and HDI Against Consumption**

		Undstandardized Residual
N		59
Normal Parameters <sup>a,b</sup>	Mean	.00000
	Std. Deviation	.00847174
Most Extreme Differences	Absolute	.090
	Positive	.073
	Negative	-.090
Test Statistic		.090
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

Source: SPSS 2024 processed Data

Based on the results of the second normality test is variable Islamic finance, NPF, HDI on consumption known significance value of  $0.70 > 0.05$ , it can be concluded that the residual value of the normal distribution.

The last independent variable in this study is economic growth Z, then to determine the normality value can be seen below:

**Table 3 Results of the normality test of Islamic financing, NPF, and HDI on economic growth**

		Unstandardized Residual	
N		59	
Normal Parameters <sup>a,b</sup>	Mean	.00000	
	Std. Deviation	.01300618	
Most Extreme Differences	Absolute	.164	
	Positive	.164	
	Negative	-.100	
Test Statistic		.164	
Asymp. Sig. (2-tailed) <sup>c</sup>		.000 <sup>b</sup>	
Monte Carlo Sig. (2-tailed) <sup>d</sup>	Sig.	.076 <sup>c,d</sup>	
	99% Confidence Interval	Lower Bound	.069
		Upper Bound	.083

Source: SPSS 2024 processed Data

Based on the results of the third normality test, the independent variable of Sharia financing, HDI on economic growth through investment and consumption is known to be the significance value of Monte Carlonya normality of  $0.076 > 0.05$ , it can be concluded that the residual value of the normal distribution.

Autocorrelation indicates the existence of correlations between the variables themselves, at different times or individual observations. If the problem occurs then the equation is not good / worthy of being used as a prediction. To see the results of the autocorrelation test of the independent variable (Islamic financing) against the first dependent variable, namely investment can be seen from this table:

### Autocorrelation Test

**Table 4 Autocorrelation test results of Islamic financing, NPF, and HDI Against Investment**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.983 <sup>a</sup>	.965	.964	.05241	1.071
Predictors: (Constant), npf, sharian, hdin					
Dependent Variable: invn					

Source: SPSS 2024 processed Data

Based on the results of data processing on Sharia financing variables, NPF and HDI on investment, it was found that the autocorrelation was found because the autocorrelation value was 1,071, which is smaller than DU (1,497) and  $DU (4 - 16889 =$

$2,311)$ , which in Durbin Watson's autocorrelation test, a data is said to be autocorrelated if the autocorrelation result is  $DU < DW < 4 - DU$ . Therefore, it is necessary to test the autocorrelation of the Cochrane-Orcutt method and the results are below

**Table 5 Autocorrelation results of Cochrane-Orcutt method of Islamic financing, NPF, and HDI to investment**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.975 <sup>a</sup>	.951	.948	.04696	1.864
Predictors: (Constant), lag_hdin, lag_sharian, lag_npf					
Dependent Variable: lag_invn					

Source: SPSS 2024 processed Data

Based on the results of data processing autocorrelation Cochrane-Orcutt method of variable Sharia financing, NPF and HDI on investment that autocorrelation is not found because the autocorrelation value of 1,864 which is between the value of DU (1,497) and DU (4-1.6889 = 2,311) which in Durbin Watson autocorrelation testing, a data is said

to be autocorrelated if the autocorrelation results  $DU < DW < 4-DU$ .

Autocorrelation results on Line 2 in this study, namely autocorrelation of Sharia financing, NPF and HDI to consumption can be seen from the following processing results:

**Table 6 Autocorrelation test results of Islamic financing, NPF, and HDI**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.913 <sup>a</sup>	.833	.824	0.00801	2.145
Predictors: (Constant), npf, sharian, hdin					
Dependent Variable: konsn					

Source: SPSS 2024 processed Data

Based on the results of data processing on the independent variables of Islamic financing, NPF and HDI on consumption that autocorrelation is not found because the autocorrelation value of DW 2,145 which is

between the value of DU (1,497) and 4-DU (2,311). The next test is autocorrelation of independent variables (Islamic financing, NPF, and HDI) to economic growth can be seen from the table below:

**Table 7 Autocorrelation test results of Islamic financing, investment and consumption HDI**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.989 <sup>a</sup>	.979	.978	.01348	1.533
Predictors: (Constant), konsn, hdin, sharian, invn					
Dependent Variable: pdbn					

Source: SPSS 2024 processed Data

Based on the results of data processing on the independent variable of Islamic financing to economic growth was not found that the autocorrelation value of DW 1,533 which is between the value of DU (1497) and DL (4-17274) or with the equation  $DU < DW < 4-DU$ .

**Table 8 Multicollinearity test results of Islamic financing, NPF, and HDI Against Investment**

Coefficients <sup>a</sup>			
Collinearity Statistics			
Model		Tolerance	VIF
1	sharian	.737	1.358
	hdin	.435	2.297
	npf	.356	2.807
Dependent Variable: invn			

Source: SPSS 2024 processed Data results

### Multicollinearity Test

To see whether or not there is a high correlation between the independent variables in a multiple linear regression model required multicollinearity testing. If there is a high correlation between the independent variables, then the relationship between the independent variable to the dependent variable becomes disturbed. In this study, the results of multicollinearity test of Islamic financing, NPF, HDI on investment are as follows:

From the table above, it is known that the results of multicollinearity test of Islamic financing, NPF and HDI on investment that the tolerance value is above 0.100 and the value of its VIF is below 10.00, it can be concluded that the data does not occur symptoms of multicollinearity. While the results of the multicollinearity test of Islamic financing, NPF, HDI on consumption variables can be seen in the table below:

**Table 9 Multicollinearity test results of Islamic financing, NPF, and HDI Against Consumption**

Coefficients <sup>a</sup> Collinearity Statistics			
Model		Tolerance	VIF
1	sharian	.737	1.358
	hdin	.435	2.297
	npf	.356	2.807
Dependent Variable: konsn			

Source: SPSS 2024 processed Data

From the table above, it is known that the results of multicollinearity test of Islamic financing, NPF and HDI on consumption, the tolerance value is above 0.100 and the VIF value is below 10.00, it can be concluded that the data does not occur symptoms of multicollinearity. For the results of the multicollinearity test of Islamic financing, NPF, HDI on economic growth can be seen in the table below:

**Table 10 Multicollinearity test results of Islamic financing, NPF, and HDI Against Economic Growth**

Coefficients <sup>a</sup> Collinearity Statistics			
Model		Tolerance	VIF
1	sharian	.033	30.037
	hdin	.836	1.197
	invn	.026	38.435
	konsn	.150	6.685
Dependent Variable: pdbn			

Source: SPSS 2024 processed Data

From the table above, it is known that the results of the multicollinearity test of Sharia financing and HDI on economic growth through investment and consumption, namely Sharia financing and investment data have not yet passed multicollinearity because the tolerance value is below 0.100 and the VIF value is above 10.00, it can be concluded that the data occur symptoms of

multicollinearity. Therefore, it is necessary to separate the variables, and the results are Table 11 Results of multicollinearity Test separation of Islamic financing and HDI Against Growth

Coefficients <sup>a</sup> Collinearity Statistics			
Model		Tolerance	VIF
1	sharian	.922	1.084
	hdin	.922	1.084
Dependent Variable: pdbn			

Source: SPSS 2024 processed Data

From the table above, it is known that the results of the multicollinearity test of Sharia financing and HDI on economic growth have passed multicollinearity because the tolerance value is below 0.100 and the VIF value is above 10.00, it can be concluded that the data does not occur symptoms of multicollinearity.

**Table 12 Results of multicollinearity Test separation of investment and consumption Against Economic Growth**

Coefficients <sup>a</sup> Collinearity Statistics			
Model		Tolerance	VIF
1	invn	.165	6.078
	konsn	.165	6.078
Dependent Variable: pdbn			

Source: SPSS 2024 processed Data

### Heteroscedasticity Test

The regression Model that meets the requirements is where there is a similarity of variance from the residual of one observation to another fixed or called homoscedasticity and if there is a difference in variance, a heteroscedasticity problem occurs. To see if there is an inequality of variance from the residuals of one observation to another requires testing its heteroscedasticity. In this study the results of heteroscedasticity test is:



**Table 13 Heteroscedasticity test results of Islamic financing, NPF, and HDI Against Investment**

Correlations						
			sharian	hdin	npf	Unstandardized Residual
Spearman's Rho	Sharian	Correlation Coefficient	1.000	-.377	-.468	.121
		Sig. (2 tailed)	.	.003	.000	.360
		N	59	59	59	59
	hdin	Correlation Coefficient	-.377	1.000	.785	-.039
		Sig. (2 tailed)	.003	.	1.000	.016
		N	59	59	59	59
	npf	Correlation Coefficient	-.468	.785	1.000	.016
		Sig. (2 tailed)	.000	.000	.	.903
		N	59	59	60	59
	Unstandardized Residual	Correlation Coefficient	.121	-.039	.016	1.000
		Sig. (2 tailed)	.360	.768	.903	.
		N	59	59	59	59

Source: SPSS 2024 processed Data

Based on the results of data processing above, it is known that the heteroscedasticity test of each independent variable has significance, namely Sharia financing (0.362), NPF (0.903) and HDI (0.768) which

is greater than 0.05, this shows that the data are free from heteroscedasticity. The next step is to perform heteroscedasticity test on consumption dependent variable with the results below:

**Table 14 Heteroscedasticity test results of Islamic financing, NPF, and HDI on consumption**

Correlations						
			sharian	hdin	npf	Unstandardized Residual
Spearman's Rho	Sharian	Correlation Coefficient	1.000	-.377	-.468	.186
		Sig. (2 tailed)	.	.003	.000	.159
		N	59	59	59	59
	hdin	Correlation Coefficient	-.377	1.000	.785	-.109
		Sig. (2 tailed)	.003	.	1.000	.409
		N	59	59	59	59
	npf	Correlation Coefficient	-.468	.785	1.000	-.067
		Sig. (2 tailed)	.000	.000	.	.616
		N	59	59	60	59
	Unstandardized Residual	Correlation Coefficient	.1	-.109	-.067	1.000
		Sig. (2 tailed)	.159	.409	.616	.
		N	59	59	59	59

Source: SPSS 2024 processed Data

Based on the results of data processing above, it is known that the heteroscedasticity test of each independent variable on consumption has significance, namely Sharia

financing (0.159), NPF (0.409) and HDI (0.616) which is greater than 0.05.

The next step is to perform heteroscedasticity test on the dependent variable of economic growth with the results below:

**Table 15 Heteroscedasticity test results of Islamic financing, HDI, investment and consumption on economic growth**

			Correlations				
			sharian	hdin	invn	konsn	Unstandardized Residual
Spearman's Rho	Sharian	Correlation Coefficient	1.000	-.377	.990	.902	.185
		Sig. (2 tailed)		.003	.000	.000	.162
		N	59	59	59	59	59
	hdin	Correlation Coefficient	-.377	1.000	-.359	.404	.035
		Sig. (2 tailed)	.003		.003	.002	.791
		N	59	59	59	59	59
	invn	Correlation Coefficient	.990	-.359	1.000	.909	.187
		Sig. (2 tailed)	.000	.005		.000	.156
		N	59	59	59	59	59
	konsn	Correlation Coefficient	.902	-.404	.909	1.000	.159
		Sig. (2 tailed)	.000	.002	.000		.229
		N	59	59	59	59	59
Unstandardized Residual	Correlation Coefficient	.185	.035	.187	.159	1.000	
	Sig. (2 tailed)	.162	.791	.156	.229		
	N	59	59	59	59	59	

Source: SPSS 2024 processed Data

Based on the results of the above data processing, it is known that the heteroscedasticity test of each independent variable has significance above 0.05, namely Sharia financing (0.162), HDI (0.581), investment (0.156) and consumption (0.229) which is greater than 0.05.

**a. Regression analysis of Islamic financing variables, NPF, and HDI on investment variables**

Cause and effect of a variable needs to be done to see the relationship between variables through regression analysis. In this study, the relationship between variables can be seen from the table below:

**Regression Analysis**

**Table 16 Regression results of Islamic financing, NPF, and HDI on investment**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.600	2.069		-2.707	.009
	npf	.028	.013	.086	2.185	.033
	sharian	.901	.022	1.021	41.537	.000
	hdin	2.917	.058	.096	2.759	.008

a. Dependent Variable: invn

Source: SPSS 2024 Data Processing results

From the table above, it is known that all independent variables have a positive and significant effect on investment because their significance is below 0.05 and the regression

equation analysis is  $-5.600 + 0.901 + 0.028 + 2.917$  which has the meaning below:

1. The value of the constant obtained by - 5,600 means that if the dependent

- variable is 0, then the investment variable has a value of -5,600.
- The value of the regression coefficient of Islamic financing is positive 0.901 then it can be interpreted that if Islamic financing increases, then the investment will also increase or vice versa.
  - The value of the NPF regression coefficient is positive, which is 0.028, which means that if the NPF increases, the investment will increase, and vice versa if the NPF decreases and vice versa.

- The value of the HDI regression coefficient is negative, which is 2,917, which means that if the HDI increases, the investment will increase, and vice versa.

**b. Regression analysis of Islamic finance, NPF, and HDI on consumption**

The second dependent variable regression is to consumption, then the regression results of Islamic finance, NPF and HDI to consumption can be seen from the table below:

**Table 17 regression results of Islamic financing, NPF, and HDI on consumption**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.129	.784		3.991	.000
	npf	.008	.005	.084	1.704	.094
	sharian	.270	.008	1.016	32.860	.000
	hdin	.740	.401	.081	1.846	.070

a. Dependent Variable: konsn

Source: SPSS 2024 processed Data

From the processed data above, it is known that the value of the probability of significance of all independent variables is less than 0.05 and it can be concluded that the variables of Islamic finance, NPF and HDI have a significant effect on consumption variables. Regression equation analysis table above is  $3.129 + 0.270 + 0.08 + 0.740$  which has the meaning below:

- The value of the constant obtained by 3.129 means that if the dependent variable is 0, then the consumption variable has a value of 3.129.
- The value of Islamic finance regression coefficient is positive 0.270 it can be interpreted that if Islamic finance increases, then consumption will also increase or vice versa.
- The value of the NPF regression coefficient is positive, which is 0.08, which means that if the NPF increases, then consumption will increase, and vice versa.

- The value of the regression coefficient HDI positive value is 0.740 which means that if HDI increases, then consumption will increase as well, and vice versa.

**c. Regression analysis of Islamic financing, and HDI on economic growth through investment and consumption**

Economic growth is a comparative measure of a country's economic development. This economic growth is driven by many sectors, one of which is the financial sector and resources owned by a country. In this study, researchers conducted research on Sharia financing and HDI representing the resource sector owned by Indonesia. Investment and consumption are one of the indicators in the calculation of GDP expenditure, so to measure the contribution of Islamic finance, HDI terhadap economic growth required variable intervening investment and consumption. the relationship of the two independent variables through variable

intervening investments and konsums. The following are the regression results of Islamic financing and HDI on economic growth through investment and consumption:

**Table 18 Regression results of Islamic financing, investment and consumption HDI on economic growth**

		Coefficients <sup>a</sup>				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.967	.496		8.004	.000
	sharian	.287	.008	.976	36.906	.000
	hdin	.393	.268	.039	1.469	.147
	invn	.047	.034	.140	1.380	.173
	konsn	.946	.112	.855	8.457	.000

a. Dependent Variable: pdbn

Source: SPSS 2024 processed Data

From the results of the above data is known that the value of the probability of significance below 0.05 is the variable of Islamic finance and consumption, it can be concluded that the variable of Islamic finance and consumption has a positive and significant effect on economic growth variables. While HDI and investment have a positive and significant effect on economic growth. The equation in this regression is  $3.967 + 0.287 - 0.393 + 0.047 + 0.946$  and some conclusions that can be:

1. The value of the constant obtained by 3,967 means that if the independent variable is 0, then the economic growth variable has a value of 3,967
2. The value of the regression coefficient of Islamic financing is positive 0.287 it can be interpreted that if Islamic financing increases, then economic growth will also increase or vice versa if Islamic financing decreases, economic growth will decrease.
3. The value of HDI regression coefficient is positive, which is 0.393, which means that if HDI increases, then economic growth increases, and vice versa if HDI decreases, then economic growth will decrease.

4. The value of the investment regression coefficient is positive, which is 0.047, which means that if investment increases, economic growth will increase, and vice versa if investment decreases, economic growth will decrease.
5. The value of the consumption regression coefficient is positive, which is 0.946, which means that if consumption increases, then economic growth will increase, and vice versa if consumption decreases, then economic growth will decrease.

#### T test

After knowing the regression analysis, this study will be continued with the t test. This t-test is used to test the effect of each (individual) independent variable (financing, NPF, and HDI) on the dependent variable (consumption, investment and economic growth). The decision making is that if the significance level is 0.05, the independent variable partially (individually) affects the dependent variable. Conversely, if the resulting significance level  $> 0.05$  then the independent variable partially (individually) does not affect the dependent variable. Based on this study, the results of the t test is:

**a) T test results of Islamic financing, NPF and HDI on investment**

The relationship between variables of Islamic financing, NPF and HDI to

investment through the t test can be seen through the table below:

**Table 19 Table of T-test results of Islamic financing, NPF, and HDI on investment**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.600	2.069		-2.707	.009
	npf	.028	.013	.086	2.185	.033
	sharian	.901	.022	1.021	41.537	.000
	hdin	2.917	.058	.096	2.759	.008

b. Dependent Variable: invn

Source: SPSS 2024 processed Data

Based on the table above, it is known that some conclusions are:

1. Sharia financing variable has a positive effect on the investment dependent variable due to its significance value of  $0.000 < 0.05$
2. NPF variables have a positive effect on investment variables due to its significance value of  $0.033 < 0.05$

3. The HDI variable has a positive and significant effect on investment due to its significance value of  $0.008 < 0.05$

**b) T test results of Islamic financing, NPF and HDI on consumption**

The relationship between Sharia financing, NPF and HDI to consumption can be seen in the table below:

**Table 20 T test results of Islamic financing, NPF and HDI on consumption**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.129	.784		3.991	.000
	npf	.008	.005	.084	1.704	.094
	sharian	.270	.008	1.016	32.860	.000
	hdin	.740	.401	.081	1.846	.070

b. Dependent Variable: konsn

Source: SPSS 2024 processed Data

Based on the table above, it is known that some conclusions are:

1. Sharia financing variables have a positive effect on consumption dependent variable due to its significance value of  $0.000 < 0.05$
2. NPF variable has positive and insignificant effect on consumption variable because its significance value is  $0.094 > 0.05$

3. Variable HDI has a positive and insignificant effect on consumption due to its significance value of  $0.070 > 0.05$ .

**c) T test results of Islamic financing, HDI, investment and consumption on growth**

The relationship between Islamic financing variables, NPF and HDI on economic growth can be seen in the table below:

**Table 21 Regression results of Islamic financing, investment and consumption HDI on economic growth**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.967	.496		8.004	.000
	sharian	.287	.008	.976	36.906	.000
	hdin	.393	.268	.039	1.469	.147
	invn	.047	.034	.140	1.380	.173
	konsn	.946	.112	.855	8.457	.000
b. Dependent Variable: pdbn						

Source: SPSS 2024 processed Data

Based on the table above, it is known that some conclusions are:

1. Sharia financing has a positive and significant effect on economic growth due to its significance value of  $0.000 < 0.05$
2. HDI variable has positive and insignificant effect on economic growth variable because its significance value is  $0.147 > 0.05$ .
3. Investment variables have a positive and insignificant effect on economic growth due to their significance value of  $0.173 > 0.05$ .
4. Consumption variable has a positive and significant effect on economic growth due to its significance value of  $0.000 < 0.05$ .

### F Test

To prove that the independent variable simultaneously affect the dependent variable used statistical F test. The F test is performed to determine whether all independent variables together (simultaneously) affect the dependent variable. If the level of significance of the test results is  $0.05$  then simultaneously (together) the independent variable affects the dependent variable. Conversely, if the significance level  $> 0.05$  then simultaneously the independent variable has no effect on the dependent variable. More briefly  $F\text{-calculate} > F\text{ table}$  and probability  $0.05 = \text{significant effect}$

#### a) F test results of Islamic financing, NPF and HDI on investment

F test results of Islamic financing, NPF and HDI on investment in this study can be seen from the table below:

**Table 22 F test results of Islamic financing, NPF and HDI on investment**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.667	3	1.566	928.220	.000 <sup>b</sup>
	Residual	.094	56	.002		
	Total	4.761	59			
a. Dependent Variable: invn						
b. Predictors: (Constant), hdin, sharian, npf						

Source: SPSS 2024 processed Data

Based on the table above, it is known that the conclusion is that the significance  $0.000 >$

0.05, that is, Sharia financing, NPF and HDI simultaneously have a significant effect on investment

**b) F test results of Islamic financing, NPF, and HDI on consumption**

**Table 23 Test results F Islamic financing of consumption**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.419	3	.140	579.860	.000 <sup>b</sup>
	Residual	.013	56	.000		
	Total	.432	59			
a. Dependent Variable: konsn						
b. Predictors: (Constant), npf, sharian, hdin						

Source: SPSS 2024 processed Data

Based on the table above, it is known that the significance value of the F test is  $0.000 < 0.05$ , it is concluded that Sharia financing, NPF and HDI simultaneously have a significant effect on consumption.

**c) test F Islamic financing, investment and consumption HDI on economic growth**

**Table 24 F test results of Sharia financing, HDI, investment and consumption on economic growth**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.523	4	.131	1069.641	.000 <sup>b</sup>
	Residual	.007	55	.000		
	Total	.529	59			
A. Dependent Variable: pdbn						
c. Predictors: (Constant), konsn, hdin, sharian, imvn						

Source: SPSS 2024 processed Data

Based on the table above it is known that the results of the test significance of Islamic finance and HDI to economic growth through investment and consumption is equal to  $0.000 < 0.05$  then the variable Islamic finance and HDI through investment and consumption simultaneously have an influence on economic growth.

**Coefficient Of Determination ( $R^2$ )**

The coefficient of determination ( $R^2$ ) essentially measures how far the ability of

the model to explain the variation of the dependent variable. The magnitude of the coefficient of determination is between zero and One ( $0 < < 1$ ). shows how much contribution X (influence X) to Y. In this study through four structural relationships, the results of the coefficient of determination to the four variables can be seen from the table below:

**A) the results of the coefficient of determination of Islamic financing, NPF and HDI on investment**

**Table. 25 Results of the coefficient of determination ( ) of Islamic financing, NPF and HDI against investment**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990 <sup>a</sup>	.980	.979	.04094
a. Predictors: (Constant), hdin, sharian, npf				
b. Dependent Variable: invn				

Source: SPSS 2024 processed Data

Based on the table above in the know the value of Adjusted R-squared of 0.979 it can be concluded that the independent variables of Islamic finance, NPF and HDI affect simultaneously by 97.9% of the investment, while the remaining 2.1% are influenced by other variables outside this study.

Sementaraa for value can be found by the formula  $e_1 = \sqrt{(1 - 0,980)} = 0,14$

**B) coefficient of determination ( $R^2$ ) of Islamic financing, NPF and HDI on consumption**

**Table 26 Results of the coefficient of determination ( ) of Islamic financing, NPF and HDI against consumption**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 <sup>a</sup>	.969	.967	.01552
a. Predictors: (Constant), npfn, sharian, hdin				
b. Dependent Variable: konsn				

Source: SPSS 2024 processed Data

Based on the above table in the know the value of Adjusted R-squared of 0.833 it can be concluded that Sharia financing, NPF and HDI affect simultaneously by 83.3% of consumption, while the remaining 3.3% influenced by other variables outside this

study. ementaraa for values can be searched by the formula  $e_1 = \sqrt{(1 - 0,969)} = 0,17$

**C. Coefficient of determination ( ) of Islamic financing, investment and consumption HDI on economic growth**

**Table 27 Results of the coefficient of determination of Islamic financing and HDI on economic growth through investment and consumption**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994 <sup>a</sup>	.987	.986	.01105
a. Predictors: (Constant), konsn, hdin, sharian, invn				
b. Dependent Variable: pdbn				

Source: SPSS 2024 processed Data



Based on the table above in the knowledge of the value of Adjusted R-squared of 0.987 it can be concluded that the independent variables of Islamic finance, HDI, investment and consumption on economic growth affect simultaneously by 98.7% of economic growth, while the remaining 1.3% influenced by other variables outside this study. While the value can be searched by the formula  $e_1 = \sqrt{(1 - 0,987)} = 0,11$

**Path Analysis Results**

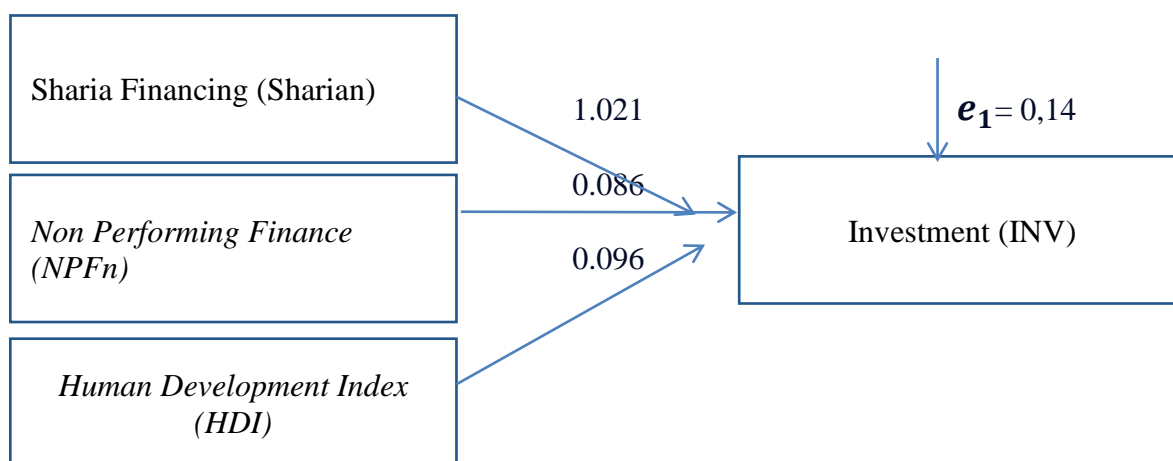
**The results of the analysis of Islamic financing lines, NPF and HDI on investment**

Path analysis is used to determine a pattern between three or more variables. As for the path coefficient obtained from the results of

the t-test by looking at the T-test by looking at standardized coefficients beta (Ghozali,2003). the path coefficient is symbolized by (p) where the value is obtained from the calculated t test. There are two indicators of model validity in the path analysis, namely the coefficient of determinant of the total diversity of data that can be described by the model measured by:

$$INVN = 1.021SHARIAN + 0.086NPF + 0.096HDIN + e_1..... (1)$$

Then to calculate the validity of the model in the path analysis, then to see the magnitude of direct influence, indirect influence and total influence of the relationship between exogenous and endogenous variables. The influence can be schematically depicted as follows:



**Figure 9 Results Of Equation Path Analysis I Islamic financing, NPF and HDI on investment**

**The results of the analysis of the path of Islamic finance, NPF and HDI on consumption**

Path analysis of the second path of Islamic finance, NPF and HDI on consumption is the coefficient of determinant of the total diversity of data that can be explained by the model measured by:

$$KONSN = 1.016SHARIAN + 0.084NPFN + 0.081HDIN + e_1..... (1)$$

Then to calculate the validity of the model in the path analysis, then to see the magnitude of direct influence, indirect influence and total influence of the relationship between exogenous and endogenous variables. The influence can be schematically depicted as follows:

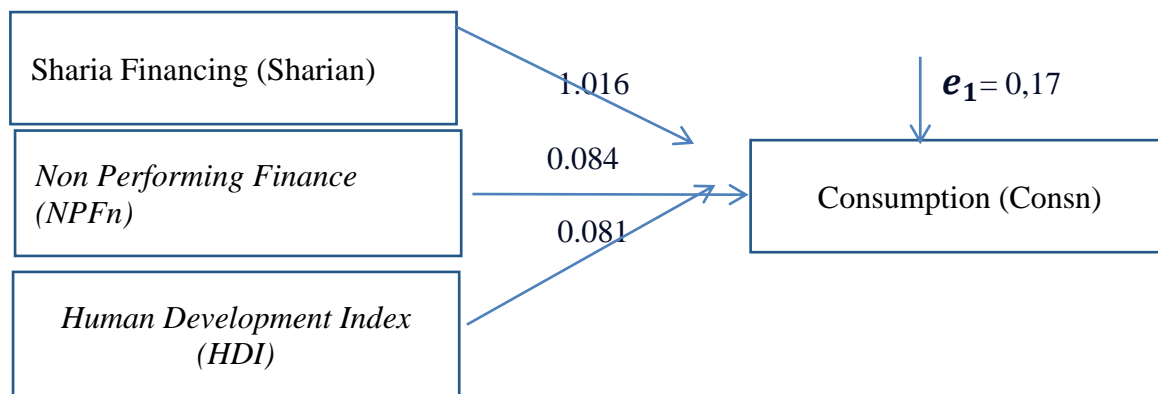


Figure 10 Results Of Equation Path Analysis I  
Islamic finance, NPF and HDI on consumption

**Analysis of Sharia and HDI financing pathways to economic growth through investment and consumption**

Path analysis of the third path of Islamic finance and HDI on economic growth through investment and consumption in Indonesia is the coefficient of determinant of the total diversity of data that can be explained by the model measured by:

$$PDBN = 0.976 \text{ SHARIAN} + 0.039 \text{ HDIN} + 0.140 \text{ INVN} + \dots (1)$$

$$PDBN = 0.976 \text{ SHARIAN} + 0.039 \text{ HDIN} + 0.855 \text{ KONSIN} + (2)$$

To check the validity of the model using the total coefficient of determination, the results are as follows:

$$R^2m = 1 - (Pe_1)^2 - (Pe_2)^2 - (Pe_3)^2$$

$$R^2m = 1 - (0,14)^2 - (0,17)^2 - (0,11)^2$$

$$R^2m = 0,99$$

Description:

$R^2m$  : Coefficient of total determination

$e_1 e_2$  = Value of standard estimate error

Based on the calculation of the coefficient of total determination, it is obtained that the diversity of data that can be explained by the model is 99% or with the information contained in the data of 99% can be explained in the model, while the remaining 1% is explained by other variables that are not contained in the model.

Then to calculate the validity of the model in the path analysis, then to see the magnitude of the direct influence, indirect influence and total influence of the relationship between exogenous and endogenous variables. The influence can be schematically depicted as follows:

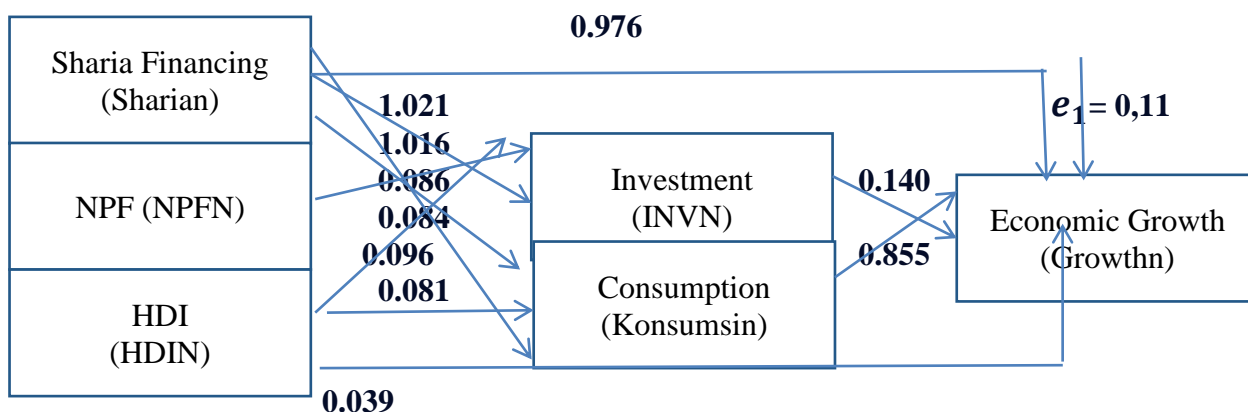


Figure 11 results of path analysis equation III  
Sharia financing, NPF and HDI towards economic growth through investment and consumption in Indonesia

From the picture above can be deciphered as follows:

**a. Influence (Direct Effect)**

- The influence of Sharia financing variables (Sharian) on investment (INVN) amounted to 1,021
- The influence of Sharia financing variables (Sharian) on consumption (KONSN) of 1,016
- The variable effect of Sharia financing on economic growth (PDBN) is 0.976
- Variable NPF(NPFN) terhadap investment (INVN) of 0.086
- Variable NPF(NPFN) terhadap consumption (KONSN) of 0.084
- Variable HDI (HDIN) to investment (INVN) of 0.096
- Influence of variable HDI (HDIN) on consumption (KONSN) of 0.081
- Influence of HDI variable (HDIN) on economic growth (PDBN) of 0.039
- Influence of investment variables (INVN) on economic growth (PDBN) of 0.140
- Influence of consumption variables (KONSN) on economic growth (PDBN) of 0.855

**b. Indirect Effect (Indirect Effect)**

- The effect of Sharia financing variables on economic growth (PDBN) through investment (INVN) is =  $(1.021 \times 0.140) = 0.142$
- Variable NPF (npfn) to economic growth (PDBN) through investment (INVN) is =  $(0.086 \times 0.140) = 0.012$
- The influence of HDI (HDIN) on economic growth (PDBN) through investment (INVN) is =  $(0.096 \times 0.140) = 0.013$
- The effect of Sharia financing variables on economic growth (PDBN) through consumption (KONSN) is =  $(1.016 \times 0.855) = 0.868$
- The effect of NPF variables on economic growth (PDBN) through consumption (KONSN) is =  $(0.084 \times 0.855) = 0.071$

- The influence of HDI (HDIN) on economic growth (PDBN) through consumption (KONSN) is =  $(0.081 \times 0.855) = 0.069$

**c. Total Effect (Total Effect)**

- The variable effect of Sharia financing (Sharian) through investment (INVN) on economic growth (PDBN) is =  $(1.021 + 0.976) = 1.997$
- The influence of Sharia financing variables (Sharian) through consumption (KONSN) on economic growth (PDBN) is =  $(1.016 + 0.976) = 1.992$
- Variable NPF (NPFN) through investment (INVN) to economic growth (PDBN) is 0.086
- Variable NPF (npfn) through consumption (KONSN) to economic growth (PDBN) is 0.084
- The influence of HDI variables (HDIN) through investment (INVN) on economic growth (PDBN) is  $(0.096 + 0.039) = 0.13$
- Influence of HDI variables (HDIN) through consumption (KONSN) to economic growth (PDBN) is  $(0.081 + 0.039) = 0.12$

The results of the analysis of investment (INV) and consumption (KONSN) can mediate the relationship of Sharia financing (Sharian), NPF (NPFN) and HDI (HDIN) to economic growth in Indonesia, namely:

1. Analysis of the effect of Islamic financing on investment  
From the above analysis obtained a significant value of  $0.000 < 0.05$  so it can be concluded that there is a direct significant influence of Islamic finance on investment.
2. Analysis of the effect of NPF on investment  
From the results of the above analysis obtained a significant value of  $0.033 < 0.05$  so it can be concluded that there is a direct significant influence of NPF on investment.
3. Analysis of the effect of HDI on investment  
From the above analysis obtained a significant value of  $0.008 < 0.05$  so it can

- be concluded that there is a direct significant influence of HDI on investment.
4. Analysis of the effect of Islamic Finance on consumption  
From the above analysis obtained a significant value of  $0.000 < 0.05$  so it can be concluded that there is a direct significant influence of Islamic finance on consumption.
  5. Analysis of the effect of NPF on consumption  
From the above analysis obtained a significant value of  $0.0942 > 0.05$  so it can be concluded that there is a direct effect of NPF is not significant on consumption.
  6. Analysis of the effect of HDI on consumption  
From the above analysis obtained a significant value of  $0.070 > 0.05$  so it can be concluded that there is a direct influence of HDI is not significant on consumption.
  7. Analysis of the effect of Islamic Finance on economic growth  
From the above analysis obtained a significant value of  $0.000 < 0.05$  so it can be concluded that there is a direct significant influence of Islamic Finance on economic growth.
  8. Analysis of the effect of HDI on economic growth  
From the results of the above analysis obtained a significant value of  $0.147 > 0.05$  so it can be concluded that directly there is no significant influence of HDI on economic growth.
  9. Analysis of the effect of investment on economic growth  
From the results of the above analysis obtained a significant value of  $0.173 > 0.05$  so it can be concluded that there is a direct effect of investment is not significant to economic growth.
  10. Analysis of the effect of consumption on economic growth  
From the above analysis obtained a significant value of  $0.000 < 0.05$  so it can be concluded that there is a direct significant influence of consumption on economic growth.
  11. Analysis of the effect of Islamic Finance on economic growth through investment  
From the results of the analysis above, the total influence is 1,997, namely the direct influence of 1,021 which is greater than the indirect influence of 0.142, so it can be concluded that there is a direct positive influence of Islamic financing on economic growth through investment and investment has a contribution to affect the relationship between Islamic financing and economic growth.
  12. Analysis of the effect of NPF on economic growth through investment  
From the above analysis obtained the magnitude of the influence of NPF on economic growth through investment of 0.012 so it can be concluded that indirectly there is a positive influence of NPF on economic growth through investment. And investment has contributed to affect the relationship between NPF and economic growth is a positive relationship.
  13. Analysis of the effect of HDI on economic growth through investment  
From the above analysis, the total influence of HDI on economic growth through investment is 0.135 where the direct influence is 0.096 and indirect influence is 0.012 so it can be concluded that there is a direct positive influence of HDI on economic growth through consumption and consumption also has a contribution in influencing the relationship between HDI and economic growth.
  14. Analysis of the effect of Islamic Finance on economic growth through consumption  
From the results of the above analysis obtained a total effect of 1,992 where the direct influence of Islamic finance on economic growth of 0.976 and indirect influence through consumption on economic growth of 0.868 so it can be concluded that the direct Islamic finance greater positive effect on economic

growth and consumption has contributed to affect the relationship between Islamic finance and economic growth and the relationship is positive.

15. Analysis of the effect of NPF on economic growth through consumption  
From the above analysis obtained indirect influence of NPF through consumption on economic growth of 0.071 so it can be concluded that indirectly there is a positive influence of NPF on economic growth through consumption and consumption has a contribution in influencing the relationship of NPF and economic growth.
16. Analysis of the effect of HDI on economic growth through consumption  
From the above analysis, the total influence of HDI on economic growth through consumption is 0.12 where the direct influence is 0.039 and the indirect influence is 0.069 so it can be concluded that directly and indirectly there is a positive influence of HDI on economic growth through consumption and consumption has a contribution in influencing the relationship between HDI and economic growth.

## **DISCUSSION**

### **The effect of Sharia financing on investment in Indonesia**

Based on the meaning of the standardized value coefficient beta coefficient 1,021 can be explained that if there is an increase in Islamic financing 1 percent, it will increase 1,021 percent of investment and the value of Islamic financing has a positive and significant effect on investment. The results of the study found that Sharia financing significantly affect investment in Indonesia. This condition is caused by the growing awareness of the Indonesian population towards the Sharia financial system and also because Indonesia is the largest Muslim in the world so that Sharia business opportunities attract investors to invest. This is in line with the opinion of the discovery of Sutha in 2000 which said investment is the

placement of a number of funds in the hope of maintaining, increasing the value, or providing a positive return. Where Islamic financing is also carried out by Islamic banks to obtain margins and increase the value of Islamic banking assets.

The findings in this study are in line with findings from Ledhem and Mekidiche (2020) which show that Islamic financing accelerates Turkey's economic growth which is Turkey's economic program (2019-2021) and improves Turkey's banking sector and global markets. This increase in the banking sector and global markets will also increase investment in a country. This study also agrees with previous researchers, namely Mifrahi and Tohirin (2020) where they found that Sharia financing increases investment and consumption.

### **Effect of NPF on investment in Indonesia**

Based on the meaning of the standardized value coefficient beta coefficient 0.086 can be explained that if there is an increase in NPF 1 percent it will increase 0.086 percent of investment and the NPF value has a positive and significant effect on investment. NPF has a significant impact on investment in Indonesia. The results of this study are contrary to the role of investment, one of which is the increase in capital goods as a result of investment will increase production capacity in the future and this development will stimulate the increase in national production and employment opportunities. If the national production and employment opportunities will increase, then the ability to pay people will increase so that the NPF in Islamic banking will decrease its presentation. However, if the NPF increases, the banking performance will be considered poor and invite the consolidation of an Islamic bank resulting in reduced financing provided and reduce the capital value of the Indonesian financial sector so that it lowers the value of Indonesian investment.

An Islamic Bank is said to perform well if its NPF (Non Performing Loan) is below the standards set by the Financial Services Authority. The smaller the NPF, the better

the performance of Islamic bank financing/credit. This study is in line with the previous researcher, Hakim (2017), namely the results of this research indicate the significance of the impact of macroeconomic conditions, either directly or indirectly through the variable credit risk management process, on the level of bank problem loans (NPF).

The results of this study are similar to previous researchers, namely Patni and Darma (2017) who found that NPL/NPF had a significant effect on Return on assets (ROA). It is known that a financial sector if its ROA value is good then it will be possible to invest a lot of funds into the financial sector where productivity will occur and increase economic growth.

#### **Influence of HDI on investment in Indonesia**

Based on the meaning of the standardized value coefficient beta coefficient 0.096 can be explained that if there is an increase in HDI 1 percent it will increase 0.096 percent of investment and the value of HDI has a positive and significant effect on investment. HDI does not significantly affect investment in Indonesia. This result contradicts the research of many people that the more educated a person is, the higher he makes his investment. This is in line with this study Komariah, et al (2019) which states that capital expenditure (investment) does not affect the Human Development Index (HDI) and vice versa.

The results of this study are not in line with the role of investment in a country, namely investment is always followed by technological developments that will make an important contribution to increasing productivity and per capita income of the community. However, if HDI does not affect investment, then the role of technology invested and developed by the quality of human resources in Indonesia is good, then the development of productivity and per capita income of the community will not occur.

#### **The effect of Sharia financing on consumption in Indonesia**

Based on the meaning of the standardized value coefficient beta coefficient 1.016 can be explained that if there is an increase in Islamic financing 1 percent it will increase 1,016 percent of consumption and the value of Islamic financing has a positive and significant effect on consumption. Sharia financing has a significant effect on consumption in Indonesia. The results of this study illustrate that with Sharia financing, the distribution of funds to the community will increase so that it will increase the consumption of Indonesian households. This study is in line with the theory of consumption, one of which is the theory of Relative Income (Relative Income Hypothesis), namely this theory pays more attention to the psychological aspects of households in the face of changes in income. The impact of changes in disposable income in the short term will be different than in the long term. This difference is also influenced by the type of income change experienced. Sharia financing is present to increase people's income by providing financing so that people increase their productivity so that they increase their income and increase consumption. In addition to being in line with consumption theory, this study is also in line with Mifrahi and Tohirin (2020) where they found that Islamic financing increases investment and consumption.

#### **Effect of NPF on consumption in Indonesia**

Based on the meaning of the standardized coefficient beta value of 0.084 can be explained that if there is an increase in NPF 1 percent it will increase 0.084 percent of consumption and NPF value positive and insignificant effect on investment. NPF significantly affects consumption in Indonesia. The increase of Islamic financing in Indonesia significantly affects consumption in this study, so that NPF which is part of Islamic banking also affects consumption. It can be concluded that if people's ability to pay decreases, people

choose to increase consumption compared to paying financing. This bad credit resulted in the value of Islamic financing NPF will increase.

The results of this study are in line with previous researchers, namely Dendawijaya (2005) which states that problem financing (NPF) can disrupt banking operations by providing financing for productive or consumptive needs of customers. This researcher also argues with other previous researchers, namely Hakim (2017) the results of this study indicate the significance of the impact of macroeconomic conditions, either directly or indirectly through the variable credit risk management process, on the level of bank problem loans (NPF).

The results of this study are also in accordance with the impact of problematic financing on consumers, namely the loss of trust in outsiders, business relations and the image and reputation of customers are damaged so that it will interfere with consumption activities. Conversely, if a customer has a good record and reduces the value of NPF in a bank, external confidence will increase so that he is more likely to increase his investment or financing which will affect his consumption which increases due to the income he gets from the investment or financing.

### **Effect of HDI on consumption in Indonesia**

HDI has a positive and insignificant effect on consumption in Indonesia, based on the meaning of the standardized coefficient beta value of 0.081, it can be explained that if there is an increase in HDI of 1 percent, it will increase 0.081 percent of consumption and the HDI value has a positive and insignificant effect on consumption. The results of this study indicate that the higher the quality of human resources in Indonesia, the increased interest to consume due to the increased quality of production of highly educated human resources.

This is not in line with Keynes's theory that states one of the consumer behavior on average propensity to Consume (Average

prospect to Consume) that Keynes states that the ratio of consumption to income falls when income rises. He believed that saving was a luxury, so he expected the rich to save a higher proportion of their income than the poor. Therefore, when consumers already get a large income prefer to invest it.

This study contrasts with previous researchers Komariah (2019) who concluded that partially capital expenditure did not have a positive and significant effect on HDI. The increase in HDI in Indonesia is increasing from year to year although Indonesia's HDI is still not better than Malaysia and developed countries, but the development of HDI numbers each year rose significantly. With the increase in HDI in Indonesia indicates that a family is able to determine the type of consumption according to the level of ability of the family. The types of consumption in question are both the consumption of basic goods (primary), secondary consumption and the consumption of luxury goods (tertiary).

### **The effect of Sharia financing on economic growth**

Sharia financing has a positive and significant effect on economic growth in Indonesia. Based on the meaning of the standardized value coefficient beta coefficient 0.976 can be explained that if there is an increase in Sharia financing 1 percent it will increase 0.976 percent of economic growth in Indonesia. The results of this study can be interpreted that with Islamic financing is able to increase economic growth through the distribution of Islamic loans to Indonesian households that encourage increased consumption expenditures and productivity of Indonesian households so that economic growth can be achieved.

The results of this study are in line with researchers from Turkey Ledhem and Mekidiche (2020) showing that Sharia financing accelerates Turkey's economic growth which is a Turkish government program (2019-2020) and improves Turkey's banking sector and global markets.

Therefore, researchers continue this research in Indonesia.

This study is also in line with Nawas, et al, (2019) who found that the Islamic financing system is very good at promoting economic growth and also found indirect combined evidence with population.

This study is in line with the theory of historical economic growth of Bruno Hildebrand, which relates to the financial sector, especially banking, economic growth will be very easy if technology and public transaction space meet in banking so as to increase economic activity and encourage economic actors to increase output so that in aggregate can increase economic growth. In addition to being based on the theory of economic growth, this study is also similar to previous researchers, namely Mifrahi and Tohirin (2020) who stated that Islamic banks (Sharia) cannot affect economic growth directly, but can indirectly affect through investment and consumption.

Researchers from Indonesia found the same results as researchers, namely Mulyadi and Sunarto (2022), namely the results of their research show that Islamic bank third-party funds have a positive effect, total assets of Islamic banks have a negative effect, Islamic bank financing has no effect both short-term and long-term on Indonesia's economic growth.

### **Influence of HDI on economic growth**

In this study, it is known that HDI has a positive and insignificant effect on economic growth. Based on the meaning of the standardized value coefficient beta coefficient 0.039 can be explained that if there is an increase in HDI 1 percent it will increase 0.039 percent of economic growth in Indonesia. This result shows that the more educated a person will increase their consumption because quality products produced by countries that have quality human resources attract consumers to consume. Increased consumption and productivity of quality human resources encourage economic growth in a country, especially Indonesia.

The results of this study are in line with the theory of economic growth from Adam Smith who said that economic growth rests on increasing population which has an impact on increasing output and results. Indonesia's human resources population is the fourth largest human resources in the world after China, India, USA. This makes the government is required to continue to improve the quality of SDMnya by providing education and training for SDMnya in the future. Not only the government the quality of human resources in Indonesia is also widely studied by researchers to measure some of its influence on the country.

This researcher is in line with previous researchers, namely Nawasi, et al (2019) who found that through state regression, adaptation to technology and knowledge innovation, investment in human resources, HDI (HDI), and economic freedom are very significant and needed in economic growth in Islamic countries. This study is also in line with the researcher Kakab, M. Elfan (2020) who found that HDI significantly impacts country GDP with FDI source country versus all countries and FDI presentation in the home country versus all countries.

### **Effect of investment on economic growth in Indonesia**

Investment in this study was found to have a positive and insignificant effect on economic growth. Based on the meaning of the standardized value coefficient beta coefficient 0.140 can be explained that if there is an increase in investment of 1 percent it will increase 0.140 percent and the value of investment has a positive effect and is not significant to economic growth.

The results of this study are not in line with previous researchers, namely Kerlyn and Defebri (2021) who stated in their research that only remittances and consumption expenditures have an effect on economic growth while investment does not. This research is also in line with the theory of historical economic growth of Bruno Hildebrand and Werner Sombart who assume that economic growth is driven by



the development of markets from prehistoric to modern times. Not only in line with the theory of historical economic growth, this study is also in line with modern economic theory, namely W.W Rostow, who stated that there are five stages of economic growth, one of which is the third and fourth stages that by investing will strengthen and encourage economic growth.

This study is also in line with the Modern economic theory of Harrod Domar which states that long-term economic growth is achieved when the conditions are met balance with increased investment in a sustainable manner. The results of this study are in line with the theory of economic growth by Ricardo and Mill which states that in the long term an economy in a stationary state or when the economy is very advanced so that innovation is very limited then economic development does not occur at all. This study is similar to the previous researcher Camlibel (2014) which states that through adaptation to technology and knowledge innovation, investment in human resources, HDI, and economic freedom, Islam is very significant and needed in economic growth in Islamic countries.

### **Effect of consumption on economic growth in Indonesia**

The effect of consumption on economic growth in this study has a positive and significant effect, namely if consumption increases by 1%, economic growth will decrease by 3.985 percent, or vice versa if consumption decreases by 1%, economic growth will decrease by 3.985 percent. This study is in line with the theory of relative income which explains the effect of short-term and long-term income affect a person's decision in making consumption. This is because the dominant influence of income in consumption that pay attention to the psychological aspects of households in the short and long term. This consumer decision greatly affects the target of producers to produce goods and also for the government in making domestic economic policy decisions.

In addition to being in line with consumption theory, this study is not in line with classical economic growth theory which assumes that a country will experience a decline in economic growth as the population increases and resources are increasingly limited. Increasing population and limited resources are the result of consumption that occurs massively and continuously. This study is also in line with previous researchers, namely Kerlyn (2021), whose research shows that remittances and consumer expenditures have a positive and significant influence on Indonesia's economic growth. In addition to Kerlyn, Munfaati (2021) also found in her research that zakat, state debt, consumption and government spending affect economic growth in the 2018-2020 period significantly.

### **The effect of Islamic Finance on economic growth through investment**

The direct effect of Sharia financing on economic growth is 0.976 and the indirect effect through investment is 0.142 this means that the direct effect is greater than the indirect effect. This study shows the positive influence of direct and indirect Islamic financing on economic growth. With the availability of Sharia financing distribution increases investment and money supply increases so as to increase community productivity which increases economic growth in Indonesia.

The increase in Sharia financing will certainly increase the productivity of people who invite investors to invest in Indonesia, so that more Indonesian production and increase Indonesia's economic growth. This research is more developed than previous researchers, namely Ledhem and Mekidiche (2020) who said Sharia financing accelerated the pace of economic growth in Turkey. In addition, this study is also in line with Nawas, et al (2019) who said Islamic economics is very good at promoting economic growth.

When viewed from economic theory, this study is in line with the theory of classical economic growth is Adam Smith's theory of

classical economic thinkers where economic growth is influenced by the number of population, the amount of capital stock, land area and natural resources, as well as the level of technology is a factor that affects economic growth. In addition to Adam Smith, the results of this study also agree with Bruno's thinking related to the financial sector, especially banking, economic growth will be very easy if technology and public transaction space meet in banking so as to increase economic activity and encourage economic actors to increase output so that in aggregate can increase economic growth.

In addition to agreeing with classical economic theory, the results of this study are in line with modern economic growth theory, especially the thought of Walt Whitman Rostow who divided economic growth into five stages, and this study is in line with the third stage of economic growth takeoff, which is the stage where people strengthen and encourage economic growth widely by making effective investments and productive savings.

#### **Influence of NPF on economic growth through investment**

The indirect effect of NPF on economic growth through investment is 0.012. NPFs have a positive effect on economic growth through investment. This study is contrary to the role of investment that is, if a community experiences difficulty paying its credit, it should reduce investment and economic growth due to lack of ability to pay a community. Problematic financing certainly affects the credibility of a banking and financial sector so that it will have an impact on reducing the financial sector of the community and reduce economic growth.

This study is a new discovery so that no researcher has yet combined NPF and economic growth. However, this study is in line with the classical economic growth theory of Bruno Hildebrand related to the financial sector, especially banking, economic growth will be very easy if technology and public transaction space meet in banking so as to increase economic

activity and encourage economic actors to increase output so that in aggregate can increase economic growth.

The results of this study are similar to previous researchers, namely Patni and Darma (2017) who found that NPL/NPF had a significant effect on Return on assets (ROA). It is known that a financial sector if its ROA value is good then it will be possible to invest a lot of funds into the financial sector where productivity will occur and increase economic growth.

This study also has similarities with previous researchers, namely Hakim (2017) which shows that macroeconomic conditions are significantly influenced directly or indirectly by the credit management process on the level of credit problems (NPL/NPF).

#### **Influence of HDI on economic growth through investment**

The direct influence of HDI on economic growth was 0.039 percent and the indirect influence of HDI on economic growth through investment was 0.013 percent. This can be interpreted that the direct influence is greater than the indirect influence which means that HDI through a positive influence and on economic growth, and investment has a positive contribution to the relationship of HDI and economic growth increasing HDI will encourage investors to menaanmkan capital because the better the quality of human resources of a country that encourages quality production so that it will increase the value of investors' investments. Increasing production and quality will increase economic growth in Indonesia.

The results of this study are in line with the theory of economic growth from Adam Smith who said that economic growth rests on increasing population which has an impact on increasing output and results. This is in line with the concept of economic growth put forward by Bruno Hildebrand who associated economic growth with human resources by doing a lot of production with increasing output increases the quality of human resources of a country.

This research is also in line with the role of investment in a country, namely investment is always followed by technological developments that will make an important contribution to increasing productivity and per capita income of the community and increase the economic growth of a country. This study also has the same results as previous researchers, namely Nawasi, et al (2019) who found that through state regression, adaptation to technology and knowledge innovation, investment in human resources, HDI (HDI), and economic freedom are very significant and needed in economic growth in Islamic countries. This study is also similar to researchers Kakab, M. Elfan (2020) who found that HDI significantly impacts country GDP with FDI source country versus all countries and FDI presentation in the home country versus all countries.

#### **The effect of Islamic Finance on economic growth through consumption**

Direct influence of Islamic finance on economic growth of 0.976 and indirect influence through consumption of 0.868 this means that the direct influence is greater than the indirect influence. This study shows the positive influence of both direct and indirect Islamic financing on economic growth. With the distribution of Sharia financing, consumption increases as a result of the distribution of money supply credit, increasing community productivity which increases economic growth in Indonesia.

The increase in Sharia financing will certainly increase consumption and productivity of the community so that it will increase economic growth in Indonesia. Sharia financing has a positive and significant effect on economic growth through consumption. This is in line with the theory of relative income which explains the influence of short-term and long-term income that affects a person's decision to consume and invites many financial sectors to increase their credit, especially the Islamic financial sector, namely Islamic financing to

increase output so that there is an increase in economic growth.

This research is in line with the theory of economic growth by W. It was W Rostow who divided the development of the economy on the basis of 5 stages. In this study in line with the third to last stage of the economic takeoff period, the drive towards maturity and high levels of consumption. This research is more developed than previous researchers, namely Ledhem and Mekidiche (2020) who said Sharia financing accelerated the pace of economic growth in Turkey. In addition, this study is also in line with Nawas, et al (2019) who said Islamic economics is very good at promoting economic growth.

#### **The effect of NPF on economic growth through consumption**

Indirect influence of NPF on economic growth through consumption of 0.071 can be explained that NPF has a positive and significant effect on economic growth through consumption and consumption has a positive contribution in influencing the relationship between NPF and economic growth. This study is contrary to the role of economic activity that is, if a society has difficulty paying its credit, it should reduce its consumption which results in decreased economic growth due to reduced consumption which will indirectly reduce the productivity of an Indonesian society

This study is in line with the classical economic growth theory of Bruno Hildebrand who reviewed the development of technology can be seen from the way of exchange in society such as the exchange of goods or barter, exchange with money, or exchange with credit. Bruno's thinking is related to the financial sector, especially banking, economic growth will be very easy if technology and public transaction space meet in banking so as to increase economic activity and encourage economic actors to increase output so that in aggregate it can increase economic growth.

The results of this study are similar to previous researchers, namely Patni and

Darma (2017) who found that NPL/NPF had a significant effect on Return on assets (ROA). It is known that a financial sector if its ROA value is good then it will be possible to invest a lot of funds into the financial sector where productivity will occur and increase economic growth.

This study also has similarities with previous researchers, namely Hakim (2017) which shows that macroeconomic conditions are significantly influenced directly or indirectly by the credit management process on the level of credit problems (NPL/NPF).

### **Influence of HDI on economic growth through consumption**

The direct influence of HDI on economic growth was 0.039 percent and the indirect influence of HDI on economic growth through investment was 0.069 percent. It can be interpreted that the indirect influence is greater than the direct influence which means that HDI through consumption has a positive effect on economic growth. Increasing HDI will encourage quality productivity so that increasing quality products will encourage consumers to consume which will increase economic growth in Indonesia.

The results of this study are in line with the classical economic growth theory assumes that a country will experience a decline in economic growth as the population increases and resources are increasingly limited. Especially Adam Smith's economic growth theory which says economic growth rests on increasing population which has an impact on increasing output and results. Smith explained that in development, population growth is one of the driving factors of economic development, patterns in the process are reflected when the development process occurs cumulatively.

The results of this study are also in line with the theory of economic growth by Walt Whitman Rostow, which divides the stages of economic growth in five stages, especially the last stage, namely high consumption economic growth, which is the stage where the industrial sector is the leading sector. Real income per capita continues to increase

so that some people experience an increase in consumption that goes beyond basic material needs.

This study also has the same results as previous researchers, namely Nawasi, et al (2019) who found that through state regression, adaptation to technology and knowledge innovation, investment in human resources, HDI (HDI), and economic freedom are very significant and needed in economic growth in Islamic countries. This study is also almost similar to researchers Kakab, M. Elfan (2020) who found that HDI significantly impacts country GDP with FDI source country versus all countries and FDI presentation in the home country versus all countries.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **CONCLUSIONS**

Based on the results of the study, it can be concluded as follows:

1. Sharia financing has a positive and significant influence on investment in Indonesia
2. NPF has a positive and significant influence on investment in Indonesia
3. HDI has a positive and significant influence on investment in Indonesia
4. Sharia financing has a positive and significant effect on consumption in Indonesia
5. NPF positive and insignificant effect on consumption in Indonesia
6. HDI has a positive and insignificant influence on consumption in Indonesia
7. Sharia financing has a positive and significant effect on economic growth in Indonesia
8. HDI has a positive and insignificant effect on economic growth in Indonesia.
9. Investment has a positive and insignificant effect on economic growth in Indonesia
10. Consumption has a positive and significant effect on economic growth in Indonesia

11. Sharia financing has a positive influence both directly and indirectly on economic growth in Indonesia through investment,
12. NPF has a positive influence in indirect influence on economic growth in Indonesia through investment.
13. HDI has a positive effect both directly and indirectly on economic growth in Indonesia through investment.
14. Sharia financing has a positive influence directly and indirectly on economic growth in Indonesia through consumption
15. NPF indirectly positive effect on economic growth in Indonesia through consumption
16. HDI positive effect directly and indirectly erhadap economic growth in Indonesia through consumption

## RECOMMENDATIONS

Suggestions researchers from research that has been done are as follows:

1. Theoretical
  - a. The results of this study are suggested to provide science and add information to the development of economics, especially monetary economics regarding sharia financing and NPF as well as public policy economics, accounting information, and the quality of accounting information.
  - b. The next research that makes this research as a reference material can examine the limitations of this research so that the discussion can become more complex not only from several aspects but also from sharia financing, NPF, HDI, investment, consumption and economic growth affect various aspects of the economy.
2. Practical
  - a. For further researchers should add other components contained in Islamic finance, NPF, HDI, investment, consumption and economic growth and can explain more fully besides it is better to compare the effect on other variables.
  - b. For stakeholders, this research can be used in the analysis of the Islamic

financial sector, especially Islamic banking, which aims to consider decision-making, especially related to the provision of Islamic financing appropriately and maintain the quality of financing by reducing the value of NPF and to investors in the decision to buy or sell stocks that are tailored to economic conditions that are experiencing, this is because NPF is a benchmark for Islamic banking performance and HDI is a benchmark for a country's success in improving the quality of its human resources.

3. Decision-making tools
  - a. For the government, in addition to taking action in regulating monetary and fiscal policies, namely the provisions to increase the money supply through interest rate decisions for Islamic financing and the provisions for limiting NPF criteria and supervision of investment actors. In addition, to increase subsidies to increase Indonesian household consumption
  - b. For OJK, it is as a reference to supervise Sharia commercial banks in providing Sharia financing and also in selecting customers who will be given financing so as to reduce problem financing (NPF)

## Declaration by Authors

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