

The Effect of The Sharia Capital Market Sector on Financial Deepening in Indonesia

Inchi Safitri^{1*}, Ema Sari²

¹Sharia economics, State Islamic University of Palopo 91914, Indonesia

²Digital business, Kunia Jaya Persada University, 91911, Indonesia

Email: inchisafitrim@gmail.com

Abstrak

This study aims to determine the effect of the Islamic capital market on financial deepening in Indonesia. The variables used are State Sukuk and corporate sukuk. This study is a quantitative study, using data from 2010-2019 published by the OJK and Bank Indonesia. The analysis method used is regression analysis. The results of this study indicate that the State sukuk variable has a significant effect on financial deepening in Indonesia, as evidenced by the t-test result of $2.369 > t$ table 2.353 with a significance of 0.05. Meanwhile, the corporate sukuk variable does not have a significant effect on financial deepening in Indonesia, as evidenced by the hypothesis test results of t count $1.588 < t$ table 2.353 with a significance of 0.156.

Keywords: Government_sukuk; Corporate_sukuk; Financial_deepening

1. Introduction

A country's economic growth will be largely determined by developments in the financial sector. This is because development in the financial sector involves planning and implementing policies to intensify the monetization of the economy by increasing access to financial institutions, transparency, and efficiency, as well as encouraging a reasonable rate of return [1]

The financial sector plays a significant role in driving Indonesia's economy. This can be seen from its role as a means for the public to invest, as a source of financing in various financial service instruments, and as a financial service industry organizer that performs intermediary functions. All intermediation and investment activities can foster various economic activities that are capable of creating jobs, increasing community income, economic added value, and the assets of financial institutions participating in the financial industry. The role and activities of financial services in the economy are often referred to as financial deepening (the depth of a country's financial sector) [2]

Financial deepening is measured by the ratio of money supply (M2) to gross domestic product (GDP). A higher M2 to GDP ratio indicates that the use of money in a country's economy is becoming more widespread. Financial deepening in Indonesia has increased every year. This can be seen from the significant increase in the amount of money in circulation, so that an increase in M2 will increase the financial deepening ratio. This indicates the efficiency of economic policies in Indonesia.[3] The greater the financial deepening, the greater the use of money in the economy and the greater and more widespread the activities of financial institutions and money markets. [4]

Financial deepening in a country will boost economic growth because it can allocate funds effectively to various potential sectors, minimize risk through financial product diversification, increase the number of production factors or improve the efficiency of their use, and increase the level of investment and marginal productivity of capital accumulation through more efficient use by people who have and more to people who have productive investment opportunities. [5]

As a developing country, Indonesia has characteristics that are not much different from other developing countries. Good economic growth is a major goal of a country's economic development. Financial deepening will indirectly increase access for individuals and households to basic needs such as primary needs, health, and education. Financial deepening will lead to a decline in poverty rates. [6]

Financial deepening can be influenced by several sectors such as macroeconomics, Islamic banking, and Islamic capital markets. [7]. The non-banking sector or Islamic capital markets include government sukuk and corporate sukuk. By issuing sukuk, companies will obtain funds and be able to carry out their plans for business expansion. [8]. Thus, it can be said that the Islamic capital market with corporate sukuk instruments has demonstrated its function as a financial intermediary with increasing depth. Similarly, with the issuance of government sukuk, part of the funds will be allocated to infrastructure, so in this case, government sukuk plays a role as a financial intermediary. [9]

Table 1

Year	Corporate Sukuk	Governmance
	Outstanding value (Triliun)	Outstanding value (Triliun)
2010	44,37	6.121,0
2011	77,73	5.876,0
2012	124,44	6.883,0
2013	169,29	7.553,0
2014	206,10	7.144,0
2015	297,58	9.902,0
2016	412,63	11.878,0
2017	551,56	15.740,5
2018	645,05	22.023,0
2019	740,62	29.829,50

The table above shows that government sukuk experienced an increase every year, while corporate sukuk experienced an increase every year except in 2011, when there was a slight decline. Based on the background description above, the researcher aims to analyze the influence of the Islamic capital market sector on financial deepening in Indonesia during the period 2010-2019. Government sukuk and corporate sukuk are used as independent variables, while the amount of money in circulation is used as the dependent variable.

2. Methodology

This study is a quantitative study. The type of data used is secondary data sourced from the Financial Services Authority (OJK) and Bank Indonesia (BI). The data was collected from January 2010 to December 2019. The data collected includes data on government sukuk,

corporate sukuk, and the broad money supply (M2). The data analysis technique used in this study is multiple linear regression analysis.

3. Result and Discussion

3.1 Result

Classical assumption test

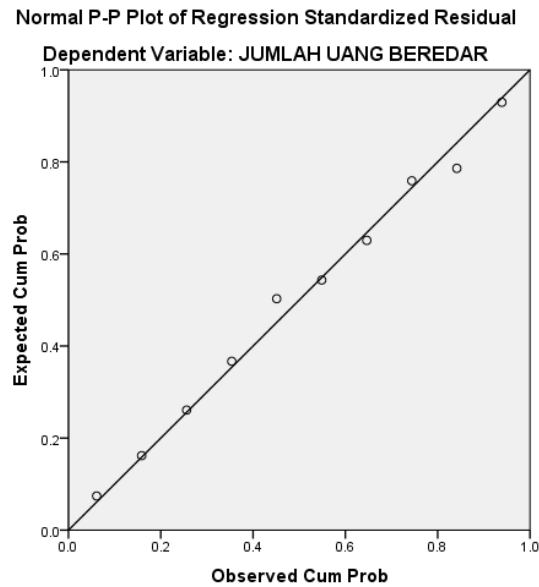
1. Normality test

The normality test in this study was conducted using the one-sample Kolmogorov-Smirnov test. A regression equation can be considered to pass the normality test if the Kolmogorov-Smirnov test significance value is > 0.5 . The test results are shown in the table below:

Table. 2

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		10
Normal	Mean	.0000000
Parameters ^{a,b}	Std. Deviation	901235.92747
		629
Most Extreme	Absolute	.103
Differences	Positive	.084
	Negative	-.103
Test Statistic		.103
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Based on the statistical test results, it can be concluded that the data is normally distributed. This is in accordance with the statistical test results using the Kolmogorov-Smirnov value. In Table 1, the Kolmogorov-Smirnov value of 0.200 or sig > 0.05 or 5% can be considered significant, meaning that the assumption of normality is fulfilled. In addition to the Kolmogorov-Smirnov test, another method for testing normality is to use a normal probability plot.



The figure above shows that the data is normally distributed because the points (data) on the normal probability plot graph follow the diagonal line. This means that the data in this study meets the assumption of normality based on the normal probability plot graph analysis.

2. Multicollinearity test

Multicollinearity testing aims to determine the relationship between independent variables in a regression model. A good regression model should not have correlation or relationships between independent variables. Multicollinearity testing can be seen from tolerance or variance inflation factor (VIF) as follows:

Model		Coefficients ^a						
		Unstandardized		Standardized	T	Sig.	Collinearity	
		B	Std. Error	Coefficients			Tolerance	VIF
1	(Constant)	1610579.036	632575.781		2.546	.038		
	Sukuk Negara	10329.987	4361.131	1.824	2.369	.050	.560	3.079
	Sukuk Korporasi	214.352	135.003	1.222	1.588	.156	.560	3.079

A. Dependent Variable: Jumlah Uang Beredar

Referring to the data presented in the table above, the tolerance shows a value greater than 0.10, where the state sukuk system variable (X1) is 0.560 and the corporate sukuk variable (X2) is 0.560. The VIF for all variables has a value less than 10. For the state sukuk variable, the value is 3.079, and for the corporate sukuk variable, the value is 3.079. Therefore, it can be concluded that all variables tested are free from multicollinearity because their tolerance scores are greater than 0.10 (>0.10) and their VIF values are less than 10.00 (<10).

3. Heteroscedasticity test

This test was conducted to see whether the type of data used for each variable was the same. The results of the heteroscedasticity test in this study can be seen in the following table:

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	1610579.036	632575.781		2.546	.038
	Sukuk Negara	10329.987	4361.131	1.824	2.369	.050
	Sukuk Korporasi	214.352	135.003	1.222	1.588	.156

a. Dependent Variable: Jumlah Uang Beredar

Table 4 shows that the variables analyzed in this study meet the requirements. As can be seen in Table 4 above, the significant probability score for each variable is greater than 0.05 (5%) overall. Therefore, it can be concluded that there are variables that exhibit heteroscedasticity and variables that do not exhibit heteroscedasticity in this study.

Hypothesis Test

1. Partial Test (T-test)

This test was conducted to determine the effect of each independent variable individually on the dependent variable. The independent variable is considered to have an effect based on a significance level of $\text{sig} < 0.05$. The results can be seen in the following table:

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1610579.036	632575.781		2.546	.038
	Sukuk Negara	10329.987	4361.131	1.824	2.369	.050
	Sukuk Korporasi	214.352	135.003	1.222	1.588	.156

a. Dependent Variable: Jumlah Uang Beredar

Based on the data table above, the estimation model can be analyzed as follows:

$$Y = 1610579.036 + 10329.987 X_1 + 214.352 X_2 + e$$

Explanation:

Y = Amount of money in circulation

α = Constant

X1 = Government Sukuk

X2 = Corporate Sukuk

e = error term

The results of the interpretation of the proposed hypotheses (H1, H2) can be seen as follows:

1. Government sukuk has an effect on financial deepening in Indonesia (H1). Based on the hypothesis test results, it can be seen that the government sukuk variable has a t-value of $2.369 > t\text{-table of } 2.353$ ($\text{sig} = 0.05$ and $\text{df} = n-k$, namely $10-7 = 3$) with an unstandardized beta coefficient of 0.103 and a significance level of 0.050 (5%), so H1 is accepted.
2. Corporate sukuk has an effect on financial deepening (H2). Based on the hypothesis test results, it can be seen that the corporate sukuk variable has a t-value of $1.588 < t\text{-table of } 2.353$ ($\text{sig} = 0.05$ and $\text{df} = n-k$, namely $10-7 = 3$) with an unstandardized beta coefficient of 0.214 and a significance level of 0.156 (therefore H2 is rejected).

Table 6. Simultaneous Test (F-test)

Model	Sum of Squares	ANOVA ^a				
		Df	Mean Square	F	Sig.	
1	Regression	10448221717 747.016	2	52241108588 73.508	5.003	.045 ^b
	Residual	73100357727 66.512	7	10442908246 80.930		
	Total	17758257490 513.527	9			

A. Dependent Variable: Jumlah Uang Beredar
 B. Predictors: (Constant), Sukuk Korporasi, Sukuk Negara

The table above shows a calculated F value of 7.003 with a significance level of 0.045 , which is less than 0.05 . The F test results show that all X variables collectively affect the Y variable.

3.2 Discussion

Financial deepening is a measure of the ratio between the amount of wealth expressed in monetary terms (financial assets) and national income. A higher ratio indicates a deeper financial sector in a country. The financial ratio is indicated by the ratio between the amount of money in circulation and GDP. Financial deepening is a term used to indicate an increase in the role and activities of financial services in the economy. [2]

The Islamic view of financial deepening is that it is an economic activity or social interaction that aims to improve the welfare of society because financial deepening can provide the public with an understanding of the activities of financial services in the economy, which can provide the public with an understanding of financial institutions that comply with sharia principles, which are expected to help the public live in accordance with Islamic rules [10].

The t-table result for government sukuk is 2.369 with a significance of 0.05 . This means that government sukuk has a positive and significant effect on financial deepening in Indonesia. This result is in line with the research conducted by Trimulato[11], which found that government sukuk has a significant effect on financial deepening. Considering the fact that the

issuance of government sukuk plays an important role in state finances, especially in financing the state budget, the government always strives to issue government sukuk in accordance with the state budget targets efficiently. Government sukuk are State Sharia Securities (SBSN) issued based on sharia principles as evidence of participation in government sukuk assets (Law Number 19 of 2008 concerning SBSN). [12]

The role of State Sharia Securities (SBSN) or State Sukuk as one of the instruments for financing the State Budget has increased over time. One of the objectives of state sukuk is to finance government projects.[4] The efficient and regular issuance of state sukuk can increase liquidity and investment instruments in the sharia financial market, thereby expanding the market base and increasing financial depth. In addition, state sukuk are also used as a tool in open market operations by Bank Indonesia, which helps control the amount of money in circulation and maintain monetary stability. Thus, state sukuk are not only an alternative for financing infrastructure development, but also encourage the growth and development of the Islamic finance sector, which directly strengthens financial deepening in Indonesia.[9]

The t-table result for corporate sukuk is 1.588 with a significance of 0.156. This indicates that corporate sukuk does not have a significant effect on financial deepening in Indonesia. The development of the number of corporate sukuk from year to year shows good progress. This can be seen from the consistently positive upward trend. Although corporate sukuk appeared earlier than state sukuk, its growth has been quite slow compared to state sukuk. [13] explains several factors causing the low issuance of sukuk, including general economic conditions, management's understanding of sukuk, the sukuk issuance process, and taxation aspects in sukuk issuance. In addition, there are factors that are indirectly related to the liquidity of the sukuk secondary market, namely: first, the limited issuance of corporate sukuk in Indonesia in terms of number, tenor variation, and contract types; and second, the lack of investor understanding of corporate sukuk trading in the secondary market.[14] Third, corporate sukuk issuance is still not offered to the general public on a retail basis but is limited to institutional or individual investors with relatively large nominal values, even though several existing regulations provide sufficient facilitation to serve as a basis for retail corporate sukuk issuance. Fourth, the majority of corporate sukuk investors are local institutional investors such as insurance companies, pension funds, and structured mutual funds that tend to purchase sukuk to hold until maturity.[15]

4. Conclusion

Based on the results of data processing and analysis conducted from a study entitled “The Effect of the Sharia Capital Market Sector on Financial Deepening in Indonesia,” it can be concluded that: The state sukuk variable has a significant effect on financial deepening in Indonesia, and the corporate sukuk variable does not have a significant effect on financial deepening in Indonesia.

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