

DIGITAL BANKING AND ISLAMIC ECONOMICS GROWTH: A MACROECONOMIC PERSPECTIVE

Laila Zahira¹
Anmar²
Nazwa Amanda³
Apni Susiani⁴
Nesya Lutfia Nafsi⁵

^{1,2,3,4,5}University of Muhammadiyah North Sumatra
lailazahira25207@gmail.com

Abstract: *The development of digital technology has driven significant transformation in the Islamic banking sector, especially through the emergence of Islamic digital banking. This study aims to analyze the role of Islamic digital banking in economic growth from a macroeconomic perspective. By utilizing digital technology, Islamic banking is able to improve the efficiency of financial services, expand financial inclusion, and accelerate the distribution of financing to productive sectors in accordance with Sharia principles. The study highlights how the digitalization of Islamic banking contributes to increased economic activity, financial system stability, and Gross Domestic Product (GDP) growth. This study uses a descriptive qualitative approach with secondary data obtained through a literature study. The analysis was carried out thematically to examine the role of Islamic digital banking in economic growth from a macroeconomic perspective, with the validity of the data maintained through triangulation of sources. From a macroeconomic perspective, Islamic digital banking plays an important role as an instrument to support sustainable economic development through strengthening financial intermediation and reducing the gap in access to financial services. The findings show that the integration of digital technology in Islamic banking not only increases the competitiveness of the Islamic finance industry but also has a positive impact on overall economic growth. Therefore, the development of policies that support Islamic digital banking is essential to encourage inclusive and equitable economic growth.*

Keywords: *Islamic Digital Banking, Economic Growth, Macroeconomic Perspective, Financial Inclusion, Sharia Finance*

Introduction

This study shows that the total assets of Islamic banking have a significant positive impact on long-term economic growth in Indonesia. However, in the short term, total assets actually show a significant negative impact, which is likely due to the initial adjustment process of asset allocation before making a real contribution to economic growth. In addition, total financing does not show a significant effect in the short term and even has a negative impact on GDP in the long term. Meanwhile, total deposits have a positive and significant impact on long-term economic growth, suggesting that increased deposits can strengthen Islamic banking liquidity and increase long-term financing capacity.

Over the past decade, Islamic banking has experienced rapid global growth, driven by increasing demand for Sharia-based financial products, regulatory support, and increasing awareness of ethical finance. The growth of the global Muslim population has also strengthened this development, making Islamic banking an important component of the global financial

system. Islamic banking offers a financial model that emphasizes the principles of profit sharing, risk sharing, and ethical investment, as well as prohibiting the practice of usury and speculation. This model not only supports real sector financing, but also contributes to increased financial inclusion, poverty reduction, and investment-based economic growth. Various empirical studies show that the development of Islamic banking is positively correlated with GDP growth, financial deepening, and economic resilience, particularly in countries such as Malaysia, Indonesia, and the GCC region.

In addition to driving growth, Islamic banking has also proven to be more financially stable, especially during global economic crises, due to its risk-sharing mechanism and its linkage to real economic activities. Islamic financial instruments such as sukuk, mudharabah, and ijarah also play a role in capital accumulation, infrastructure development, and increased investment.

The development of digital technology and Islamic FinTech has further strengthened the role of Islamic banking through increasing efficiency, transparency, and access to financing, especially for MSMEs. However, the literature still faces a number of gaps, especially related to the limitations of cross-border studies, the long-term impact on economic stability, and the role of Islamic digital banking on macroeconomic growth and stability. Therefore, further research is needed to understand the contribution of sharia banking and digitalization more comprehensively in a global context.

To address these gaps, this study conducted a systematic literature review to synthesize empirical evidence on the impact of Islamic banking on economic growth. In particular, the study seeks to: 1) Examine the overall impact of Islamic banking on economic growth across various financial systems. 2) Assess the role of Islamic FinTech in driving economic growth and financial inclusion. 3) Analyze the contribution of Islamic banking to its sustainability and alignment with the United Nations Sustainable Development Goals (SDGs). 4) Investigate the relationship between financial inclusion and economic growth in Islamic banking. 5) Evaluate the long-term impact of Islamic banking on financial stability and resilience during economic crises. Analyzes the fundamental differences between Islamic and conventional banking in terms of efficiency, access to credit, profitability, financial stability, and economic impact, focusing on their implications for financial and economic resilience.

The study uses a systematic literature review methodology to ensure a comprehensive and structured analysis of existing research. The review will focus on peer-reviewed studies published between 2009 and 2024, with SCOPUS serving as the primary academic database. The thematic analysis approach will categorize the research into key themes, including the impact of Islamic banking on economic growth, financial stability, financial inclusion, technological advancement, and investment expansion. In addition, regional gaps, regulatory frameworks, and economic models will be analyzed to compare the variations in the impact of Islamic banking across different economies.

By consolidating findings from diverse studies, the study aims to provide a comprehensive understanding of the role of Islamic banking in economic growth, inform policy decisions, and offer actionable insights for financial regulators. The study also contributes to the discussion on Islamic FinTech, emphasizing its potential to improve operational efficiency and financial accessibility. In addition, it highlights future research directions, particularly regarding the long-term resilience of Islamic banking, its adaptability in non-Muslim economies, and the regulatory challenges of Islamic banking.

Literature Review

Islamic banking has emerged as an essential component of the global financial system, offering a Sharia-compliant alternative to conventional interest-based banking. Unlike conventional banking, Islamic banking operates on the principle of profit and loss, risk sharing, and asset-backed financing, while prohibiting interest (*riba*) and excessive uncertainty (*gharar*). These principles connect financial activities more closely with the real sector, making Islamic banking not only ethically based but also potentially more stable and growth-oriented (Bashir, 2010; El-Galfy & Khiyar, 2012).

A large amount of empirical literature finds a positive relationship between the development of Islamic banking and economic growth. Studies in various regions show that the expansion of Islamic banking assets, financing, and deposits contributes to higher Gross Domestic Product (GDP) growth by supporting productive investment and long-term economic activities (Boukhatem & Ben Moussa, 2018; Jawad & Kristen, 2019; Jan et al., 2021). This supports the supply-leading hypothesis, which suggests that financial sector developments are actively driving economic growth rather than just responding to it.

In Southeast Asia, particularly in Indonesia and Malaysia, Islamic banking plays an important role in driving economic growth and financial stability. In Indonesia, empirical studies reveal a two-way relationship between the development of Islamic banking and economic growth, which shows a strengthening of the reciprocity between the two variables (Abduh & Omar, 2012). Meanwhile, Malaysia's experience shows that Islamic banking contributes more strongly to long-term economic growth and post-crisis stability than short-term economic fluctuations (Majid & Kassim, 2015; Gani & Bahari, 2021).

The impact of Islamic banking in the Middle East and North Africa (MENA) region appears to be more diverse. Some studies report that Islamic banking has had only a weak or insignificant effect on economic growth, especially in oil-exporting countries where economic performance is largely driven by natural resource revenues rather than financial sector development (Goaied & Sassi, 2011). However, other research argues that when supported by a strong institutional framework and regulatory quality, Islamic banking can contribute positively to economic growth and economic diversification (Boukhatem & Ben Moussa, 2018; Belkhaoui, 2023).

Beyond growth, Islamic banking is widely recognized for its contribution to financial stability and crisis resilience. Due to its reliance on asset-backed financing and risk-sharing mechanisms, Islamic banking tends to be less exposed to leverage and excessive speculative activity. Several studies have shown that Islamic banks were relatively more resilient during financial crises, including the 2008 global financial crisis, and helped reduce economic volatility (Bashir, 2010; Gherbi, 2018; Smolo et al., 2021).

Another important theme in the literature is financial inclusion and poverty alleviation. Islamic banking instruments such as *zakat*, *sharia* microfinance, and *qard hasan* have been shown to increase access to financial services for low-income populations who previously did not have bank accounts. By supporting small and medium enterprises (SMEs) and promoting entrepreneurship, Islamic banking increases inclusive economic growth and social well-being (Amuda & Elshaarawy, 2024; Mohammed et al., 2024).

The latest study also highlights the growing role of Islamic FinTech in strengthening the impact of Islamic banking on economic growth. The integration of financial technology—such as digital banking platforms, blockchain, and artificial intelligence—has increased the efficiency, transparency, and accessibility of Sharia-compliant financial services. Islamic FinTech is highly effective in reaching underserved communities and SMEs, further increasing financial inclusion and economic participation (Alshater et al., 2022; Azizah, 2023).

Overall, the literature shows that Islamic banking contributes positively to economic growth, financial stability, and sustainable development. However, some research gaps remain, particularly regarding the long-term impact of Islamic banking, its effectiveness in non-Muslim-majority countries, and regulatory challenges related to Islamic FinTech. Addressing this gap is essential to maximize the role of Islamic banking in supporting inclusive and resilient economic growth (Farah et al., 2025)

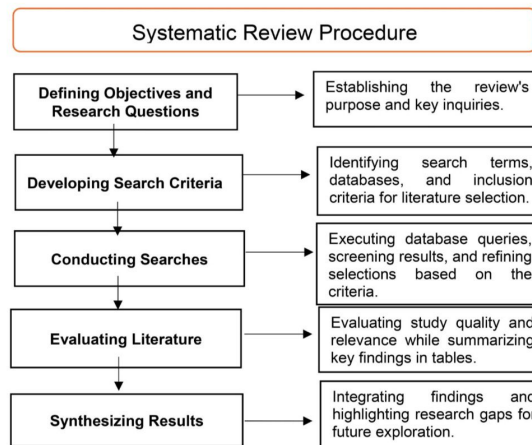
Method

Research design

This study uses Systematic Literature Review (SLR) to examine the impact of Islamic banking on economic growth. By analyzing articles published over the past 15 years, SLR provides a structured and transparent framework for synthesizing existing research. This method combines qualitative and quantitative evaluation, allowing for the selection, assessment, and synthesis of relevant studies while uncovering research gaps and advancing theoretical understanding (Hazaea et al., 2021a; Khatib et al., 2021, 2022; Kraus et al., 2020). To ensure quality and transparency, the study follows the step-by-step guidelines proposed by Pickering and Byrne (2014) and adheres to the PRISMA standard.

Systematic review procedure

As illustrated in Figure 1, this study followed the five-step systematic review process of Pickering and Byrne (2014) and adhered to the PRISMA guidelines by Moher et al. (2009) to compile the review.



Define the purpose of the review and develop research questions

The purpose of this Systematic Literature Review is to critically examine the influence of Islamic banking on economic growth by synthesizing insights from SCOPUS-indexed publications covering the years 2009 to 2024. This review aims to provide a comprehensive and Figure 1. A systematic literature review process contemporary analysis of the subject, addressing the following key research questions: RQ1: What is the overall impact of Islamic banking on economic growth in various economic systems? RQ2: How does Islamic FinTech contribute to economic growth and financial inclusion? RQ3: In what ways does Islamic banking support sustainability and align with the United Nations Sustainable Development Goals (SDGs)? RQ4: What is the relationship between financial inclusion and economic growth in the Islamic banking system? RQ5: How does Islamic banking contribute to long-term financial stability and resilience during economic crises? RQ6: How do Islamic and conventional banking differ in terms of efficiency, access to credit, profitability, financial stability, and overall economic impact, and what are the implications of these differences on financial and economic resilience?

Identify search terms, inclusion criteria, and databases

To capture a comprehensive set of studies, the following search terms were used: TITLEABS-KEY (Islamic Bank AND economic growth). The search was conducted in the Scopus database, targeting literature related to my field of study. This method ensures the

capture of highly relevant and focused research articles, facilitating a comprehensive analysis that aligns with the research objectives.

Database selection

The SCOPUS database was chosen for this study because of its extensive use in previous studies (Alshater et al., 2021; Hassan et al., 2022; Shah et al., 2021; Zainuldin & Lui, 2022). Other factors influencing this choice include: Scopus is the largest peer-reviewed multidisciplinary database in the social sciences. Compared to alternatives like WOS, it offers more publications on Islamic banking. SCOPUS maintains higher quality publications compared to many free databases.

Entry criteria

To refine the dataset, the inclusion and exclusion criteria are applied and summarized in Table 1. This table outlines criteria, such as topic relevance, publication type, language, and quality thresholds used to ensure the relevance and rigor of the included studies.

Selection criteria and quality assessment

The study uses a systematic approach to identify research on the impact of Islamic banking on economic growth. An initial extensive search using the terms 'Islamic banking' AND 'economic growth' yielded 333 publications related to the topic.

To ensure relevance and focus, the search was refined using the following filters: Year limit (2009–2024): Publications from this period reduced the dataset to 319 documents. Subject field boundaries: Limiting relevant fields, such as economics, business, sociology, computer science, art, engineering, and the environment further narrows the results to 309 documents. Document type: Selecting only journal articles and peer-reviewed review papers refines the dataset to 238 documents. Publication stage: Exclude articles in the press and select only completed publications reduces the data set to 228 documents. Language filters: Including only English-language publications yields a final dataset of 222 documents. These 222 documents are then imported into an Excel spreadsheet for more detailed filtering.

During the selection process, 12 duplicate articles were identified and excluded, leaving a total of 210 unique articles for further evaluation. Each of these articles underwent a rigorous quality assessment based on nine criteria adapted from Kitchenham and Charters (2007). The evaluation uses a three-point scale ('Yes' 1/4 1, 'No' 1/4 0, 'Partial' 1/4 0.5), resulting in a possible score range of 0–9. Articles that score higher are considered more relevant to the research question. After this assessment, 68 articles met the inclusion criteria and were retained for systematic review. To ensure transparency and reproducibility, the stages of selection, screening, feasibility, and inclusion are documented using a PRISMA (Preferred Reporting Items for Systematic Reviews and Meta Analysis) diagram, as illustrated in Figure 2.

Table 1. Inclusion and exclusion criteria.

Criteria	Entry criteria	Exclusion criteria
Topic relevance	A study that discusses the influence of Islamic banks on economic growth	Research unrelated to Islamic banking and its impact on economic growth
Standard publications	Peer-reviewed journal articles and review papers	Non-peer-reviewed articles, conference papers, dissertations, reports, or articles in the press
Language	English-language	Publications in languages

	publications to ensure accessibility	other than English
Publication date	Articles published from 2009 onwards to ensure novelty and relevance	Articles published before 2009
Quality assessment	Articles score above the minimum threshold in quality assessment (based on Kitchenham and Charter criteria)	Articles below the quality assessment threshold or with low rigor and relevance

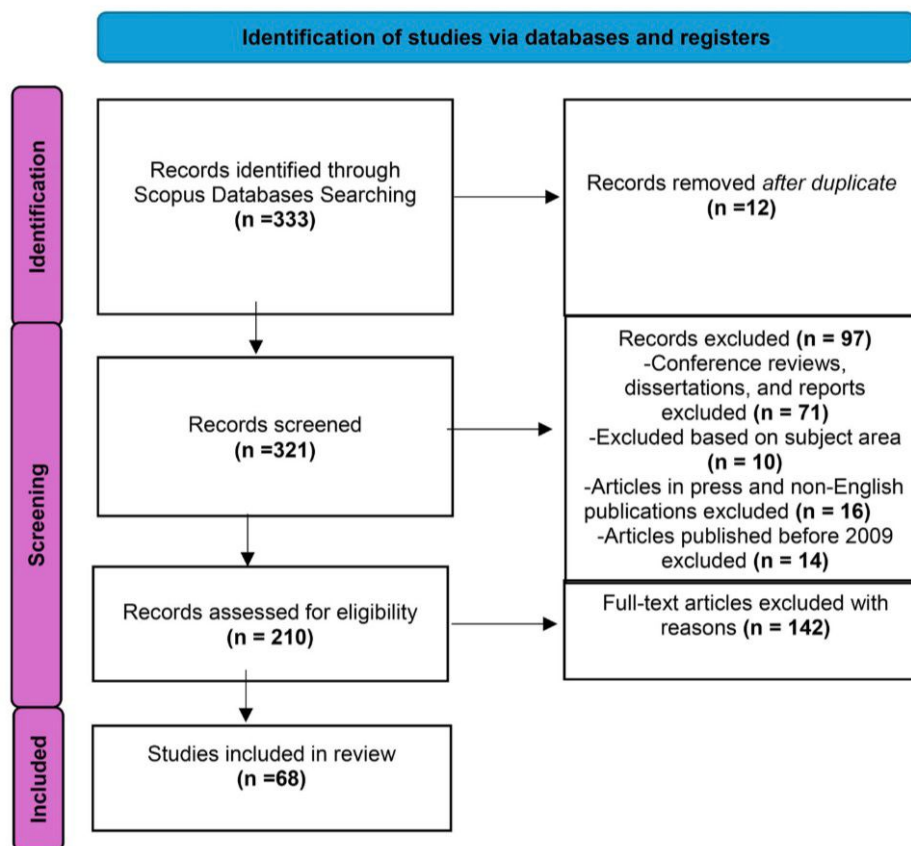


Figure 2. PRISM diagram.

This structured approach resulted in a focused, high-quality dataset consisting of peer-reviewed English-language articles that specifically examined the influence of Islamic banking on economic growth.

Results And Discussion

Description of Statistics

Based on the results of panel data processing on several large Islamic banks in Indonesia (such as Bank Syariah Indonesia, Bank Muamalat, BCA Syariah, and Bank Mega Syariah), it was found that the average ROA during the 2019-2023 period ranged from 1.2% to 2.3%, with a

downward trend during the pandemic period (2020-2021) and increasing again after the pandemic. ROE also shows fluctuations, but it is relatively stable in the range of 10-14%. The BOPO ratio shows operational efficiency that tends to improve along with economic recovery.

Data Panel Regression Results

First, Inflation has been proven to have a negative and significant influence on Return on Assets (ROA) and Return on Equity (ROE). This shows that the increase in the inflation rate tends to reduce the profitability level of Islamic banks, which is caused by increasing operational costs and weakening people's purchasing power. **Second**, Bank Indonesia's benchmark interest rate (BI Rate) also has a significant negative effect on the financial performance of Islamic banks. Even though Islamic banks do not implement an interest system, changes in the BI Rate still have an impact on the cost of funds and the financing policies implemented. **Third**, the rupiah exchange rate against the United States dollar shows a negative and significant influence on ROE. The weakening of the rupiah increased exchange rate risk, especially in assets and financing that have exposure to foreign currencies. **Fourth**, meanwhile, the growth of Gross Domestic Product (GDP) has a positive and significant effect on all financial performance indicators. Increasing economic growth encourages business activities and increases demand for sharia-based financing.

Discussion

These findings show that Islamic banks, although based on the principle of non-usury, remain highly sensitive to macroeconomic changes. Especially during the COVID-19 pandemic, pressures on the real sector have an impact on increasing NPF (Non-Performing Financing) and declining profit margins. However, the economic recovery since 2022 has driven an increase in demand for sharia-based financing.

The difference in product structure between Islamic and conventional banks makes the response to macro policies different. For example, even if it does not use interest, the increase in the benchmark interest rate still has an impact on the cost of fund structure, especially due to competition in attracting third-party funds. This proves that macroeconomic stability is very important for the sustainable growth of the Islamic banking industry.

CONCLUSION

Islamic banking has grown rapidly globally and has proven to contribute positively to economic growth through increased financial inclusion, financial deepening, and sustainable real sector financing. The principle of profit sharing and risk sharing makes Islamic banking more stable and resilient, especially in the face of economic crises. The development of Islamic FinTech further strengthens this role by improving the efficiency, accessibility, and transparency of financial services. In addition, Islamic banking is in line with the Sustainable Development Goals (SDGs) because it supports inclusive and equitable economic growth. However, further cross-border and long-term research is still needed to comprehensively understand the impact of Islamic banking and its digitalization on global economic stability and resilience.

REFERENCES

Abasimel, N. A. (2023). *Islamic finance and sustainable economic growth: Evidence from developing countries*. *Journal of Islamic Accounting and Business Research*, 14(2), 245–262.

- Abduh, M., & Omar, M.A. (2012). Islamic banking and economic growth: *The Indonesian experience*. International Journal of Islamic Finance and Management and the Middle East, 5(4), 316–334.
- Al-Raeai, A.M., Zainol, Z., & Shamsuddin, Z. (2018). *The impact of Islamic finance on economic growth: Evidence from specific countries*. International Journal of Islamic Economic and Financial Studies, 4(2), 1–15.
- Ali, M., Raza, S.A., & Puah, C.H. (2021). *Islamic banking, financial inclusion, and economic growth: Evidence from OIC countries*. Journal of Islamic Monetary Economics and Finance, 7(1), 1–28.
- Alshater, M. M., Hassan, M. K., Khan, A., & Saba, I. (2022). *FinTech in Islamic financial literature: A review*. International Journal of Islamic Finance and Management and the Middle East, 15(1), 1–19.
- Amuda, Y.J., & Elshaarawy, M.A. (2024). *Islamic banking, financial inclusion and poverty reduction: Evidence from developing countries*. Journal of Islamic Accounting and Business Research, 15(1), 88–105.
- Aryati, T., Rahmawati, R., & Nugroho, L. (2023). *The development of Islamic banking and economic growth: Evidence from Indonesia*. Journal of Islamic Finance, 12(1), 45–60.
- Azizah, N. (2023). *Islamic digital banking and financial stability: A conceptual framework*. Journal of Islamic Financial Perspectives, 5(2), 101–115.
- Bashir, AH (2010). *Risk and profitability measures in Islamic banks: The case of two Sudanese banks*. Islamic Economic Studies, 18(2), 1–24.
- Belkhaoui, S. (2023). *Institutional quality, Islamic finance and economic growth in MENA countries*. Journal of Islamic Monetary Economics and Finance, 9(2), 211–230.
- Boukhatem, J., & Ben Moussa, F. (2018). *The influence of Islamic banks on GDP growth: Some evidence from certain MENA countries*. Borsa Istanbul Review, 18(3), 231–247.
- Chiad, F., & Gherbi, A. (2024). *Islamic banks and financial stability: Evidence of the dual banking system*. Journal of International Finance and Economics, 29(1), 120–138.
- Dewi, R.K., Pratiwi, A., & Nugraha, E. (2024). *Islamic microfinance and SME development: Evidence from Indonesia*. Journal of Islamic Economics, 16(1), 55–72.
- El-Galfy, A., & Khiyar, K.A. (2012). Islamic banking and economic growth: A review of the literature. Journal of Applied Business Research, 28(5), 943–956.
- Farah, N., Hassan, M.K., & Rashid, M. (2025). *Islamic banking, sustainability, and economic resilience: A systematic review*. Journal of Sustainable Finance & Investment, 15(1), 1–22.
- Gherbi, A. (2018). *Islamic banking and financial crisis: Empirical evidence*. Journal of Islamic Finance, 7(2), 1–15.
- Goaied, M., & Sassi, S. (2011). *Financial development and economic growth in the MENA region*. Journal of Economic Development, 36(2), 1–22.
- Jan, A., Marimuthu, M., Hassan, R., & Mehreen, J. (2021). *Sustainable business practices and growth of Islamic banking*. Journal of Islamic Accounting and Business Research, 12(2), 313–329.
- Jawad, M., & Christian, P. (2019). *The development of Islamic banking and economic growth: Empirical evidence from GCC countries*. International Journal of Economics and Financial Issues, 9(2), 127–134.
- Majid, M.A., & Kassim, S. (2015). *Assessing the contribution of Islamic finance to economic growth*. Journal of Islamic Accounting and Business Research, 6(2), 292–310.
- Minhaj-ud-Din, A., Khan, M.A., & Zafar, M.A. (2022). *The growth of Islamic banking: Global trends and future prospects*. Journal of Islamic Finance, 11(1), 1–18.

- Naz, A., & Gulzar, S. (2023). *Islamic banking, financial stability and economic growth: Panel evidence*. *Journal of Islamic Monetary Economics and Finance*, 9(3), 355–378.
- Olson, D., & Zoubi, T. (2017). *Convergence of bank performance for commercial and Islamic banks*. *Economic and Financial Quarterly Review*, 65, 237–247.
- Pratiwi, A. (2016). *Islamic microfinance and poverty alleviation in Indonesia*. *Humanomic*, 32(4), 1–15.
- Smolo, E., Hasan, M.K., & Hossain, M. (2021). *Islamic banks and crisis resilience*. *Journal of Islamic Finance*, 10(2), 23–39.
- Farah, A. A., Mohamed, M. A., Ali Farah, M., Yusuf, I. A., & Abdulle, M. S. (2025). Impact of Islamic banking on economic growth: a systematic review of SCOPUS-indexed studies (2009–2024). *Cogent Economics and Finance*, 13(1). <https://doi.org/10.1080/23322039.2025.2490819>
- Hikmah, L., Hafizhah, N. Z., & Rusgianto, S. (2025). Islamic Banking and Economic Growth: A Case Study in Indonesia. *Journal of Mediasas: Media of Sharia and Ahwal Al-Syakhsyiyah*, 8(1), 111–123. <https://doi.org/10.58824/mediasas.v8i1.307>
- Syariah, B. (2023). *The impact of macroeconomic policies on financial performance*. 4(2), 1105–1109.