

ABSTRACT

Islamic banking financing, through profit sharing and non profit sharing mechanisms, plays a crucial role in mobilizing funds and allocating them to productive sectors. As one of the investment instruments, financing is believed to have significant potential to boost economic growth in a country.

The research aims to analyze the impact of the variables of Profit Sharing Financing (PBH), Non Profit Sharing Financing (PNBH), and Money Supply (JUB) on Economic Growth (PE) in both the short and long term. The method used in the analysis is the Vector Error Correction Model (VECM), with Eviews 12 as the analysis tool. The data used covers the quarterly period from 2016 to 2023.

The study findings indicate that only the Profit Sharing Financing variable has a significant impact on Economic Growth in the short run. Meanwhile, in the long run, the variables of Profit Sharing Financing, Non Profit Sharing Financing, and Money Supply are proven to have a significant impact on Economic Growth.

Keywords: Financing, Macroeconomics, Economic Growth, VECM

