

## THE IMPACT OF SUKUK ON ECONOMIC GROWTH IN COUNTRIES WITH THE HIGHEST SUKUK ISSUANCE: A CASE STUDY OF TURKEY

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### ABSTRACT

Sukuk is a sharia-based investment instrument that has made an important contribution to the country's economy. This study aims to analyze the impact of sukuk issuance on economic growth in the five countries with the largest sukuk issuance. The research approach uses a descriptive quantitative method with time series data and Vector Error Correction Model (VECM) analysis to assess the short-term and long-term relationship between sukuk and economic growth. The secondary data used covers the period 2014–2023. The results of the analysis at the individual level show a probability value above the minimum level, which means that the partial effect of sukuk is not yet statistically significant on Turkey's GDP. This could be due to internal factors, such as pressure from domestic instability, geopolitical tensions, and a current account deficit of USD 32.6 billion in 2016.

Keywords: Economic Growth, GDP, Investment, Sukuk

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### INTRODUCTION

By 2025, Turkey's population is estimated to reach approximately 87.7 million, with a relatively stable growth rate. Turkey has one of the largest Muslim populations in the world, with the majority of the population being Muslim. This makes Turkey's demographic characteristics highly relevant for the development of Islamic financial instruments, particularly sukuk (Kaplan, 2023). The sukuk market has experienced rapid growth and has become an alternative financing option to cover government deficits and support corporate business expansion (Alqurnia et al., 2023). According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), sukuk are investment certificates of equal value and represent undivided ownership of specific assets, benefits, or services (Mohamed et al., 2017).

Since its introduction in the early 2000s, the global sukuk market has shown significant growth. According to the International Islamic Financial Market (IIFM) 2023, there was a significant increase in the global sukuk market of 16%, equivalent to USD 212 billion, driven by increased domestic and international sukuk issuance. According to the 2023 stability report from the Islamic Financial Services Board (IFBS), the total value of the Islamic finance industry is estimated to reach USD 3.38 trillion. Total sukuk outstanding globally in 2023 reached USD 0.842 billion, or approximately 24.94% of the total assets of the Islamic finance industry. This confirms sukuk's position as a key instrument for Sharia-compliant financing and attracts interest from both domestic and international investors (Abdul et al., 2024).

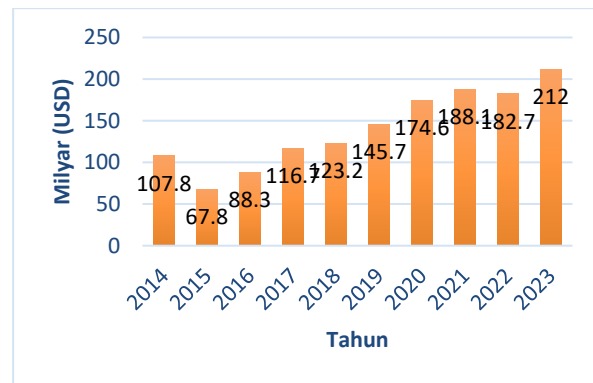


Figure 1. Graph of Global Sukuk Issuance 2014-2023.

The data above shows the global sukuk issuance trend over the past 10 years, expressed in billions of USD. The data presented shows fluctuations in sukuk issuance over this period. According to a report by the International Islamic Financial Market (IIFM), many countries began issuing sukuk in 2001. Approximately 27 countries issued sukuk between 2001 and 2023.

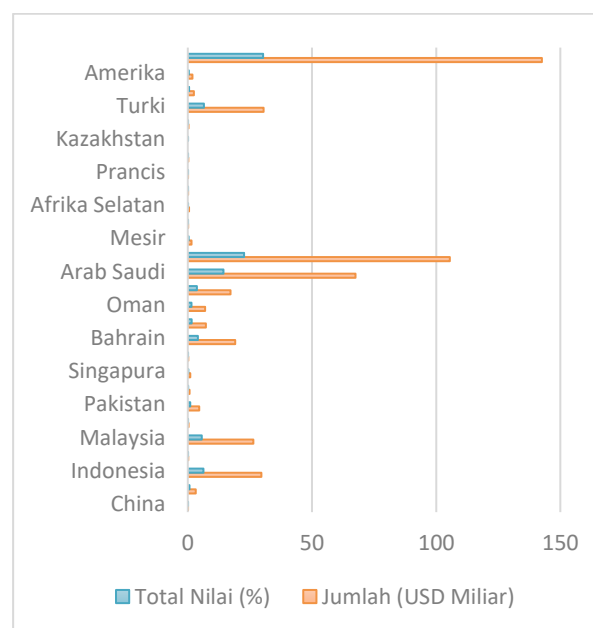


Figure 2. Graph of the Number of Sovereign Sukuk Issuances in the World 2001-2023

The graph shows the five countries with the highest number of sukuk issuances. Turkey ranks third with an issuance of USD 30.52 billion, or 6.49% of total sukuk issuance. Sukuk issued by the Turkish government increases state

revenue through sukuk taxes (Okur, 2023). The Turkish government utilizes sukuk as a strategic instrument to stimulate economic growth while supporting sustainable infrastructure development (Gurbuz et al., 2023). The trend of sukuk issuance in the country shows a significant increase, in line with the government's financing needs for implementing various development projects and expanding inclusive economic growth.

This study highlights the important role of sukuk in the Turkish economy, particularly in examining its contribution to national economic growth. This study aims to examine the impact of sukuk issuance on economic growth in countries with the highest sukuk issuance rates, with a particular focus on Turkey as a case study.

## MATERIALS AND METHODS

This study used three variables: sukuk as the independent variable, GDP as the dependent variable, and the difference between sukuk and investment as the control variable. This study used a descriptive quantitative method. The sample was Turkey, one of the five countries with the largest sukuk issuances between 2014 and 2023. The data used were secondary time series data obtained from the IIFM, World Bank, IDB, and IFRS websites, or official government reports covering the 2014-2023 period. Data processing was performed using the Time Series Regression method with the Vector Error Correction Model (VECM). Classical assumption tests were conducted to ensure that the regression model truly showed a significant relationship and adequately represented the data. This was followed by hypothesis testing. The following classical assumption tests were performed in this study:

### 1. Shapiro-Wilk Normality Test

The normality test is a method for assessing the distribution of data within a group or variable (Ahadi et al., 2023). This test assesses whether the residual data is normally distributed.

2. Autocorrelation Test (Breusch-Godfrey)  
The autocorrelation test is a statistical method that aims to identify the relationship between residual values in a regression model that appear sequentially in time (Aji et al., 2021).

3. Heteroscedasticity Test (Breusch-Pagan)

The heteroscedasticity test is conducted to assess whether there is a discrepancy in the regression model between one observation and another (Jelanti, 2020).

4. Cointegration Test (Johansen Cointegration Test)

This test aims to determine whether, even though each variable is non-stationary, they are still related in the long run or are in a state of long-term equilibrium (Hilmy et al., 2020).

5. Stationarity Test (Dickey-Fuller)

The stationarity test is conducted to identify whether time series data is stationary (Armeina, 2019).

## RESULTS AND DISCUSSION

### Classical Assumption Test

1. Shapiro-Wilk Normality Test With a significance level of p-value > 0.05. The results of the normality test for the research variables are as follows:

Table 1. Normality Test Results

Variabel			
PDB	Sukuk	Selisih sukuk	investasi
.18761	.52009	.92386	.74569

The results of the normality test for all variables showed values above 0.05, indicating that the data used were normally distributed.

### 2. Autocorrelation Test (Breusch-Godfrey)

In decision-making, the criterion used is if Prob >  $\chi^2$  is greater than the 0.05 significance level, then there is no autocorrelation in the regression model.

Table 2. Autocorrelation Test Results

Lags (p)	chi2	df	Prob > chi2
1	.318	1	.5725

The autocorrelation test results showed a value of 0.5725, which meets the criteria, indicating no autocorrelation in the regression model used.

### 3. Heteroscedasticity Test (Breusch-Pagan)

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of ln_pdb

chi2(1)      =    0.13
Prob > chi2  =    0.7157
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The decision criterion in this test is that if the Prob value >  $\chi^2$  is greater than 0.05, or 0.7157, then the null hypothesis ( $H_0$ ) stating that there is no heteroscedasticity cannot be rejected.

### 4. Cointegration Test (Johansen Cointegration Test)

Decision making is based on a statistical value that must be greater than the minimum value of 5%. The results of the cointegration test show a trace value of 25.7852, which is above the minimum limit, indicating that the cointegration requirement has been met.

### 5. Stationarity Test (Dickey-Fuller)

In the Dickey-Fuller test, the null hypothesis ( $H_0$ ) states that the data has a unit root or is non-stationary, while the alternative hypothesis ( $H_1$ ) states that the data does not have a unit root but is stationary.

Table 3. Stationarity Test Results

Variabel			
PDB	Sukuk	Selisih sukuk	Investasi
.0025	.0019	.0019	.0076

Based on the table above, all statistical values for each variable meet the requirements, with values below 0.05, indicating that all variables are stationary.

Hypothesis Testing

## 1. VECM Test Results

Turkey's VECM test results indicate a long-term relationship between the independent and dependent variables. However, the high p-chi-square value indicates that the significance of this relationship is relatively weaker compared to other countries. Indonesia produced the strongest results, indicated by an R-squared value approaching 1 and a highly significant p-chi-square value, indicating a highly effective model in explaining the long-term relationship between economic variables.

## 2. F and t-Test Results

The F-test is an important statistical tool in regression analysis because it can indicate the overall adequacy of the model in explaining the relationship between variables. The results of this test will show whether the model used is able to adequately describe the relationship between variables.

This section will also explain the results of the t-test, which aims to measure the significance of each independent variable individually on the dependent variable in the regression model. This test is conducted to assess whether each independent variable has a significant influence on the dependent variable when tested partially.

Table 4. Results of f and t tests

Turki			
Coef.	Prob > f	P >  t	R-squared
5,676749	.0281	.100	.7579

The F-test results show a probability value of 0.0281, which is below the 0.05 significance level. This finding confirms that the overall regression model is significant, so that the independent variables jointly influence the dependent variable in the context of the Turkish economy. However, the t-test results provide a probability value of 0.100, which is higher than the 0.05 significance threshold. This indicates that individually, the independent variables have not shown

a statistically significant influence on the dependent variable. Nevertheless, the coefficient value of 5.676749 indicates a positive direction of the relationship, although the strength of its significance is still weak based on the t-test. Overall, this model is proven to have a fairly high level of explanatory ability, reflected in the R-squared value of 75.79%. This means that the instrument used is quite relevant in describing variations in the dependent variable, especially in the context of the Turkish economy.

### CONCLUSION AND IMPLICATIONS

The results of the regression test indicate that the overall model can explain the relationship between the independent and dependent variables, indicated by the F-test probability value of 0.0281, which is smaller than the threshold of 0.05. However, the results of the t-test at the individual level show a probability value of 0.100, which means that the partial effect of sukuk is not yet statistically significant on GDP. This could be caused by internal factors, such as pressure from domestic instability, geopolitical tensions, and the current account deficit of minus 32.6 billion USD that occurred in 2016. However, with the coefficient of determination (R-squared) value reaching 0.7579, it can be concluded that approximately 75.79% of the dependent variable has been successfully explained by the independent variables in this model. This finding shows that the sukuk instrument has an important contribution in providing an overview of the dynamics of Turkey's economic growth, although individually its influence is not yet fully significant. Thus, this study confirms that sukuk, as an Islamic financial instrument, has strategic potential in supporting economic stability and growth, and strengthens the relevance of its use in Turkey.

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