

## CONTENTS

Approval Page .....	i
Legalization Page .....	ii
Declaration of Authenticity .....	iii
Acknowledgement .....	iv
Table of Contents .....	v
List of Tables .....	ix
List of Figures .....	x
List of Appendices .....	xi
Abstract (in English) .....	xii
Abstract (in Bahasa Indonesia) .....	xiii
<b>CHAPTER I: INTRODUCTION</b> .....	<b>1</b>
1.1. Background of Study .....	1
1.2. Problem Formulation .....	2
1.3. Problem Limitation .....	3
1.4. Research Objectives .....	3
1.5. Research Contributions .....	3
1.6. Systematics of Writing .....	5
<b>CHAPTER II: LITERATURE REVIEW</b> .....	<b>6</b>
2.1. Theoretical Review .....	6

2.1.1. Islamic Banking Development .....	6
2.1.2. Economic Growth .....	7
2.1.3. The Link between Islamic Banking and Economic Growth .....	9
2.1.2. Islamic Banking and Economic Growth in Indonesia .....	11
2.2. Theoretical Framework .....	16
2.3. Hypotheses Formulation .....	16
2.3.1. The Causality Between Islamic Banking Development and Economic Growth in The Short-run .....	17
2.3.2. The Causality Between Islamic Banking Development and Economic Growth in The Long-run .....	19
<b>CHAPTER III: RESEARCH METHOD .....</b>	<b>23</b>
3.1. Population and Sample .....	23
3.2. Data Collection Method .....	23
3.3. Research Variables .....	23
3.3.1. Islamic Banks .....	23
a. Financing .....	24
b. Deposit .....	25
3.3.2. Economic Growth .....	25
a. Gross Domestic Product (GDP) .....	25
b. Gross Fixed Capital Formation (GFCF) .....	26
3.4. Analysis Technique .....	26
3.4.1. Model Specification .....	26
3.4.2. Econometric Technique .....	27

a. Unit Root Test .....	27
b. Co-integration Test .....	28
c. Granger Causality .....	29
CHAPTER IV: DATA ANALYSIS AND DISCUSSIONS .....	33
4.1. Descriptive Statistics of Research Variables .....	33
4.2. Unit Root Test Results .....	35
4.3. Co-Integration Test Result .....	36
4.4. Granger Causality Based on VECM Test Result .....	40
4.5. Discussions .....	44
CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS .....	49
5.1. Conclusions .....	49
5.2. Recommendations .....	51
5.2.1. For the Indonesian Government and Islamic Banking .....	51
5.2.2 For Future Research .....	52
REFERENCES .....	53
APPENDICES .....	56

## LIST OF TABLES

Table 2.1 Indonesia Islamic Banking Networks .....	13
Table 2.2 Selected Islamic Banking Indicators in Indonesia .....	14
Table 2.3 Annual GDP growth .....	15
Table 4.1 The Descriptive Statistics of Research Variables .....	33
Table 4.2 Stationary Test Result .....	35
Table 4.3 Selection of Optimum Lag Length: Financing Model .....	36
Table 4.4 Selection of Optimum Lag Length: Deposit Model .....	37
Table 4.5 Johansen Co-integration Test Results .....	38
Table 4.6 Granger Causality Test Result .....	40
Table 4.7 Vector Error Correction Model (VECM) Test Results .....	41
Table 4.8 The Summary of The Data result .....	48

LIST OF FIGURES

Figure 1 Theoretical Framework ..... 16



## LIST OF APPENDICES

Appendix 1 List of Data Variables .....	56
Appendix 2 List of Islamic Banks in Indonesia .....	58
Appendix 3 The Output of Econometric Tests .....	49

