

Islamic Finance and Economic Growth with Emphasis on Banks and Stock Market, Evidence from Muslim Countries

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Received Date: 09/08/2020 - Accepted Date: 28/11/2020

DOI: 10.22096/esp.2021.132371.1391

Abstract

Establishing justice and reducing economic inequalities are important goals of the Islamic Shari'a and moreover the Islamic economy. The purpose of this paper is to examine financing and economic growth with an emphasis on the bank and capital market in Muslim countries in the years 2016-2000 using the generalized method of moments (GMM). The results show that the effect of stock market and bank on economic growth is positive and significant and only insurance market has not had a significant effect on economic growth. These results indicate that stock markets and credit markets play a significant and different role in supporting economic growth. Despite the relatively small size of Islamic banks compared to the economy and the overall size of the financial system, these banks have a positive effect on economic growth. Therefore, many Islamic countries suffering from low growth should expand their banking sector through the promotion of regulatory, regulatory and infrastructure environments. Considering the potential of the stock market in stimulating economic growth and increasing employment, paying attention to this market and establishing it for its development can have a positive and significant effect on improving the situation of macroeconomic variables and as a result of improving the economic well-being of the country.

Keywords: Private credit, Turnover ratio, Life insurance, Economic growth, finance.

JEL Classification: C33, F30, G21.

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