

The Contribution of Islamic Banking to Economic Growth the Organization of Islamic Cooperation (OIC) Countries with the CAMELS Approach

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Abstract: The purpose of this study is to examine the contribution of Islamic banking to economic growth by analyzing the influence of Islamic banking performance on economic growth using the CAMELS method. A quantitative approach is employed in this research with secondary data in the form of panel data. Data sources are obtained from the publications of the Islamic Financial Services Board (IFSB) and the World Bank, using a sample comprising 6 countries that are members of the Organization of Islamic Cooperation (OIC) with a time range from 2013 to 2022. The results of the testing demonstrate that the variables CAR, ROA, NPF, and MAN do not significantly affect economic growth, while LIQ and SEN have a positive effect. However, simultaneously, CAR, MAN, NPF, ROA, LIQ, and SEN collectively influence economic growth.

Keywords: Islamic Banking, Economic Growth, CAMELS, OIC, Banking Contribution.

INTRODUCTION

The banking industry plays an important role in economic growth, especially Islamic banking. Islamic banks are financial institutions that collect funds from the public in the form of savings, then provide financing or other services to the community to improve welfare, by complying with the principles of the Qur'an and Islamic law. (Kismawadi 2024). Their role is in the intermediation process, meaning that funds are collected and then channeled to the community in the form of financing or other forms. Thus, this activity will increase investment, production, and consumption of goods and services, which means an increase in the country's economy (Zarrouk, Ghak, and Haija 2017).

The development of Islamic finance has become an industry with continuous growth, increasing in 2021/2022 by US\$ 3.3 trillion and in 2022/2023 by 17% to US\$ 3.96 trillion and in 2025/2026 it is estimated to reach US\$ 5.94 trillion with a CAGR of 9% (Reuters 2023). Policy makers, bankers, and financial academics are interested in the Islamic finance industry because of the high and optimistic growth rate of Islamic financial assets every year.

Malaysia is the leading country in the best Islamic finance performance with a Global Islamic Economic Indicator (GIEI) score of 193.2 and an Islamic Finance Development Indicator (IFDI) score of 408.7 according to the Islamic Finance Development Report (2023). As for the Global Islamic Economic Indicator (GIEI), Malaysia maintained its top ranking for the 10th consecutive year, followed by Saudi Arabia, Indonesia, and the UAE. Indonesia moved up to third, and Bahrain returned to the top 5 for the first time since 2019/20. South Africa also entered the top 15 countries for the first time in the State of the Global Islamic Economy Report (2023).

Economic growth can be defined as a process by which real gross domestic product per capita continues to increase as a result of an increase in productivity per capita. The main objective of economic growth is to increase national

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income and real income per capita, which needs to be achieved through the provision and mobilization of productivity (Rahmawati and Martika 2018).

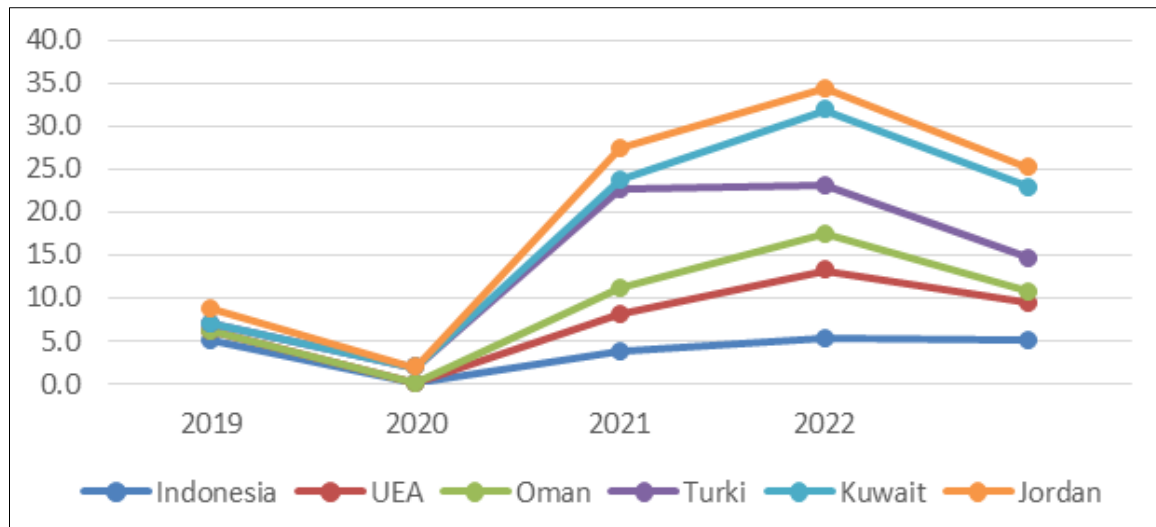


Chart 1.1: Economic Growth for the Period 2019-2023

From the graph above, economic growth in Indonesia, UAE, Oman, Turkey, Kuwait and Jordan in the last five years has fluctuated greatly. Indonesia's decline occurred in 2020 with - 2.06 and continued to experience stable growth to 2023 with a value of 5.05. What is interesting here is that Turkey is a country that stands out where the average of other countries in 2020 has decreased while Turkey has increased, but from 2021 to 2023 it has experienced a sharp correction and decline (world bank 2022).

Based on previous research, Islamic banks have a relationship with economic growth. For example, its economic contribution through the transmission of deposits to financing and investment in Bangladesh (Chowdhury, Akbar, and Shoyeb 2018). The relationship between Islamic financial performance and economic growth in Malaysia, Indonesia, Brunei, Turkey, and Saudi Arabia in an endogenous growth model using CAMELS parameters (Ledhem and Mekidiche 2020). Contribution of Islamic Banking to Economic Growth of Countries in Southeast Asia (Nabela and Thamrin 2022). Short-term and long-term contributions of Indonesian Islamic Commercial Banks (BUS) to economic growth (M. Anwar *et al.*, 2020). The effect of the contribution of Islamic banking to economic growth in Indonesia (Supriani *et al.*, 2021).

This study focuses on the economic contribution of Islamic banking in countries with a significant percentage of Muslim population and dual banking systems. It complements previous research with contributions to the economic literature. In particular, it provides insights into understanding the effect of Islamic banking performance on economic growth. This study adds to the existing literature in several ways by linking the level of Islamic banking performance with economic growth.

In the last ten years, there has been an important debate among financial academics and policy makers on whether Islamic financial performance contributes to economic growth, in addition to the relationship between Islamic finance and economic growth. From this debate, the author conducted a study to prove whether the financial performance of Islamic banking affects economic growth in the Organization of Islamic Cooperation (OIC) countries, namely Indonesia, UAE, Turkey, Oman, Jordan, and Kuwait.

LITERATURE REVIEW

Islamic Financial Performance

The company's financial performance is one of the basic assessments of the company's financial condition carried out through financial ratio analysis. To assess the financial performance of banks, five main aspects are usually used, namely capital, assets, management, income, liquidity, and sensitivity to market risk. Capital Adequacy (CAR), Asset Quality (NPF), Management Quality (MAN), Earnings (ROA, BOPO), Liquidity (FDR), and Sensitivity to Market Risk (SEN) are assessed through financial ratios. The bank's financial performance describes the bank's financial condition in a certain period, both in terms of raising funds and channeling them. (Siregar and Suryani 2022). The financial performance is measured by Capital Adequacy Ratio (CAR), Non-Performing Finance (NPF), Cost to Income (MAN), Return on Assets (ROA), and Liquid Assets Ratio (LIQ), and Net foreign exchange open position to capital (SEN).

CAMELS

The CAMELS model is a scoring system used to assess the overall performance of a bank. This approach was first introduced by the federal financial supervisory agency in the US in 1979, and was later adopted by the National Credit Union Administration in 1987. CAMELS analysis aims to show the interrelationships between accounts in the financial statements that reflect the financial performance and operational results of banks related to Capital adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk. This measurement uses appropriate financial ratios to describe these five aspects. These ratios reflect the bank's ability to carry out its core functions, including collecting, managing, and allocating funds, fulfilling obligations to other parties, and complying with applicable laws and regulations in the banking sector (Lestari *et al.*, 2020).

Economic Growth

Economic development is measured from one period to the next through the use of Gross Domestic Product (GDP) as an indicator. GDP refers to a method of calculating national income that includes the total income received by all households in a country from various factors of production for one year. By utilizing GDP, a country can evaluate and assess the performance of its human resources (HR) and measure its productivity (Sofariah, Hadiani, and Hermawan 2022).

Gross Domestic Product (GDP) is commonly used to provide an overview of the state of a country's economy and to measure the welfare of society. The calculation of national income provides more in-depth information that can be used to predict economic growth and development. The GDP used to measure economic growth is GDP at constant prices, which means the effect of price changes has been removed. Therefore, the figure reflects the total value of goods and services produced. Changes in the value of GDP indicate changes in the amount of goods and services produced during a certain period (Setyawati *et al.*, 2017).

Previous Research

Ledhem & Mekidiche's (2020) research aims to investigate the link between Islamic financial performance and economic growth in Malaysia, Indonesia, Brunei, Turkey, and Saudi Arabia, within the framework of the endogenous growth model CAMELS parameters are used as variables that indicate Islamic financial performance. Meanwhile, Gross Domestic Product (GDP) is used as an indicator of economic growth. The research sample consists of all Islamic banks operating in the five countries. The findings of this study indicate that profitability in Islamic financial performance has an important positive influence on economic growth. However, other elements of Islamic financial performance, such as capital adequacy, asset quality, management, liquidity, and sensitivity to market risk, do not show a significant impact on economic growth.

Research Rabaa & Younes (2016). This study aims to provide empirical evidence on the impact of financial liberalization and Islamic bank performance on economic growth. The results of this study show the impact of Islamic Bank financial performance on economic growth through the use of Islamic banks in Abu Dhabi, Saudi Arabia, Bahrain, the UK, and Tunisia from 2001 to 2012 in the context of financial liberalization. The findings show that Islamic banking performance has a significant impact on economic growth.

Research Bahauddin & Budiandru (2023). This study aims to explore the impact of Islamic Rural Banks (BPRS) and Conventional Rural Banks (BPRK) on Indonesia's economic growth. The findings showed a positive and significant effect of Return on Assets (ROA) of BPRS on Indonesia's economic growth, while there was no similar positive and significant effect on Indonesia's economic growth of ROA of BPRK. However, there is a positive and significant influence if the ROA of BPRS and BPRK jointly influence Indonesia's economic growth.

Research Andiansyah *et al.*, (2022). This study aims to examine the effect of Islamic financial tools on Indonesia's economic growth. The results of this study found that, in the short term, all Islamic financial tools tend to have a negative influence on economic growth. However, in the long run, most of these financial tools have a positive impact on economic growth, except for Islamic Mutual Funds which have a negative impact, while Islamic Bank Financing and Islamic Stocks show no significant impact. In conclusion, in general, Islamic financial tools have a positive impact on Indonesia's economic growth in the long run.

Siregar and Suryani (2022) research aims to determine whether the performance of Islamic banks has a direct influence on MSME productivity and economic growth. The results of this study show that two aspects of Islamic bank financial performance, namely NPF and FDR, have a great influence on MSME productivity. However, other aspects such as CAR, ROE, and BOPO do not show a significant influence on MSME productivity. Furthermore, indirectly, all aspects of Islamic banks' financial performance, including CAR, ROE, NPF, FDR, and BOPO, did not affect Indonesia's economic growth, even through their influence on MSME productivity.

Based on the description of previous research, it can formulate a hypothesis for this study, namely as follows :

- H1: Capital Adequacy Ratio (CAR) Affects Economic Growth
- H2: Non Performing Finance (NPF) Affects Economic Growth
- H3: Cost to Income (MAN) Affects Economic Growth
- H4: Return on Assets (ROA) Affects Economic Growth
- H5: Liquid Assets Ratio (LIQ) Affects Economic Growth
- H6: Net foreign exchange open position to capital (SEN) Affects Economic Growth
- H7: Simultaneously CAR, NPF, MAN, ROA, LIQ, SEN Affect Economic growth

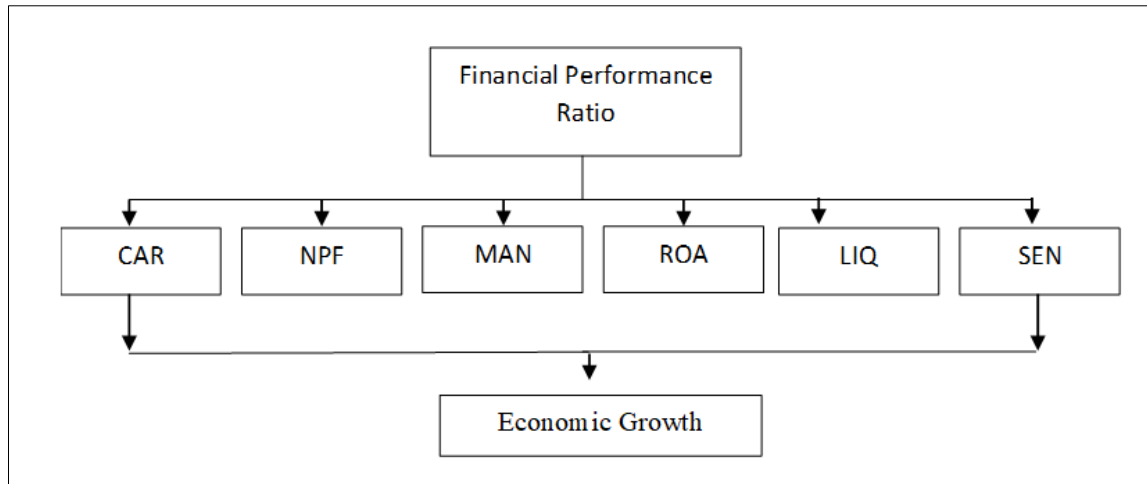


Figure 2.1: Research Model

RESEARCH METHODS

Type of Research

The analysis method chosen in this research is a quantitative approach which is a series of processes that produce information using numerical data to analyze unknown objects (Fatihudin 2020). To answer the questions that have been formulated in the research problem, the author will take reference from the empirical findings of the results of the analysis of the data collected. This data will then be presented in a structured and systematic manner.

Data Collection

This study uses balanced panel data of all fully operational Islamic banks in six countries namely Indonesia, UAE, Turkey, Oman, Jordan, and Kuwait covering the time span from 2013 to 2022. Islamic finance data is taken from the annual data set from the Islamic Financial Services Board (IFSB) database and economic growth data is taken from the world bank database in the form of annual data. Some countries do not have the appropriate year and some are empty such as Malaysia, Saudi Arabia, Iran, Bahrain and several other countries so that the sample of countries selected is the country that has complete data from 2013-2022 (IFSB 2023).

Definition of Operational Variable

Islamic financial performance variable based on the CAMELS model can be seen in the following table:

Metode CAMELS	Indikator
Capital Adequacy	$CAR (\%) = \frac{\text{Total Regulatory Capital}}{\text{Risk-weighted assets}}$
Assets Quality	Assets quality = NPF Gross $AQ (\%) = \frac{\text{Gross nonperforming financing}}{\text{Total financing}}$
Management	Management = Cost to Income $MAN (\%) = \frac{\text{Operating costs}}{\text{Gross income}}$
Earnings	Return on Assets (ROA) (%) = $\frac{\text{Net income}}{\text{Total Assets}}$
Liquidity	LIQ = Liquidity assets ratio $LIQ (\%) = \frac{\text{Liquid assets}}{\text{total assets}}$
Sensitivity to market risk	SEN = Net foreign exchange (FX) open position to capital $SEN (\%) = \frac{\text{Net foreign exchange (FX) open position}}{\text{Total regulatory capital}}$

Data Analysis

This study adopts panel data regression due to its effective ability to analyze changes over time and provide more precise effect estimates compared to approaches using only time-series or cross-section data. The use of panel data is considered more informative, offers more degrees of freedom, reduces the problem of collinearity between variables, and increases the efficiency of analysis (Gujarati 2009).

Before performing panel data regression, the first step is to choose one of the three available models: random effect model (REM), fixed effect model (FEM), or common effect model (CEM). The most suitable model based on the test results will be used to analyze the regression results of the studied variables. The tests are Chow Test, Housman Test. Before starting the model selection test, the regression formula is first created, which is arranged in the model equation. To avoid the occurrence of Multicollinearity, namely there is a correlation between independent variables in the regression model, this study uses two models as follows:

(I) $EG_{it} = \alpha + \beta_1 CAR_{it} + \beta_2 NPF_{it} + \beta_3 ROA_{it} + \beta_4 LIQ_{it} + \beta_5 SEN_{it} + e$
 (II) $EG_{it} = \alpha + \beta_1 NPF_{it} + \beta_2 ROA_{it} + \beta_3 MAN_{it} + \beta_4 LIQ_{it} + \beta_5 SEN_{it} + e$

Description:

- EG = Economic Growth
- CAR = Capital Assets Ratio
- NPF = Non-performing financing
- ROA = Return on Assets
- MAN = Cost to Income
- LIQ = Liquidity
- SEN = Sensitivity to market risk
- β = regression coefficient parameter
- i = Number of countries 6
- t = Year period 2013-2022

RESEARCH RESULTS AND DISCUSSION

The data that has been collected is then processed using Eviews software version 13. The data is processed using panel data regression techniques to answer the questions posed in the hypotheses that have been made previously. Then before discussing the regression results, the authors first conduct descriptive analysis to describe in general the statistical data of the variables used in this study. Descriptive analysis involves reviewing several aspects including the average, minimum value, and maximum value of each variable in each period and observation subject.

Table 3.1: Descriptive Statistics of Research Variables

	CAR	NPF	MAN	ROA	LIQ	SEN	EG
Mean	20.55300	3.220167	63.60333	1.016667	26.70833	8.301667	2.897000
Median	17.95000	2.950000	51.10000	1.350000	22.05000	3.550000	3.050000
Maximum	81.00000	7.500000	365.9000	4.200000	62.20000	48.90000	11.44000
Minimum	14.00000	0.000000	18.00000	-5.800000	6.900000	-1.200000	-8.850000
Std. Dev.	10.14234	1.907573	49.80271	1.401714	15.53920	11.07566	3.469288

Source: Eviews 13

Based on the results of descriptive statistics, it can be seen that the average CAR of 20.553% indicates that banks have good capital, while the average NPF of 3.22% indicates a relatively low level of bad debts. The mean value of MAN of 63.60% indicates how the company's management manages its assets, with median CAR and NPF of 17.95% and 2.95% respectively, which supports that most banks in the sample have good credit quality and adequate capital.

The difference between the maximum and minimum values of some variables shows significant variation. For example, CAR has a maximum value of 81% and a minimum of 14%, indicating a large difference in the level of capital adequacy between banks. High variation is also seen in MAN with a range of 18% to 365.90%, signaling differences in asset management effectiveness. ROA, with a maximum value of 4.20% and a minimum of -5.80%, shows that some banks have very good asset performance, while others have losses.

The standard deviation of each variable indicates how dispersed the data is from its average. The standard deviation of CAR of 10.14234 indicates that CAR is quite dispersed from its mean, while the standard deviation of MAN of 49.80271 indicates that asset management varies significantly between banks. Similarly, the standard deviation of EG of 3.469288 indicates a significant variation in earnings growth. Overall, this analysis shows that there is significant variation in financial and management performance among the banks in this sample, indicating that there are differences in management quality and financial performance that need to be considered.

Model Testing

Chow Test

Researchers have to go through several test procedures namely the Chow Test and the Hausman Test to determine which of the three models between CEM, FEM, and REM is most suitable before performing regression analysis.

Tabel 3.2: Model Testing 1

Effect Test	Prob.	Result
Chow Test	0.0002	Fixed Effect Model
Hausman Test	0.0002	Fixed Effect Model

Source: Data Processed (2024)

Tabel 3.3: Model Testing 2

Effect Test	Prob.	Result
Chow Test	0.0023	Fixed Effect Model
Hausman Test	0.0032	Fixed Effect Model

Source: Data Processed (2024)

After the Chow Test, the probability value of models 1 and 2 shows smaller than 0.05, meaning that the model chosen is the Fixed Effect Model. Then the Hausman Test is carried out to determine the best REM or FEM model. The probability value of models 1 and 2 in the Hausman Test shows less than 0.05, so the model chosen is the Fixed Effect Model. After conducting several series of model selection tests, it is concluded that the Fixed Effect Model (FEM) is the best model in this study.

Regression

After testing several models to find the one that best fits the panel data, the researcher will proceed to assess how the financial performance of Islamic banking affects economic growth. Economic growth is the independent variable as well as the dependent variable, which is the ratio of Islamic banking financial performance using the CAMELS method. The Fixed Effect Model (FEM) is the model used in this regression based on the findings from the model tests that have been conducted.

Tabel 3.4: Regression Model 1

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	4.727281	3.803750	1.242795	0.2199
CAR	0.077297	0.092447	0.836116	0.4071
NPF	-0.054006	0.523332	-0.103197	0.9192
LIQ	-0.197829	0.098322	-2.011967	0.0497
ROA	0.299544	0.069940	0.467057	0.6425
SEN	0.208856	0.069940	2.986215	0.0044
F-statistic	110.8795			
Prob. (F-statistic)	0.003981			
R-Squared	0.387060			
Adjusted R-square	0.261970			

Source: Data Processed (2024)

The regression results using the Fixed Effect Model (FEM) produce an equation, namely:

$$EGit = 4.727 + 0.077 CARit - 0.054 NPFit + 0.299 ROAit + 0.198 LIQit + 0.209 SENit + e$$

The regression results are then used as a guide to determine the significance of the independent variable on the dependent variable. For this reason, the benchmark for making decisions on significance is:

1. H_1 accepted if the Prob. value > 0,05, meaning that economic growth is not significantly influenced by CAR, NPF, LIQ, ROA, SEN.
2. H_0 accepted if the Prob. value < 0,05 meaning that economic growth is not significantly influenced by CAR, NPF, LIQ, ROA, SEN

For the CAR variable, the coefficient is 0.077297 with a t-statistic of 0.836116 and a probability value of 0.4071. This indicates that CAR has a positive influence on the dependent variable, but this influence is not significant on economic growth. The NPF variable has a coefficient of -0.054006, a t-statistic of -0.103197, and a probability value of 0.9192. The negative coefficient indicates a negative influence on the dependent variable, but the very high probability value indicates that this influence is not statistically significant. This means that NPF has no significant impact on economic growth.

Meanwhile, the ROA coefficient is 0.299544 with a t-statistic of 0.467057 and a probability value of 0.6425. This indicates that there is a positive influence on economic growth but it is not significant because the probability value exceeds 0.05.

For the LIQ variable, the coefficient is -0.197820 with a t-statistic of -2.011967 and a probability value of 0.0497. This probability value indicates that the effect of LIQ is negative and significant. Meanwhile, the SEN variable has a coefficient of 0.208856 with a t-statistic of 2.986215 and a probability value of 0.0044. The very low probability value indicates that the effect of SEN is positive and significant. That is, an increase in sensitivity is associated with a significant increase in the dependent variable.

Tabel 3.5: Regression Model 2

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	3.708995	3.921807	0.945736	0.3489
MAN	0.037566	0.031358	1.197971	0.9923
NPF	0.004878	0.501665	0.009723	0.9192
LIQ	-0.208096	0.096280	-2.161357	0.0356
ROA	0.904337	0.933880	0.968366	0.3376
SEN	0.171223	0.081103	2.111188	0.0399
F-statistic	3.212650			
Prob. (F-statistic)	0.003012			
R-Squared	0.396005			
Adjusted R-square	0.272741			

Source: Data Processed (2024)

The regression results using the Fixed Effect Model produce an equation, namely:

$$EGit = 3.709 + 0.037 MANit + 0.005 NPFit + 0.904 ROAit - 0.208 LIQit + 0.171 SENit + e$$

The regression results are then used as a guide to determine the significance of the independent variable on the dependent variable. For this reason, the way to make a decision on significance is :

1. H_1 accepted if the Prob. value > 0.05, meaning that economic growth is not significantly influenced by CAR, NPF, LIQ, ROA, SEN.
2. H_0 accepted if the Prob. value < 0.05, meaning that economic growth is significantly influenced by CAR, NPF, LIQ, ROA, SEN

The coefficient for MAN is 0.037566 with a t-statistic of 1.197971, and a probability value of 0.9923. This very high probability value indicates that MAN is not significant. This means that management has no significant influence on the economic growth variable. The coefficient for NPF is 0.004878 with a t-statistic of 0.009723, and a probability value of 0.9192. The high probability value indicates that NPF is not statistically significant. This indicates that the level of bad debts has no significant effect on economic growth.

The coefficient for LIQ is -0.208096 with a t-statistic of -2.161357, and the probability value is 0.0356. The probability value is smaller than 0.05, explaining that LIQ is significant. This means that liquidity has a significant negative effect on the dependent variable. The coefficient for ROA is 0.904337 with a t-statistic of 0.968366, and a probability value of 0.3376. When the probability value is greater than 0.05, it indicates that ROA is not statistically significant. This suggests that return on assets has no significant effect on economic growth.

The coefficient for SEN is 0.171223 with a standard error of 0.081103, a t-statistic of 2.111188, and a probability value of 0.0399. This probability value is smaller than 0.05 which could indicate that SEN is statistically significant. This means that sensitivity has a significant positive influence on the dependent variable in this model.

From testing the two models above, overall Islamic banking performance on economic growth has a relationship but not all of them affect economic growth. Some financial ratios such as CAR, NPF, MAN, and ROA have no influence on economic growth. This is due to several phenomena such as differences between sectors and industries, the influence of these variables may differ in various sectors and industries. For example, the effect of CAR or NPF may be more significant in the banking sector, but less relevant in other sectors such as technology or manufacturing. There is also the influence of external factors that are more dominant in influencing economic growth such as government policies, global economic conditions, interest rates, and exchange rates so that internal banking factors have less effect on economic growth.

Overall, although CAR, ROA, NPF, and MAN are important indicators of financial performance and firm management, their direct effect on economic growth may not be apparent in certain analyses due to various reasons such

as inter-sectoral variation, time horizon of analysis, dominance of external factors, data and model limitations, multicollinearity, policy changes, and indirect effects (Setyawati *et al.*, 2017).

The above test provides an explanation that some banking financial ratios can affect economic growth such as SEN and LIQ. Liquidity (LIQ) plays an important role in supporting economic growth as it ensures that firms and financial institutions have sufficient access to funds required for daily operations and investments. A high level of liquidity allows firms to easily access capital, whether for business expansion, innovation, or to maintain smooth operations. With sufficient liquidity, borrowing costs are lower, which encourages more investment and consumption, two key pillars in economic growth. In addition, good liquidity in the financial system helps maintain economic stability and reduce the risk of financial crises, which is essential for a conducive business environment.

Sensitivity (SEN) to changes in the external economy and monetary policy also affects economic growth. Economies that are sensitive to interest rates, exchange rates, and commodity prices can adapt quickly to policy changes issued by central banks or global market fluctuations. For example, when a central bank lowers interest rates, sensitive economies will immediately feel an increase in investment and consumption, promoting faster economic growth. This responsiveness allows economies to capitalize on opportunities and mitigate the negative impact of external shocks, such as changes in oil prices or economic crises in other countries.

Liquidity provides the necessary funds for growth, while sensitivity ensures that the economy can adapt and respond quickly to changes in the economic environment. With good liquidity and proper sensitivity, the economy can achieve stability, efficiency, and dynamic growth, ultimately improving the overall welfare of society.

This study answers how financial performance affects economic growth. This research is in line with (Ledhem and Mekidiche 2020) that Islamic banking has an influence on economic growth and also (Rabaa and Younes 2016) said that the performance of Islamic banking is significant to economic growth.

CONCLUSIONS AND RECOMMENDATIONS

From the analysis conducted, it can be concluded that the performance of Islamic banking on economic growth in the Organization of Islamic Cooperation (OIC) countries, namely Indonesia, UAE, Oman, Turkey, Jordan, and Kuwait in the period 2013-2022. This study uses variables in accordance with the CAMELS method, namely Capital Adequacy Ratio (CAR), Non-Performing Finance (NPF), Cost to Income (MAN), Return on Assets (ROA), and Liquid Assets Ratio (LIQ), and Net foreign exchange open position to capital (SEN). The results prove that CAR, NPF, MAN, and ROA have no significant effect on economic growth while LIQ and SEN have a positive effect on economic growth. As for simultaneously all variables namely CAR, ROA, NPF, MAN, LIQ, and SEN have a significant impact on economic growth in the Organization of Islamic Cooperation (OIC) in Indonesia, UAE, Turkey, Oman, Jordan, and Kuwait from 2013-2022.

This study provides important evidence for policy makers, regulators, relevant authorities, and decision makers in various countries on the need to improve various Islamic financial performance factors, such as capital adequacy, asset quality, management, liquidity, and sensitivity to market risk. These improvement efforts aim to achieve significant economic growth through the role of Islamic banks in the financial market.

In future studies to extend the research year and add countries to get more comprehensive results and can be studied in depth. And also need to add Islamic banking ratios that are relevant to the CAMELS method to find out more about the involvement of Islamic banking performance in economic growth.

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