

BRIDGING FISCAL POLICY AND ISLAMIC FINANCE: The Role of Profit-and-Loss Sharing in Indonesia's Post-Pandemic Economic Recovery

Iskandar & Rauzatul Jannah

Universitas Islam Negeri Sultanah Nahrasiyah
Jl.Medan-Banda Aceh, Alue Awe, Lhokseumawe, Aceh, 24352
e-mail: iskandar@uinsuna.ac.id; rauzatuljannah@uinsuna.ac.id

Abdul Rahim Bin Ridzuan

University Teknologi MARA (UiTM)
40450 Shah Alam, Selangor, Malaysia
e-mail: rahim670@uitm.edu.my

Ousmane Salifou Abdou

Islamic University of Minnesota
8201 Park Ave S, Bloomington, MN 55420, United States
e-mail: ousmanesalifou@gmail.com

Abstract: This study examines the relationship between fiscal stimulus, Profit-and-Loss Sharing (PLS) financing, and economic growth in post-pandemic Indonesia through the lens of *Maqâshid al-Syarî'ah*. While fiscal stimulus can accelerate economic recovery, its effectiveness depends partly on the capacity of financial institutions to channel public resources into productive economic activities. The study therefore investigates whether Islamic risk-sharing finance complements fiscal intervention in supporting sustainable economic growth. Using monthly time-series data for 2020–2025 obtained from Statistics Indonesia (BPS), the Ministry of Finance, and the Financial Services Authority (OJK), the study employs the Autoregressive Distributed Lag (ARDL) approach to estimate both short- and long-run relationships among fiscal stimulus, PLS financing, and economic growth. The findings indicate a significant long-run equilibrium relationship among the variables. Both fiscal stimulus and PLS financing exert positive effects on economic growth, suggesting that government intervention and Islamic risk-sharing finance can operate as complementary mechanisms for post-pandemic recovery. From a *Maqâshid al-Syarî'ah* perspective, their integration promotes productive investment, wealth creation, and social welfare. The study contributes to the literature by demonstrating how Islamic risk-sharing finance can strengthen fiscal policy transmission to the real sector and support a more inclusive and sustainable growth framework.

Keywords: Islamic economics, profit-and-loss sharing (PLS), *Maqâshid al-Syarî'ah*, Indonesia, post-pandemic

Corresponding author	Iskandar			
Article history	Submitted: February 26, 2026	Revision: August 26, 2026	Accepted: August 28, 2026	Published: September 1, 2026
How to cite this article	Iskandar, Iskandar, Abdul Rahim Bin Ridzuan, Ousmane Salifou Abdou and Rauzatul Jannah. "BRIDGING FISCAL POLICY AND ISLAMIC FINANCE: The Role of Profit-and-Loss Sharing in Indonesia's Post-Pandemic Economic Recovery." <i>MIQOT: Jurnal Ilmu-ilmu Keislaman</i> 50, no. 2 (2026): 512 - 532. http://dx.doi.org/10.30821/miqot.v50i2.1841			

Introduction

The impacts of the global pandemic and worldwide economic uncertainty are hindering the growth of the Indonesian economy, the country's investments, and the country's overall aggregate demand. Fiscal policy has become one of the principal instruments used by governments to mitigate economic downturns and support economic recovery.¹ Through public expenditure, subsidies, and financial support programs, fiscal stimulus is expected to increase aggregate demand, enhance investment activities, and stimulate real sector development. However, the effectiveness of fiscal stimulus depends not only on its scale but also on the financial intermediation mechanisms through which funds are transmitted to the economy.² As a result, the stimulus has been used to generate economic growth through the financing, consumption, and capital investment of the real sector.³ However, the effectiveness of fiscal stimulus is rarely consistent and is influenced by the type of economic structure, supply side, and the system of funds distribution. Prior studies have shown a number of the impacts stimulus packages have (or lack) on economic growth and the creation of new jobs. Bredemeier state fiscal support is quite effective in the recovery of employment in the services sector, but in the services sector, it is less effective.⁴ On the other hand, the study by Fornaro finds that when an economy is supply-constrained, large fiscal stimulus may cause inflation and price inflation due to the delayed adjustment of the production capacity.⁵

For Islamic banking, particularly for PLS-based financing, the means of funds distribution possess noteworthy differentiation, particularly for the PLS components of *mudhârabah* and *musyâarakah*, which not only provide liquidity but also share risks with the banks and debtors, which may result in variance of the impacts of economic growth.⁶ Previously, it has been established that the PLS-based financing modes have contributed positively to the financing of MSME's, enhanced their financing innovativeness and financial resilience.⁷ The impact of fiscal expansion on economic growth, in principle, can be examined through a two-step mediation process with PLS financing of Islamic banking as the mediator.

In Islamic banking, the transmission mechanism of fiscal expansion may differ from that of conventional financial systems due to the existence of profit-and-loss-sharing (PLS) contracts such as *mudhârabah* and *musyâarakah*. Unlike debt-based financing, PLS financing emphasizes risk sharing, entrepreneurial partnership, and the direct linkage between financial resources and productive economic activities. Consequently, the extent to which fiscal stimulus can be transformed into economic growth may depend on the capacity of Islamic banks to channel funds through PLS mechanisms.

From the perspective of *Maqâshid al-Syarî'ah*, economic policies should not only generate growth but also promote equitable wealth distribution, productive economic activities, and sustainable social welfare. Among the objectives of *Maqâshid al-Syarî'ah*,

the preservation and development of wealth (*hifzh al-mâl*) provide a relevant analytical framework for evaluating whether fiscal resources are transformed into productive investments that generate broad economic benefits. In this context, PLS financing represents a financial mechanism that operationalizes *maqâshid* principles through risk sharing, real-sector orientation, and inclusive economic participation. Therefore, examining the mediating role of PLS financing allows this study to assess whether fiscal stimulus contributes to economic growth in a manner consistent with *Maqâshid al-Syarî'ah* objectives.⁸

Sponsored investment and efficient distribution of the investment risk, as proven by a study of Ding et al.⁹ as well as that of Elgin and Yalaman.¹⁰ Several empirical studies in the literature show that the effects of fiscal stimulus differ based on economic sector structure and policy framework, such as that of Acharya et al.¹¹ Fiscal stimulus is even more effective when directed using the frameworks that enhance investing capacity and liquidity of the real sector, Abdel-Moneim and Rosenbloom¹² and that of Tian et al.¹³ Particularly, study of Meslier et al. highlights the most essential role that financial institutions play in the provision of risk-sharing instruments, such as the contracting mechanisms of Islamic banking.¹⁴ Uncertainty surrounds the ability of PLS-based financing mechanisms in Islamic banking to convert the Indonesian government's large-scale fiscal stimulus to real economic growth. This makes it vitally important to include the mechanisms of risk and profit sharing that differentiate PLS financing from typical fund-raising

This study contributes to the literature in two ways. First, it investigates the mediating role of PLS financing in the relationship between fiscal stimulus and economic growth, thereby identifying a transmission channel that has received limited empirical attention. *Second*, it integrates *Maqâshid al-Syarî'ah* as an analytical perspective to evaluate whether the growth effects of fiscal stimulus are facilitated through a financing mechanism that promotes productive investment, risk sharing, and socio-economic welfare. By focusing on Indonesia, this study provides new evidence from one of the world's largest Islamic banking markets. Previous literature has been very exhaustive on the effect of fiscal stimulus on economic growth. Additionally, there have been other studies that have established the role of Islamic banking and the PLS finance scheme on investment and entrepreneurship. However, there is still no sufficient evidence on how the fiscal stimulus works through the Islamic banking system. Moreover, previous studies rarely incorporate *Maqâshid al-Syarî'ah* as an analytical framework for understanding whether such financial intermediation supports broader socio-economic objectives. Consequently, the interaction between fiscal policy, PLS financing, and economic growth remains insufficiently explored, especially in the context of Indonesia.

Method

This study employs a quantitative approach. Data between 2020 and 2025 were quartered and then interpolated into months through the Denton additive method and the frequency conversion tool in EViews. The Denton method is able to preserve the consistency of the original aggregates of the data and, in addition, is recognized as the international standard for the temporal disaggregation of macro data.

Table 1. Operationally

Variables	Code	Indicator/Description
Economic Growth	GDP	Growth rate of Gross Domestic Product (percentage)
Fiscal Stimulus	STIMULUS	Total realization of fiscal stimulus (trillion rupiahs)
Profit-and-Loss Sharing	PLS	Total profit-and-loss-sharing-based financing (<i>mudhârabah</i> + <i>musyâarakah</i>) in Islamic banking (trillion rupiahs)

This study employs a quantitative approach using macroeconomic time-series data covering the period from 2020 to 2025. Economic growth data (GDP growth rate) were obtained from Statistics Indonesia (BPS), fiscal stimulus realization data were collected from reports of the Ministry of Finance of the Republic of Indonesia, and Profit-and-Loss Sharing (PLS) financing data (*mudhârabah* and *musyâarakah* financing) were obtained from the Islamic Banking Statistics published by the Financial Services Authority (OJK). Since the original data were available at quarterly frequency, they were converted into monthly observations using the Denton additive interpolation method implemented in EViews. This procedure preserves the aggregate consistency of the original series and is widely used in macroeconomic temporal disaggregation. Before conducting the structural analysis, several diagnostic tests were performed. Stationarity was examined using the Augmented Dickey-Fuller (ADF) test, while autocorrelation was assessed using the Breusch-Godfrey Serial Correlation LM test. These procedures were conducted to ensure the reliability of the estimated relationships and to minimize the risk of spurious results. The study focuses on examining the direct effect of fiscal stimulus on economic growth and the indirect effect transmitted through Profit-and-Loss Sharing (PLS) financing.

The analysis is carried out through the following econometric stages:

1) Stationarity Test (Unit Root Test)

Using the Augmented Dickey-Fuller (ADF) test to ensure that the data are stationary.

$$\Delta Y_t = \alpha + \beta t + \gamma Y_{t-1} + \sum_{i=1}^n \delta_i \Delta Y_{t-1} + \varepsilon_t$$

2) Determination of Optimal Lag

Using the Akaike Information Criterion (AIC) and Schwarz Criterion (SC) criteria. The results show that the optimal lag = 2.

Based on the estimation results, the ARDL is written as follows:

$$GDP_t = \alpha_1 + \beta_{11} GDP_{t-1} + \beta_{12} GDP_{t-2} + \beta_{13} PLS_{t-1} + \beta_{14} PLS_{t-2} + \beta_{15} Stimulus_{t-1} + \beta_{16} Stimulus_{t-2} + \varepsilon_{1t}$$

Results and Discussion

The following subsections present and interpret the empirical findings of this study, which examine the dynamic relationships among fiscal stimulus, economic growth, and Profit-and-Loss Sharing (PLS) financing in Indonesia's Islamic banking sector. The VAR model estimation and mediation mechanism examination begin with an analysis of the basic data characteristics.

Descriptive statistics Analysis

This section presents the descriptive statistics of the variables used in the study, namely GDP growth, fiscal stimulus, and Profit-and-Loss Sharing (PLS) financing. Descriptive statistics provide an initial overview of the data behavior before proceeding to the VAR estimation.

Tabel 2. Descriptive Statistics Analipsis

	GDP	STIMULUS	PLS
Mean	4.230000	386.7540	12.40400
Median	5.002778	461.9095	12.36797
Maximum	5.510602	779.9569	12.75323
Minimum	1.327500	-64.03681	12.13534
Kurtosis	2.472584	1.339826	1.465043
Jarque-Bera	9.855256	7.171273	6.330857
Probability	0.007244	0.027719	0.042196
Sum	253.8000	23205.24	744.2400
Observations	60	60	60

Based on Table 1, the GDP variable has an average (mean) value of 4.23%, with a minimum of 1.33% and a maximum of 5.51%. The fiscal stimulus variable records a mean of 386.75 trillion rupiah, ranging from a minimum of -64.04 trillion rupiah to a maximum of 779.96 trillion rupiah. Meanwhile, the PLS variable shows a mean value of 12.40 trillion rupiah, with the lowest value at 12.14 trillion rupiah and the highest at 12.75 trillion rupiah.

Unit Root Test

To ensure the validity of the model in this study, a stationarity test was conducted on three main variables, namely Stimulus, GDP (economic growth), and PLS (Profit-and-Loss Sharing). This test is essential for determining whether the data are stationary, as non-stationary data may lead to spurious regression results in econometric analysis. The Augmented Dickey–Fuller (ADF) test was employed, with the following hypotheses:

Table 3. Unit Root Test

Stimulus		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-12.16485	0.0000
Test critical values:	1% level	-3.550396	
	5% level	-2.913549	
	10% level	-2.594521	
DGP		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-8.390367	0.0000
Test critical values:	1% level	-3.552666	
	5% level	-2.914517	
	10% level	-2.595033	
PLS		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-12.12666	0.0000
Test critical values:	1% level	-3.550396	
	5% level	-2.913549	
	10% level	-2.594521	

Based on the results of the ADF test above, all variables have t-statistic values that are smaller (more negative) than the critical values at significance levels of 1%, 5%, and 10%. In addition, the probability value for all variables is 0.0000, which is less than 0.05. This indicates that we reject H_0 and accept H_1 , which means that all data are stationary. The stationarity test results show that the variables of Minister Purbaya's Fiscal Stimulus, Economic Growth (DGP), and Profit-and-Loss Sharing (PLS) in the Islamic banking sector in Indonesia are stationary at the level. Thus, the data meets the basic assumptions for further analysis such as causality tests, regression, or mediation models. This condition indicates that short-term fluctuations in the three variables tend to be stable and can reflect consistent economic relationships between fiscal policy, economic growth, and profit-sharing mechanisms in the Islamic banking system.

Correlation

Table 4. Correlation

	STIMULUS	PLS	GDP
STIMULUS	1	0.5481079906701986	0.6774968469584655
PLS	0.5481079906701986	1	0.7572811572338799
GDP	0.6774968469584655	0.7572811572338799	1

The correlation analysis reveals positive relationships among fiscal stimulus, Profit-and-Loss Sharing (PLS) financing, and economic growth. These results indicate that the variables tend to move in the same direction during the study period, suggesting a degree of interconnectedness between fiscal policy, Islamic financing, and macroeconomic performance. Specifically, fiscal stimulus exhibits a moderate positive correlation with PLS financing, with a correlation coefficient of 0.548. This finding suggests that increases in fiscal stimulus tend to be accompanied by increases in PLS financing activities, although the relationship is not excessively strong. Meanwhile, fiscal stimulus is positively correlated with economic growth, with a coefficient of 0.677, indicating a moderately strong association between fiscal policy support and economic performance. The strongest relationship is observed between PLS financing and economic growth, with a correlation coefficient of 0.757, suggesting that higher levels of profit-and-loss sharing financing are associated with better economic growth outcomes. Overall, the correlation matrix provides preliminary evidence of positive associations among fiscal stimulus, PLS financing, and economic growth. However, these results only describe the strength and direction of the relationships and do not imply causality. Therefore, further econometric analysis is required to examine the dynamic and long-run relationships among the variables.

Optimal Lag Selection

Based on the Akaike Information Criterion (AIC) and the Schwarz Criterion (SC), the optimal lag length was determined to be 2. Establishing the optimal lag is a critical step in econometric analysis, as it ensures that the model adequately captures the dynamic relationships among variables while minimizing bias from specification errors. The right lag helps describe the delayed effect of variables on short-term and long-term relationships between the economic components being analyzed.

Table. 5 Determination of Optimal Lag

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-489.9601	NA	79889.04	16.96414	17.03519 6.517461	16.99182
1	-168.7041	26.68982*	1.627941*	6.162212*	*	6.300589*

Based on the lag selection criteria presented in Table 4, the optimal lag length is determined to be lag 1. This conclusion is supported by the Akaike Information Criterion (AIC), Schwarz Criterion (SC), Hannan-Quinn Criterion (HQ), Final Prediction Error (FPE), and Likelihood Ratio (LR) test, all of which indicate their optimal values at lag 1. Specifically, the lowest AIC, SC, and HQ values are 6.162212, 6.517461, and 6.300589, respectively. The selection of lag 1 implies that the current values of economic growth (GDP), fiscal stimulus, and Profit-and-Loss Sharing (PLS) financing are adequately explained by their values in the immediately preceding period. Therefore, lag 1 is adopted

in the subsequent ARDL estimation to capture both the short-run dynamics and long-run relationships among the variables. The use of the optimal lag structure also helps ensure that the model is parsimonious while minimizing potential estimation bias arising from omitted dynamic effects.

Table 6. Breusch-Godfrey Serial Correlation LM Test

F-statistic	126.1512	Prob. F(2,51)		0.3200
Obs*R-squared	49.07921	Prob. Chi-Square(2)		0.6520
Test Equation:				
Dependent Variable: RESID				
Method: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP(-1)	0.000562	0.000440	1.277614	0.2072
PLS	42.60429	11.66542	3.652188	0.0006
PLS(-1)	40.03173	11.13626	3.594720	0.0007
STIMULUS	2.733453	0.598143	4.569902	0.0000
STIMULUS(-1)	3.031352	0.631322	4.801595	0.0000
C	31.45835	10.49006	2.998871	0.0042
RESID(-1)	0.882154	0.115404	7.644053	0.0000
RESID(-2)	0.109761	0.118799	0.923919	0.3599
R-squared	0.731851	Mean dependent var		2.25E-13
Adjusted R-squared	0.708772	S.D. dependent var		0.630273
S.E. of regression	0.275616	Akaike info criterion		0.385861
Sum squared resid	3.874185	Schwarz criterion		0.667561
Log likelihood	-3.382911	Hannan-Quinn criter.		0.495826
F-statistic	36.04320	Durbin-Watson stat		1.124369
Prob(F-statistic)	0.000000			

The ARDL model satisfies the assumption of no serial correlation, indicating that the estimated model is statistically adequate for time-series analysis. This conclusion is supported by the results of the Breusch–Godfrey Serial Correlation LM Test, which show that the probability values of the F-statistic (0.3200) and Chi-Square statistic (0.6520) exceed the 5% significance level. Consequently, the null hypothesis of no serial correlation cannot be rejected, implying that the residuals are independently distributed over time. The absence of serial correlation suggests that the dynamic specification of the ARDL model is appropriate and that the model adequately captures the relationships among fiscal stimulus, Profit-and-Loss Sharing (PLS) financing, and economic growth. As a result, the estimated parameters are not affected by residual autocorrelation, thereby enhancing the reliability of the model for subsequent long-run and short-run analyses. These findings provide further support for the robustness of the empirical results and confirm that the model meets one of the key diagnostic requirements for valid econometric inference.

Table 7. ARDL Long Run Form and Bounds Test
Conditional Error Correction Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	912.8533	24.45321	37.33062	0.0000
GDP(-1)*	0.016249	0.001045	15.54637	0.0000
PLS(-1)	75.20895	1.986226	37.86525	0.0000
STIMULUS(-1)	1.674972	0.228076	7.343918	0.0000
D(PLS)	4070.100	27.14224	149.9545	0.0000
D(STIMULUS)	41.99706	1.351881	31.06566	0.0000

* p-value incompatible with t-Bounds distribution.

Levels Equation
Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PLS	4628.447	199.8246	23.16255	0.0000
STIMULUS	103.0797	17.94521	5.744136	0.0000
C	56178.07	2390.749	23.49810	0.0000

EC = STIMULUS (+4628.4471*PLS + 103.0797*GDP + 56178.0687)

F-Bounds Test Null Hypothesis: No levels relationship

Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic: n=1000				
F-statistic	12748.34	10%	2.63	3.35
k	2	5%	3.1	3.87
		2.5%	3.55	4.38
		1%	4.13	5
Finite Sample: n=60				
Actual Sample Size	59	10%	2.738	3.465
		5%	3.288	4.07
		1%	4.558	5.59
Finite Sample: n=55				
		10%	2.748	3.495
		5%	3.303	4.1
		1%	4.61	5.563

This test is used to prove that there is an equilibrium relationship in the long run between economic growth, Profit-and-Loss Sharing (PLS) financing and fiscal stimulus. This test proves this relationship based on F-statistic value, which is equal to 12,748.34 and exceeds the upper bound critical value of 5.59 at the 1% level of significance. Therefore, the hypothesis stating that the variables under consideration are not cointegrated is rejected. The results of long-run estimation provide evidence of significant effects of both types of fiscal policies (fiscal stimulus and Profit-and-Loss Sharing financing) on economic growth. The coefficient of the Profit-and-Loss sharing variable is 4,628.447 ($p < 0.01$). Hence, there is evidence of positive contribution of PLS financing to economic growth. In turn, the positive effect of fiscal stimulus on the economy can be seen from the coefficient of this variable, which is equal to 103.080 ($p < 0.01$). The results obtained during Conditional Error Correction Regression analysis also confirm the presence of positive effects of changes in PLS financing and fiscal stimulus on economic growth. It can be concluded because the coefficients of these two variables in the regression equation (D(PLS) and D(STIMULUS)) are statistically significant ($p < 0.01$).

ARDL

Table 8. Method: ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	1.016249	0.001045	97.22880	0.0000
PLS	4070.100	27.14224	14.99545	0.0000
PLS(-1)	4145.309	25.93980	15.98050	0.0000
STIMULUS	41.99706	1.351881	31.06566	0.0000
STIMULUS(-1)	40.32209	1.421019	28.37547	0.0000
C	912.8533	24.45321	37.33062	0.0000
R-squared	0.776996	Mean dependent var		383.5944
Adjusted R-squared	0.752996	S.D. dependent var		329.2061
S.E. of regression	0.659333	Akaike info criterion		2.100970
Sum squared resid	23.04019	Schwarz criterion		2.312245
Log likelihood	55.97860	Hannan-Quinn criter.		2.183443
F-statistic	28.91892.	Durbin-Watson stat		3.365018
Prob(F-statistic)	0.000000			

*Note: p-values and any subsequent tests do not account for model selection.

Results from the ARDL model estimation show that fiscal stimulus and Profit-and-Loss Sharing (PLS) financing are important determinants for fostering economic growth. This is evident from the positive and significant coefficients for the two variables and their lags at the 1 percent level of significance. The implication is that fiscal policy intervention and Islamic risk-sharing financing positively affect economic performance in Indonesia. From the analysis, the GDP(-1) variable has a positive and significant coefficient showing that economic growth is persistent such that past growth affects

present economic growth conditions. Moreover, the fact that PLS and PLS(-1) are positively and significantly related suggests that an increase in profit-and-loss sharing financing fosters productive economic activities leading to sustained economic growth. In a similar manner, the significance of STIMULUS and STIMULUS(-1) implies that fiscal stimulus is positively associated with economic growth. Furthermore, the goodness-of-fit statistics serve to prove that the model is adequate. With the coefficient of determination of 0.776996 and the adjusted coefficient of determination of 0.752996, approximately 75.3% of variations in economic growth are attributed to fiscal stimulus and PLS financing. Also, the model is found to be statistically significant due to the significance level (probability value) of the F-statistic of 0.0000. Thus, it can be concluded that there is empirical evidence of the contributions of fiscal stimulus and PLS financing towards economic growth. This supports the notion that PLS financing acts as a good transmission mechanism for fiscal policy to affect the real economy.

Discussion

This study provides evidence that the relationship between fiscal policy and economic growth in Indonesia cannot be fully understood through a conventional expenditure-based perspective. Rather than functioning as an automatic driver of economic expansion, fiscal stimulus appears to depend on the quality of financial intermediation through which public resources are transformed into productive economic activities. The findings indicate that the effectiveness of government intervention is determined not only by the magnitude of fiscal allocation but also by the institutional mechanisms that connect fiscal resources with the real sector. Consequently, fiscal policy should be viewed as a catalyst whose impact depends on the capacity of financial institutions to allocate public funds into productive investments that generate sustainable economic value. Indeed, some previous studies have pointed out into this direction; most relevant being that of Alexander et al.,¹⁵ Elgin and Yalaman,¹⁶ Chanza,¹⁷ Elbanna,¹⁸ Fahamsyah,¹⁹ Farihana and Rahman,²⁰ Haruna et al.,²¹ Ibrahim and Fajri,²² Toumi and Hussainey,²³ Sayeed and Islam,²⁴ Fahamsyah et al.,²⁵ Naouar et al.,²⁶ and several others.²⁷

The empirical results identify Profit-and-Loss Sharing (PLS) financing as the principal transmission channel through which fiscal stimulus contributes to economic growth. This finding suggests that fiscal resources become economically productive when they are transformed into partnership-based financing that supports business expansion and entrepreneurial activities. Unlike conventional debt-based financing, PLS financing is founded on risk-sharing principles, allowing financial institutions and entrepreneurs to jointly share business risks and returns. Such a mechanism strengthens the relationship between the financial sector and the real economy because financing is linked directly to productive activities rather than speculative transactions. This goes in the same directions as previous studies of Elbana et al.,²⁸ Toumi and Hussainey,²⁹ and Meslier et al.³⁰ These

findings are consistent with previous studies demonstrating that adequate fiscal support enhances the capacity of Islamic banks to expand equity-based financing, thereby reinforcing investment, employment creation, and long-term economic resilience. Most importance of those previous studies are that of Arnott and Pickard,¹ Bai,² Abdel Moneim and Rosenbloom,³ Silalahi and Diawati,⁴ Muthitacharoen,⁵ Li and Wang,⁶ and Hollander.⁷ This mechanism enables financial resources to be allocated toward business expansion, productive ventures, and real-sector development, thereby generating a more sustainable contribution to economic growth. This have been demonstrated in multiple contexts by studies such that of Alexandre, Fenando, and Basso,⁸ Rubén Domínguez-díaz,⁹ Eriqat and Badwan,¹⁰ Antonio et al.,¹¹ Ahmed and Zabai,¹² and Abdel-Moneim and Rosenbloom.¹³ Consequently, the study indicates that Islamic banking institutions can play a broader developmental role beyond financial intermediation by acting as catalysts for transforming public policy initiatives into tangible economic outcomes.

From a macroeconomic perspective, these findings contribute to the ongoing debate regarding the effectiveness of fiscal stimulus in post-crisis recovery periods. The evidence suggests that fiscal expansion alone may not be sufficient to stimulate growth when transmission channels are weak or disconnected from productive sectors. Instead, growth effects become stronger when fiscal resources are complemented by financial systems capable of directing liquidity toward investment-generating activities. This finding reinforces the view that economic recovery requires not only government spending but also efficient institutional arrangements that ensure the productive circulation of funds throughout the economy.

The study also offers an important contribution to Islamic economics literature by demonstrating that the developmental function of Islamic finance extends beyond compliance with Sharia principles. The role of PLS financing observed in this study reflects the operationalization of *Maqâshid al-Syarī'ah*, particularly the objective of *hifz al-mâl* (the preservation and development of wealth). Through risk sharing, equitable participation, and real-sector orientation, PLS financing facilitates the productive utilization of economic resources while minimizing speculative activities. In this regard, economic growth is not viewed merely as an increase in aggregate output but as a process that generates broader societal welfare (*maslahah*) through more inclusive and productive economic participation. The novelty of this study lies in its integration of fiscal policy analysis, Islamic banking intermediation, and the *Maqâshid al-Syarī'ah* framework within a unified empirical model. While previous studies have generally examined fiscal stimulus and Islamic finance separately, this research demonstrates that Islamic banking particularly through PLS financing can serve as an institutional bridge linking government policy interventions with real-sector economic performance. This finding enriches the literature on fiscal policy transmission mechanisms and provides empirical support for the proposition that Islamic financial institutions can contribute meaningfully to national economic development.

From a broader macroeconomic perspective, these findings contribute to the ongoing debate regarding the effectiveness of fiscal stimulus during periods of economic recovery. Previous studies have produced mixed conclusions regarding the direct impact of fiscal expansion on growth because the effectiveness of government intervention largely depends on institutional quality and financial market conditions. The present findings provide additional evidence that fiscal policy becomes more effective when supported by financial systems capable of directing liquidity toward investment-generating activities. Accordingly, sustainable economic recovery requires not only expansionary fiscal policy but also efficient financial intermediation that strengthens productive investment and improves resource allocation across the economy.

Beyond its macroeconomic implications, this study contributes to the Islamic economics literature by demonstrating that the developmental role of Islamic finance extends beyond compliance with Sharia principles. The mediating role of PLS financing reflects the practical implementation of *Maqâshid al-Syarî'ah*, particularly the objective of *hifz al-mâl* (the preservation and development of wealth). Within Islamic economics, wealth should circulate through productive economic activities that generate value for society instead of remaining concentrated in speculative or unproductive transactions. Through partnership-based contracts such as *mudhârabah* and *musyâarakah*, PLS financing enables public resources originating from fiscal stimulus to be transformed into productive investments that strengthen entrepreneurship, business expansion, and employment creation. Consequently, economic growth generated through PLS financing represents not merely higher aggregate output but also a more sustainable process of wealth creation consistent with Islamic economic principles.

Furthermore, the findings also reflect the realization of *al-'adl* (economic justice) and *mashlahah* (public welfare), two fundamental objectives of *Maqâshid al-Syarî'ah*. The risk-sharing characteristics of PLS financing create a more equitable relationship between financial institutions and entrepreneurs by distributing risks and returns fairly among economic actors. This financing model expands access to productive capital, particularly for businesses that may encounter difficulties obtaining conventional financing, thereby promoting greater financial inclusion and reducing economic disparities. As productive investment expands, the benefits of economic growth become more broadly distributed across society, contributing to social welfare rather than merely increasing aggregate economic indicators. Therefore, the significance of PLS financing extends beyond financial performance by promoting inclusive development that aligns economic efficiency with ethical and social objectives. The novelty of this study lies in integrating fiscal policy, Islamic banking intermediation, and the *Maqâshid al-Syarî'ah* framework within a single empirical model. Previous studies have generally examined fiscal stimulus and Islamic finance as separate research domains, focusing either on macroeconomic policy effectiveness or on the performance of Islamic banking institutions.

This study demonstrates that Islamic banking, particularly through Profit-and-Loss Sharing financing, functions as an institutional bridge linking government fiscal intervention with real-sector economic performance. By identifying PLS financing as the transmission mechanism through which fiscal policy influences economic growth, this research extends both fiscal policy literature and Islamic economics by providing empirical evidence that Islamic financial institutions constitute an essential component of sustainable economic development. From a policy perspective, the findings imply that future fiscal recovery programmes should move beyond short-term liquidity injections and prioritize strategic collaboration with Islamic financial institutions. Government fiscal support should increasingly encourage the expansion of PLS-based financing through *mudhârabah* and *musyâarakah* contracts, particularly for micro, small, and medium enterprises (MSMEs) and other productive sectors that generate employment and long-term economic value. Strengthening cooperation between the Government, Bank Indonesia, the Financial Services Authority (OJK), and Islamic banking institutions would improve the effectiveness of fiscal policy by ensuring that public resources are allocated toward productive investments. Such an integrated policy approach would enhance economic resilience while simultaneously advancing the ethical objectives of *Maqâshid al-Syarî'ah* through equitable wealth distribution, productive entrepreneurship, and sustainable societal welfare.

Finally, future research may broaden this analysis by incorporating additional macroeconomic indicators, extending the observation period beyond the post-pandemic recovery phase, and conducting comparative studies across countries with different levels of Islamic financial development. Further investigation may also examine how different Islamic financing contracts contribute to fiscal policy transmission under varying institutional environments. Such studies would provide deeper insights into the strategic role of Islamic financial institutions as partners in fiscal policy implementation and sustainable economic development while further enriching the empirical literature on Islamic economics and public finance.

Conclusion

The research has proven that fiscal stimulus as well as PLS financing are crucial factors influencing the economic development of Indonesia. As can be seen from the results of ARDL estimation, fiscal stimulus has a positive influence on economic growth in the short run as well as in the long run, suggesting that government intervention can be considered a powerful tool for economic recovery after a pandemic. In turn, PLS financing increases economic development due to more efficient use of financial resources. The results also imply that the impact of fiscal stimulus is effective in enhancing the ability of Islamic banks to finance projects through PLS financing, thus strengthening the connection between public policy and economic development. This dynamic reflects

the synergetic nature of fiscal policies and Islamic financial intermediary roles, where the collaboration of both parties results in economic growth in a sustainable manner. Fiscal policies and PLS financing do not work independently; rather, they complement each other as instruments for investment and productive activities. Considering *Maqâshid al-Syarî'ah* principles, the findings suggest that the interaction between fiscal policy and PLS finance plays an important role in the achievement of *hifz al-mâl* (preservation and development of wealth). This is achieved by means of investing in a productive way and equal economic involvement. The use of risk sharing and a real economy orientation in combination with inclusive growth helps not only increase economic production but also improve welfare (*mashlahah*) of society as a whole. Thus, the paper provides empirical justification of the role of Islamic financial institutions as a channel for the transmission of fiscal policy effects.

References

- Ahmed, Ahmed, and Anna Zabai. "Fiscal Stimulus and Pension Contributions: Evidence from the TCJA." *Journal of Pension Economics and Finance* 24, no. 2 (2025): 209–34. <https://doi.org/DOI: 10.1017/S1474747224000106>
- Alaa Abdel-Moneim, Mohamed, and David H Rosenbloom. "Polycentric Governance and Inclusive Policies: Egypt and the Implementation of Fiscal Stimulus in Response to the COVID-19 Pandemic." *International Journal of Public Administration* 47, no. 14 (2024): 971–89. <https://doi.org/10.1080/01900692.2023.2220085>
- Alexandre, Marcos, Leonardo Fenando, and Cruz Basso. "Revisiting Knowledge on ESG / CSR and Financial Performance: A Bibliometric and Systematic Review of Moderating Variables." *Journal of Innovation & Knowledge* 10, no. 1 (2025): 100648. <https://doi.org/10.1016/j.jik.2024.100648>
- Arnott, Robert D., and Alex Pickard. "Does Fiscal Stimulus Stimulate?" *Elsevier BV*, no. (2025): 1–25. <https://doi.org/10.2139/ssrn.5234288>
- Bai, Bing. "Fiscal Stimulus and Natural Resource Efficiency: A Comprehensive Approach to a Green Economic Recovery." *Resources Policy* 86 (2023): 104092. <https://doi.org/10.1016/j.resourpol.2023.104092>
- Bernanke, Ben S. "The New Tools of Monetary Policy." *American Economic Review* 110, no. 4 (2020): 943–83. <https://doi.org/10.1257/aer.110.4.943>
- Bredemeier, Christian, Falko Juessen, and Roland Winkler. "Bringing Back the Jobs Lost to COVID-19: The Role of Fiscal Policy." *Journal of Money, Credit and Banking* 55, no. 1 (2022): 13–45. <https://doi.org/10.1111/jmcb.13005>
- Bueloth, Maritza Revilla, Manuel Antonio Morante Dávila, William Chavez Espinoza, David Enmanuel Llancari Oviden, and Ada Marina Quijano Quilo. "Empirical Study on the Pottery Environment and Its Contribution to the Economic, Cultural and Institutional Growth of the Community of Huancas, Amazonas, Peru: An Analysis

- with Smart PLS.” *Journal of Educational and Social Research* 14, no. 6 (2024): 334–44. <https://doi.org/10.36941/jesr-2024-0176>
- Cameron, Alistair, Mandar Oak, and Yaping Shan. “Peer Monitoring and Islamic Microfinance.” *Journal of Economic Behavior & Organization* 186 (2021): 337–58. <https://doi.org/10.1016/j.jebo.2021.02.001>
- Chanza, Martin. “Forecasting the South African Tax-to-GDP Ratio Series Utilizing Seasonal Autoregressive Integrated Moving Average and Artificial Neural Networks Models.” *The Economics and Finance Letters* 12, no. 3 (2025): 534–44. <https://doi.org/10.18488/29.v12i3.4416>
- Chen, Ke, and Jongheuk Kim. “Effects of Supply Chain Bottlenecks and Fiscal Stimulus on Inflation Dynamics in the COVID-19 Pandemic Era: A Case of South Korea.” *Applied Economics* 57, no. 41 (2025): 6483–96. <https://doi.org/10.1080/00036846.2024.2385750>
- Clemens, Jeffrey, John Kearns, Beatrice Lee, and Stan Veuger. “Spatial Spillovers and the Effects of Fiscal Stimulus: Evidence from Pandemic-Era Federal Aid for State and Local Governments.” *Spatial Economic Analysis* 19, no. 3 (2024): 411–35. <https://doi.org/10.1080/17421772.2023.2264344>
- Clemens, Jeffrey P., Philip Hoxie, and Stan Veuger. “Was Pandemic Fiscal Relief Effective Fiscal Stimulus? Evidence from Aid to State and Local Governments.” *Evidence from Aid to State and Local Governments*, 2025. <http://dx.doi.org/10.2139/ssrn.5114329>
- Ding, Jing, Lei Jiang, Lucy Msall, and Matthew J. Notowidigdo. “Consumer-Financed Fiscal Stimulus: Evidence from Digital Coupons in China.” *American Economic Review: Insights Vol. 7, No. 3*, (2025), 411–27. <https://doi.org/10.1257/aeri.20240210>
- Domínguez-Díaz, Rubén and Hurtado, Samuel and Menéndez, Carolina. “Fiscal Stimulus and Productivity: Simulating the NGEU Program with an Endogenous Growth Model.” *Elsevier BV*, no. 23 (2025). <http://dx.doi.org/10.2139/ssrn.5130625>
- Domínguez-díaz, Rubén. “Fiscal Stimulus and Productivity: Simulating the NGEU Program with an Endogenous Growth Model.” *Elsevier BV*, 2025. <https://doi.org/10.5281/zenodo.14718078>
- Elbanna, Mariam, Muhammad Wael Chafoory, and Sondos Jehad Shnewra. “Cairo ’ s Halal Restaurant Industry: Exploring Sharia- Based Financing and Fatwa Influence.” *Deujis: Demak Universal Jpurnal of Islam and Sharia* 3, no. 2 (2025): 289–302. <https://doi.org/10.61455/deujis.v3i02.405> Cairo’s
- Elfrida Silalahi, Renta Ristia, and Lucia Diawati. “An Innovation-Driven Structural Model of National Economic Growth: A Longitudinal Study Using PLS-SEM on Global Data.” *International Review of Applied Economics*, December 2025, 1–19. <https://doi.org/10.1080/02692171.2025.2590478>
- Elgin, Abdullah Ceyhun, and Sezer Yasar Yalaman. “Economic Stimulus Measures in the Pandemic: The Role of Fiscal Decentralisation.” *Cambridge Journal of Regions, Economy and Society* 16, no. 1 (2023): 1–24. <https://doi.org/10.1093/cjres/rsac047>

- Eriqat, Ibrahim, Nemer Badwan, Suhaib Al-Khazaleh, and Zahra Mohamed El Shlmani. "Financial Inclusion as a Strategy for Income Inequality Reduction and Economic Growth: PLS-SEM Analysis Based on Cross-Country Evidence." *Business Perspective* 22, no. 2 (2025): 461–90. [https://doi.org/10.21511/imfi.22\(2\).2025.36](https://doi.org/10.21511/imfi.22(2).2025.36)
- Fahamsyah, Mohammad Hatta, Nisful Laila, and Adrianna Syariefur. "Profit-Loss Sharing in Islamic Banking: Global Insights from a Systematic Review." *Economica: Jurnal Ekonomi Islam* 14, no. 2 (2023): 175–203. <https://doi.org/10.21580/economica.2023.14.2.26021>
- Farihana, Shahari, and Md. Saifur Rahman. "Can Profit and Loss Sharing (PLS) Financing Instruments Reduce the Credit Risk of Islamic Banks?" *Empirical Economics* 61, no. 3 (2021): 1397–1414. <https://doi.org/10.1007/s00181-020-01912-5>
- Fornaro, Luca. "Fiscal Stimulus with Supply Constraints." *IMF Economic Review* 73, no. 3 (2025): 708–32. <https://doi.org/10.1057/s41308-025-00286-x>
- Haruna, Ali, Honoré Tekam Oumbe, Armand Mboutchouang Kountchouang, and others. "Can Islamic Finance Enhance the Innovation Capacity of Cameroonian SMEs? Empirical Evidence Based on a Multivariate Probit Approach." *Borsa Istanbul Review*, 2023. <https://doi.org/10.1016/j.bir.2023.11.006>
- Hollander, Hylton. "Debt-Financed Fiscal Stimulus in South Africa." *Studies in Economics and Econometrics* 48, no. 1 (2024): 87–112. <https://doi.org/10.1080/03796205.2024.2321628>
- Ibrahim, Zaini, and Muhammad Fajri. "Profit-Sharing and Economic Growth: The Indonesian Experience." *Jurnal Ilmu Ekonomi* 13, no. 2 (2024): 273–90. <https://doi.org/10.15408/sjie.v13i2.33636>
- Kopiec, Paweł³. "The Aggregate and Distributional Effects of Fiscal Stimuli." *Economic Modelling* 134 (2024): 106691. <https://doi.org/10.1016/j.econmod.2024.106691>
- Li, Yulong, and Hongwei Wang. "Fiscal Stimulus Trade-Offs Under the Nexus Between Housing Prices, Debt Risk, and Financial Stability in China." *Emerging Markets Finance and Trade* 62, no. 2 (2026): 457–70. <https://doi.org/10.1080/1540496X.2025.2536128>
- Meslier, Céline, Tastaftiyan Risfandy, and Amine Tarazi. "Islamic Banks' Equity Financing, Shariah Supervisory Board, and Banking Environments." *Pacific-Basin Finance Journal* 62 (2020): 101354. <https://doi.org/10.1016/j.pacfin.2020.101354>
- Muhammad, Afif, Nasih Burhani, and Humaidi Humaidi. "Reviving The Turâa of Islamic Law: An Ucûl Al-Fiqh Review for Time Value of Money Concept." *Az-Zarqa': Jurnal Hukum Bisnis Islam* 16, no. 2 (2024): 224–52. <https://doi.org/10.14421/az-zarqa.v16.i2.4119>
- Muthitacharoen, Athiphat. "Digital Fiscal Stimulus and SMEs: Difference-in-Differences Evidence from Thailand's Half-and-Half Program." *Applied Economics Letters* 32, no. 18 (2025): 2646–51. <https://doi.org/10.1080/13504851.2024.2337326>
- Naouar, Anissa, Rihab Grassa, and Zakaria Boulanouar. "Islamic Banks and Capital Buffer Behavior: A View from the Gulf Cooperation Council Markets." *Pacific-Basin Finance Journal* 83 (2024): 102257. <https://doi.org/10.1016/j.pacfin.2024.102257>

- Robiatun NB, Fahmia, Akhmad Akbar Susanto, and Samsubar Saleh. "Profit-and-Loss Sharing Financing, Operating Expenses, and the Intermediation Costs of Islamic Rural Banks in Indonesia." *Journal of Islamic Monetary Economics and Finance* 10, no. 2 (2024): 379–96. <https://doi.org/10.21098/jimf.v10i2.1914>
- Salman, Kautsar Riza. "The Determinants of Profit-Loss Sharing Financing of Islamic Banks in Indonesia." *Muqtasid* 12, no. 2 (2022): 95–111. <https://doi.org/10.18326/muqtasid.V13i2.95-111>
- Sayeed, Jamil, and Deen Islam. "International Transmission of Fiscal News Shock: Evidence from Defence Spending." *Defence and Peace Economics* 36, no. 1 (2025): 126–40. <https://doi.org/10.1080/10242694.2023.2269520>
- Tian, Hanhui, Chenxi Wang, and Chengsi Zhang. "The Effects of Fiscal Stimulus under Monetary Accommodation." *Journal of Macroeconomics* 85 (2025): 103691. <https://doi.org/10.1016/j.jmacro.2025.103691>
- Toumi, Kaouther, and Khaled Hussainey. "Shari'ah Governance Quality and Environmental, Social and Governance Performance in Islamic Banks: A Cross-Country Evidence." *Journal of Applied Accounting Research*, 2023. <https://doi.org/10.1108/JAAR-08-2022-0208>
- Viral V. Acharya, Jun "QJ" Qian, Yang Su, Zhishu Yang. "Fiscal Stimulus, Deposit Competition, and the Rise of Shadow Banking: Evidence from China." *Management Science* 7, no. 71 (2025): 5645–75. <https://doi.org/10.1287/mnsc.2023.04233>

Endnotes:

¹ Ben S. Bernanke, "The New Tools of Monetary Policy," *American Economic Review* 110, no. 4 (2020): 943–83, <https://doi.org/10.1257/aer.110.4.943>

² Robert D. Arnott and Alex Pickard, "Does Fiscal Stimulus Stimulate?," *Elsvier BV*, no. (2025): 1–25, <https://doi.org/10.2139/ssrn.5234288>

³ Jeffrey Clemens et al., "Spatial Spillovers and the Effects of Fiscal Stimulus: Evidence from Pandemic-Era Federal Aid for State and Local Governments," *Spatial Economic Analysis* 19, no. 3 (2024): 411–35, <https://doi.org/10.1080/17421772.2023.2264344>; Ke Chen and Jongheuk Kim, "Effects of Supply Chain Bottlenecks and Fiscal Stimulus on Inflation Dynamics in the COVID-19 Pandemic Era: A Case of South Korea," *Applied Economics* 57, no. 41 (2025): 6483–96, <https://doi.org/10.1080/00036846.2024.2385750>; Yulong Li and Hongwei Wang, "Fiscal Stimulus Trade-Offs Under the Nexus Between Housing Prices, Debt Risk, and Financial Stability in China," *Emerging Markets Finance and Trade* 62, no. 2 (2026): 457–70, <https://doi.org/10.1080/1540496X.2025.2536128>

⁴ Christian Bredemeier, Falko Juessen, and Roland Winkler, "Bringing Back the Jobs Lost to COVID-19: The Role of Fiscal Policy," *Journal of Money, Credit and Banking* 55, no. 1 (2022): 13–45, <https://doi.org/10.1111/jmcb.13005>

⁵ Luca Fornaro, "Fiscal Stimulus with Supply Constraints," *IMF Economic Review* 73, no. 3 (2025): 708–32, <https://doi.org/10.1057/s41308-025-00286-x>

⁶ Fahmia Robiatun NB, Akhmad Akbar Susanto, and Samsubar Saleh, "Profit-and-Loss Sharing Financing, Operating Expenses, and the Intermediation Costs of Islamic Rural Banks in Indonesia," *Journal of Islamic Monetary Economics and Finance* 10, no. 2 (2024): 379–96, <https://doi.org/10.21098/jimf.v10i2.1914>

⁷ Alistair Cameron, Mandar Oak, and Yaping Shan, "Peer Monitoring and Islamic Microfinance," *Journal of Economic Behavior & Organization* 186 (2021): 337–58, <https://doi.org/10.1016/j.jebo.2021.02.001>

⁸ Afif Muhammad, Nasih Burhani, and Humaidi Humaidi, "Reviving The Turâa of Islamic Law: An Ucûl Al-Fiqh Review for Time Value of Money Concept," *Az-Zarqa': Jurnal Hukum Bisnis Islam* 16, no. 2 (2024): 224–52, <https://doi.org/10.14421/az-zarqa.v16.i2.4119>

⁹ Jing Ding et al., "Consumer-Financed Fiscal Stimulus: Evidence from Digital Coupons in China," *American Economic Review: Insights Vol. 7, No. 3, 2025*, 411–27, <https://doi.org/10.1257/aeri.20240210>

¹⁰ Abdullah Ceyhun Elgin and Sezer Yasar Yalaman, "Economic Stimulus Measures in the Pandemic: The Role of Fiscal Decentralisation," *Cambridge Journal of Regions, Economy and Society* 16, no. 1 (2023): 1–24, <https://doi.org/10.1093/cjres/rsac047>

¹¹ Zhishu Yang Viral V. Acharya, Jun "QJ" Qian, Yang Su, "Fiscal Stimulus, Deposit Competition, and the Rise of Shadow Banking: Evidence from China," *Management Science* 7, no. 71 (2025): 5645–75, <https://doi.org/10.1287/mnsc.2023.04233>

¹² Mohamed Alaa Abdel-Moneim and David H Rosenbloom, "Polycentric Governance and Inclusive Policies: Egypt and the Implementation of Fiscal Stimulus in Response to the COVID-19 Pandemic," *International Journal of Public Administration* 47, no. 14 (2024): 971–89, <https://doi.org/10.1080/01900692.2023.2220085>

¹³ Hanhui Tian, Chenxi Wang, and Chengsi Zhang, "The Effects of Fiscal Stimulus under Monetary Accommodation," *Journal of Macroeconomics* 85 (2025): 103691, <https://doi.org/10.1016/j.jmacro.2025.103691>

¹⁴ Céline Meslier, Tastaftiyan Risfandy, and Amine Tarazi, "Islamic Banks' Equity Financing, Shariah Supervisory Board, and Banking Environments," *Pacific-Basin Finance Journal* 62 (2020): 101354, <https://doi.org/10.1016/j.pacfin.2020.101354>

¹⁵ Marcos Alexandre, Leonardo Fenando, and Cruz Basso, "Revisiting Knowledge on ESG / CSR and Financial Performance: A Bibliometric and Systematic Review of Moderating

Variables,” *Journal of Innovation & Knowledge* 10, no. 1 (2025): 100648, <https://doi.org/10.1016/j.jik.2024.100648>

¹⁶ Elgin and Yalaman, “Economic Stimulus Measures in the Pandemic: The Role of Fiscal Decentralisation.”

¹⁷ Martin Chanza, “Forecasting the South African Tax-to-GDP Ratio Series Utilizing Seasonal Autoregressive Integrated Moving Average and Artificial Neural Networks Models,” *The Economics and Finance Letters* 12, no. 3 (2025): 534–44, <https://doi.org/10.18488/29.v12i3.4416>

¹⁸ Mariam Elbanna, Muhammad Wael Chafoory, and Sondos Jehad Shnewra, “Cairo’s Halal Restaurant Industry: Exploring Sharia- Based Financing and Fatwa Influence,” *Deujis: Demak Universal Journal of Islam and Sharia* 3, no. 2 (2025): 289–302, <https://doi.org/10.61455/deujis.v3i02.405> Cairo’s

¹⁹ Mohammad Hatta Fahamsyah, Nisful Laila, and Adrianna Syariefur, “Profit-Loss Sharing in Islamic Banking: Global Insights from a Systematic Review,” *Economica: Jurnal Ekomomi Islam* 14, no. 2 (2023): 175–203, <https://doi.org/10.21580/economica.2023.14.2.26021>.

²⁰ Shahari Farihana and Md. Saifur Rahman, “Can Profit and Loss Sharing (PLS) Financing Instruments Reduce the Credit Risk of Islamic Banks?,” *Empirical Economics* 61, no. 3 (2021): 1397–1414, <https://doi.org/10.1007/s00181-020-01912-5>

²¹ Ali Haruna et al., “Can Islamic Finance Enhance the Innovation Capacity of Cameroonian SMEs? Empirical Evidence Based on a Multivariate Probit Approach,” *Borsa Istanbul Review*, 2023, <https://doi.org/10.1016/j.bir.2023.11.006>

²² Zaini Ibrahim and Muhammad Fajri, “Profit-Sharing and Economic Growth: The Indonesian Experience,” *Jurnal Ilmu Ekonomi* 13, no. 2 (2024): 273–90, <https://doi.org/10.15408/sjie.v13i2.33636>.

²³ Kaouther Toumi and Khaled Hussainey, “Shari’ah Governance Quality and Environmental, Social and Governance Performance in Islamic Banks: A Cross-Country Evidence,” *Journal of Applied Accounting Research*, 2023, <https://doi.org/10.1108/JAAR-08-2022-0208>.

²⁴ Jamil Sayeed and Deen Islam, “International Transmission of Fiscal News Shock: Evidence from Defence Spending,” *Defence and Peace Economics* 36, no. 1 (2025): 126–40, <https://doi.org/10.1080/10242694.2023.2269520>.

²⁵ Fahamsyah, Laila, and Syariefur, “Profit-Loss Sharing in Islamic Banking/ : Global Insights from a Systematic Review.”

²⁶ Anissa Naouar, Rihab Grassa, and Zakaria Boulanouar, “Islamic Banks and Capital Buffer Behavior: A View from the Gulf Cooperation Council Markets,” *Pacific-Basin Finance Journal* 83 (2024): 102257, <https://doi.org/10.1016/j.pacfin.2024.102257>.

²⁷ Bing Bai, “Fiscal Stimulus and Natural Resource Efficiency: A Comprehensive Approach to a Green Economic Recovery,” *Resources Policy* 86 (2023): 104092, <https://doi.org/10.1016/j.resourpol.2023.104092>; Bredemeier, Juessen, and Winkler, “Bringing Back the Jobs Lost to COVID-19: The Role of Fiscal Policy”; Jeffrey P Clemens, Philip Hoxie, and Stan Veuger, “Was Pandemic Fiscal Relief Effective Fiscal Stimulus? Evidence from Aid to State and Local Governments,” *Evidence from Aid to State and Local Governments*, 2025, <http://dx.doi.org/10.2139/ssrn.5114329>; Pawe³ Kopiec, “The Aggregate and Distributional Effects of Fiscal Stimuli,” *Economic Modelling* 134 (2024): 106691, <https://doi.org/10.1016/j.econmod.2024.106691>; Kautsar Riza Salman, “The Determinants of Profit-Loss Sharing Financing of Islamic Banks in Indonesia,” *Muqtasid* 12, no. 2 (2022): 95–111, <https://doi.org/10.18326/muqtasid.V13i2.95-111>; Carolina Domínguez-Díaz, Rubén and Hurtado, Samuel and Menéndez, “Fiscal Stimulus and Productivity: Simulating the NGEU Program with an Endogenous Growth Model,” *Elsevier BV*, no. 23 (2025), <http://dx.doi.org/10.2139/ssrn.5130625>

²⁸ Elbanna, Chafoory, and Shnewra, “Cairo’s Halal Restaurant Industry: Exploring Sharia-Based Financing and Fatwa Influence.”

²⁹ Toumi and Hussainey, “Shari’ah Governance Quality and Environmental, Social and Governance Performance in Islamic Banks: A Cross-Country Evidence.”

³⁰ Meslier, Risfandy, and Tarazi, “Islamic Banks’ Equity Financing, Shariah Supervisory Board, and Banking Environments.”

³¹ Arnott and Pickard, “Does Fiscal Stimulus Stimulate?”

³² Bai, “Fiscal Stimulus and Natural Resource Efficiency: A Comprehensive Approach to a Green Economic Recovery.”

³³ Alaa Abdel-Moneim and Rosenbloom, “Polycentric Governance and Inclusive Policies: Egypt and the Implementation of Fiscal Stimulus in Response to the COVID-19 Pandemic.”

³⁴ Renta Ristia Elfrida Silalahi and Lucia Diawati, “An Innovation-Driven Structural Model of National Economic Growth: A Longitudinal Study Using PLS-SEM on Global Data,” *International Review of Applied Economics*, December 2025, 1–19, <https://doi.org/10.1080/02692171.2025.2590478>

³⁵ Athiphat Muthitacharoen, “Digital Fiscal Stimulus and SMEs: Difference-in-Differences Evidence from Thailand’s Half-and-Half Program,” *Applied Economics Letters* 32, no. 18 (2025): 2646–51, <https://doi.org/10.1080/13504851.2024.2337326>

³⁶ Li and Wang, “Fiscal Stimulus Trade-Offs Under the Nexus Between Housing Prices, Debt Risk, and Financial Stability in China.”

³⁷ Hylton Hollander, “Debt-Financed Fiscal Stimulus in South Africa,” *Studies in Economics and Econometrics* 48, no. 1 (2024): 87–112, <https://doi.org/10.1080/03796205.2024.2321628>

³⁸ Alexandre, Fenando, and Basso, “Revisiting Knowledge on ESG / CSR and Financial Performance: A Bibliometric and Systematic Review of Moderating Variables.”

³⁹ Rubén Domínguez-díaz, “Fiscal Stimulus and Productivity: Simulating the NGEU Program with an Endogenous Growth Model,” *Elsevier BV*, 2025, <https://doi.org/10.5281/zenodo.14718078>

⁴⁰ Ibrahim Eriqat et al., “Financial Inclusion as a Strategy for Income Inequality Reduction and Economic Growth: PLS-SEM Analysis Based on Cross-Country Evidence,” *Business Perspective* 22, no. 2 (2025): 461–90, [https://doi.org/10.21511/imfi.22\(2\).2025.36](https://doi.org/10.21511/imfi.22(2).2025.36)

⁴¹ Maritza Revilla Bueloth et al., “Empirical Study on the Pottery Environment and Its Contribution to the Economic, Cultural and Institutional Growth of the Community of Huancas, Amazonas, Peru: An Analysis with Smart PLS,” *Journal of Educational and Social Research* 14, no. 6 (2024): 334–44, <https://doi.org/10.36941/jesr-2024-0176>

⁴² Ahmed Ahmed and Anna Zabai, “Fiscal Stimulus and Pension Contributions: Evidence from the TCJA,” *Journal of Pension Economics and Finance* 24, no. 2 (2025): 209–34, <https://doi.org/10.1017/S1474747224000106>

⁴³ Alaa Abdel-Moneim and Rosenbloom, “Polycentric Governance and Inclusive Policies: Egypt and the Implementation of Fiscal Stimulus in Response to the COVID-19 Pandemic.”