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EFFECTS OF ACCOUNTING EARNINGS AND AGRIBUSINESS EXPANSION ON GROSS DOMESTIC PRODUCT

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ABSTRAK

Penelitian ini bertujuan menganalisis pengaruh Accounting Earnings, Agricultural policies *dan ekspansi agribisnis melalui* stock market return *terhadap pertumbuhan ekonomi di Indonesia, dengan* Agricultural Gross Domestic Product (AGDP) *sebagai variabel* intervening. *Penggunaan variabel* intervening *didasarkan perbedaan level antara variabel* independent *yang bersifat mikro dan* Gross Domestic Product *(GDP) yang bersifat makro. Data yang digunakan adalah data panel 32 dari 68 perusahaan di sektor pertanian dan agribisnis yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2015–2023. Analisis dilakukan menggunakan Uji Hipotesis dan Sobel test untuk menguji pengaruh langsung dan tidak langsung dari variabel independen terhadap pertumbuhan ekonomi. Hasil penelitian menunjukkan bahwa* Accounting Earnings *dan* Stock Market Return *tidak berpengaruh signifikan secara langsung terhadap pertumbuhan ekonomi. Namun,* Accounting Earnings *memiliki pengaruh tidak langsung yang signifikan terhadap pertumbuhan ekonomi melalui AGDP sebagai variabel* intervening. Agriculture policies *terbukti memiliki pengaruh signifikan terhadap pertumbuhan ekonomi baik secara langsung maupun tidak langsung. AGDP juga memainkan peran penting dalam mendorong pertumbuhan ekonomi yang inklusif dan berkelanjutan di Indonesia*.

Kata kunci: pertumbuhan ekonomi, accounting earnings, stock market return, agriculture policies, agricultural gross domestic product

ABSTRACT

This study aims to analyze the impact of accounting earnings, agricultural policies, and agribusiness expansion through stock market returns on economic growth in Indonesia, with Agricultural Gross Domestic Product (AGDP) as an intervening variable. Its usage is based on the difference in levels between the independent variables as micro-level, and Gross Domestic Product (GDP) as macro-level. The data were panel data from 32 out of 68 companies in the agricultural and agribusiness sectors listed on the Indonesia Stock Exchange (IDX) during the period of 2015–2023. The analysis was conducted with hypothesis testing and the Sobel test to examine the direct and indirect effects of the independent variables on economic growth. The results show that accounting earnings and stock market return do not have a significant direct effect on economic growth. However, accounting earnings have a significant indirect effect on economic growth through AGDP as the intervening variable. Agricultural policies are indicated to have a significant effect on economic growth directly and indirectly. AGDP also plays an important role in promoting inclusive and sustainable economic growth in Indonesia.

Keywords: economic growth, accounting earnings, stock market return, agriculture policies, agricultural gross domestic product

INTRODUCTION

Inclusive and sustainable economic growth is an important indicator in achieving the Sustainable Development Goals (SDGs). Economists worldwide agree that promoting growth in developing countries is a top priority for improving welfare and reducing poverty (Krysovatyy et al., 2024). Assessing a country's economic growth is fairly straightforward through annual productivity, but becomes more complex within countries due to differences in economic characteristics (Hidayat et al., 2024). If economic activity increases, economic growth is positive; if it decreases, the value becomes negative (Prasetyani, et al. 2021).

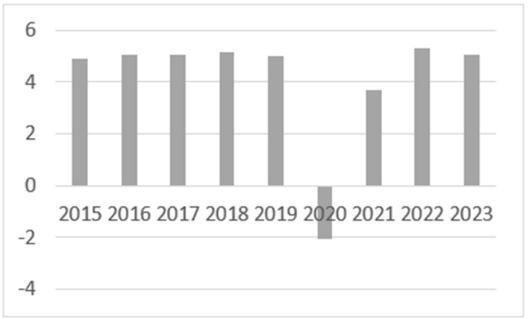

Figure 1
Indonesia's Economic Growth
Source: World Bank, 2015-2023 (processed)

Referring to the data during 2015-2019, economic growth stabilized at around 5%. In 2020, there was a contraction due to the Covid-19 pandemic, which led to a global economic recession (Avritzer and Renno, 2021). The decline in employment and production utilization is projected to depress average economic growth (Costantino et al., 2024). As shown on Figure 1, in 2021, the economy started to recover in line with recovery policies and business expansion. Its growth was stronger in 2022-2023, reflecting economic stabilization (Krawczyk et al., 2023).

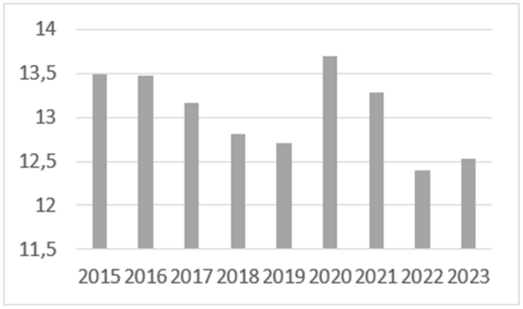

Figure 2
Indonesia's Agricultural Gross Domestic Product (AGDP)
Source: World Bank, 2015-2023 (processed)

The Figure 2 in the development of Indonesia's agricultural GDP in 2015-2023 shows a fluctuating pattern with a downward trend in the long term. After stabilizing around 13.5% in 2015-2016, its contribution declined to 12.7% in 2019. A temporary spike occurred in 2020 due to the Covid-19 pandemic, but it did not continue as the contribution declined until 12.4% in 2022. From this data, it is necessary to have a policy that can strengthen the agricultural sector, because it is the largest contributor to the economic structure (Boluk and Karaman, 2024). The agricultural sector also plays a strategic role in providing food, increasing foreign exchange, absorbing labor, and encouraging other sectors, and bringing main support to other sectors (Intan et al., 2024).

The sustainable development of the agricultural sector requires consistent and long-term public policies for development programs to be effective and have a real impact on the economy (Huber, et al. 2024). The failure of agricultural policy is often caused by its uniform approach, without considering differences in conditions between farmers and diverse types of agricultural businesses (Brown et al., 2021). Therefore, new policies are needed to be adaptive to agricultural conditions and support greater funding for sustainable agricultural practices (Schebesta and Candel, 2020).

The success of an agricultural sector policy can be reflected in a company's accounting

earnings (Ovechkin et al., 2021). Its key issue is the extent to which financial statements reflect the condition of the company. Accounting earnings in the agricultural sector are highly susceptible to external factors such as climate, policies, and commodity prices that contain systematic components. They may be difficult to assess real performance and transparency of information in financial statements (Ball et al., 2022).

Agribusiness expansion drives agricultural economic growth through increased scale, modern technology and international market access. Innovations such as automation, precision farming and digital data analysis improve land efficiency and decision-making for optimal crop yields (Basso et al., 2024). However, the growth of the agribusiness sector, by increasing global demand for agricultural products, has contributed to an increase in pesticide use. So, deforestation and land disputes are important issues that arise along the expansion of agricultural land (Capella et al., 2023). The stock market tends to respond to corporate expansion with share price if it is seen to increase future profits (Massa et al., 2024).

Konchitchki and Patatoukas (2014) showed that aggregate accounting earnings have a significant effect on GDP growth. Aggregate accounting earnings is an early indicator of GDP growth since it reflects real economic activity. However, they did not specifically consider accounting earnings in the agricultural sector.

Another study by Nwankwo et al. (2024) in Nigeria showed that agricultural policies focus on increasing food production tend to be more successful than those that lead to industrialization. They were due to limited infrastructure, regulation, and access to capital for agribusiness actors. However, they highlighted agricultural policies in Nigeria not in Indonesia. It also did not consider accounting earnings variables in measuring GDP.

Therefore, this study aims to analyze the effect of accounting earnings, successively implemented national agricultural policies, and agribusiness expansion on GDP. By understanding the relationship between these variables, this research can provide insights for policy makers and agribusiness actors in formulating more effective strategies to support agriculture-based economic growth. Its findings are also expected to serve as a reference in designing more sustainable and data-driven policies to increase the contribution of the agricultural sector to the national economy.

THEORETICAL REVIEW

Labor in Indonesia's agricultural sector generally has low skills. Its condition is very different when compared to agricultural labor in China and the United States. Most agricultural clusters in Indonesia still apply traditional methods, so farmers still depend on manual tools in production activities (Kuleh et al., 2022).

Hypothesis Development

Accounting Earnings on AGDP

Accounting earning is a financial performance indicator that reflects a company's profitability. It is calculated based on Generally Accepted Accounting Principles (GAAP). Compared to taxable income, the profit is considered more accurate in assessing financial health and is useful for predicting future cash flows and tax revenues (Ball et al., 2022). While Awotomilusi et al. (2025) revealed that accounting earnings has a positive and significant effect on AGDP. The increase in efficiency and profitability in accounting earnings can be a reflection of the growth of the agricultural sector as a whole. The achievement of healthy profits at the company level not only reflects internal performance, but also contributes to increasing the added value of the agricultural sector in national GDP.

H_1: Accounting earnings has an impact on AGDP

Stock Market Return on AGDP

Within the framework of the Efficient Market Hypothesis (EMH), the impact of agricultural economic indicators on stock market performance depends largely on the extent to which the market can absorb information optimally. When market efficiency is still low and economic uncertainty is high, data such as national agricultural output still has the potential to influence stock price fluctuations. When the market is efficient, the information tends to no longer be the main factor that triggers significant changes in stock movements (Gaio et al., 2022). Research by Khan and Billah (2023) revealed that stock market returns have a dynamic relationship with agriculture GDP. Unstable market conditions or when the agricultural sector experiences sharp fluctuations, the stock market reaction to changes in agricultural GDP can be stronger and disproportionate.

H_2: Stock market return has an impact on AGDP

Agriculture Policies on AGDP

Agricultural policies aim to promote efficiency, productivity, and modernization of the agricultural sector. The duration of agricultural policies plays a crucial role in determining their effectiveness in the agricultural sector (Luo et al., 2025). In the era of technological development, digitization of agriculture is needed as an effective means of overcoming limited access to information (Huang et al., 2025). Then, Onyeneke et al. (2023) and Chandio et al., (2023) argue that sustainable agricultural policies contribute positively to increasing agricultural productivity in the long run.

H_3: Agriculture policies have an impact on AGDP

Accounting Earnings on GDP

Although quantitative in nature and limited by GAAP standards, accounting earnings still have an important role in reflecting the direction of economic growth (Gaertner et al., 2020). If the information in the financial statements describes positive business conditions and prospects, investors will tend to be encouraged to increase their investment (Durnev and Mangen, 2020). While, Demers et al., (2024) show that accounting earnings has a positive effect on GDP. The company's accounting earnings makes a significant additional contribution in explaining variations in GDP growth.

H_4: Accounting earnings has an impact on GDP

Stock Market Return on GDP

Stock market returns can reflect the economic value of an asset as the level of profit that investors can achieve from their investment in the market (Lei and Wisniewski, 2025). Companies that manage their data well can increase innovation and firm value, resulting in improved performance in the capital markets. The sector's real economic performance and innovation affect investor perceptions and are reflected in fluctuations in stock returns (Cui et al., 2024). A rising stock price can strengthen a company's financial position, increase investor confidence, and facilitate access to financing at lower investment costs through trust and balance sheet channels (Mishkin, 2021). Increased investment can drive GDP growth in a sector (Xuan, 2025).

H_5: Stock market return has an impact on GDP

Agriculture Policies on GDP

Agricultural policies through the provision of fertilizers play an important role in supporting the agricultural sector through increasing crop productivity to increase crop yields (Ali et al., 2019). The use of agricultural digitalization can also provide infrastructure that increases farmers' participation in the market with access to accurate information. It strengthens producer-consumer relationships, reduces distribution waste, and improves value chain efficiency. Better data also optimizes decision-making and administration, resulting in improved product quality and more environmentally friendly production (Bolfe et al., 2020). Its

emphasis is on the importance of utilizing these technologies to optimize and align environmental, social, and economic objectives, steering economic activity towards long-term sustainability. Therefore, innovation and digitalization in the agricultural sector are crucial factors that accelerate economic growth in a sustainable manner (Aceytuno et al., 2020).

H_6: Agriculture policies have an impact on GDP

AGDP Mediates the Relationship between Accounting Earnings on GDP

The fundamental status of the agricultural sector, its positive external attributes, and its vulnerable characteristics make fiscal support an important instrument in strengthening the sector's contribution to the economy (Liu and Song, 2020). When corporate accounting earnings are used or mobilized through fiscal mechanisms and investment into the sector, it drives AGDP growth. Strengthening the integration between sectors in the agricultural value chain is a key strategy to improve the overall competitiveness of the agricultural sector (Li, 2021). When such profits are allocated to agricultural activities, it increases the productivity and output of the sector (AGDP). Furthermore, the increased contribution of the agricultural sector will have a positive impact on national economic growth (GDP) (Zhu et al., 2024).

H_7: AGDP mediates the relationship between accounting earnings and GDP

Agriculture GDP Mediates the Relationship between Stock Market Return on GDP

Stock prices and market indices reflect expectations of economic conditions, so they are often used as indicators of economic growth dynamics (Abbass et al., 2022). However, the effect of stock market returns on GDP is not always direct. In the context of countries with a significant agricultural sector, stock market fluctuations may encourage investment allocation to the agricultural sector through financing mechanisms or market expectations, which in turn increases the productivity and output of the sector (Fabozzi et al., 2022).

H_8: AGDP mediates the relationship between *stock market retur* and GDP

AGDP Mediates the Relationship between Agriculture Policies on GDP

Agriculture is often positioned as a strategic sector in national security frameworks, given that its products such as food are essential for people's survival (Charlton and Castillo, 2020). Economic and policy theory provides a framework for understanding dimensions of agricultural policy such as targeting, cost allocation, and instrument design. This approach helps evaluate policies to improve the effectiveness of agricultural sector performance that can strengthen economic growth through increased productivity and efficiency, and create more adaptive and targeted policies to address agricultural sector challenges (Ehlers et al., 2021).

H_9: AGDP mediates the relationship between agriculture policies and GDP

Research Model

Figure 3 presents a flowchart illustrating the hypotheses used to determine the most appropriate estimation model among CEM, FEM, and REM.

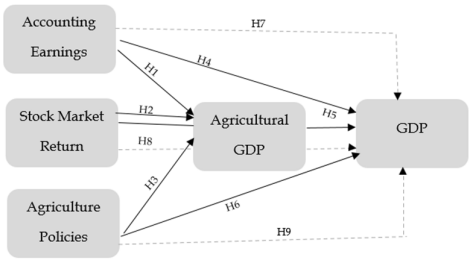

Figure 3
Research Model
Source: Develop by Authors, 2025

RESEARCH METHODS

This research uses a quantitative approach that uses numerical data and is analyzed through statistical tests to obtain

conclusions (Wahyudi, 2024). The sampling was purposive sampling, based on data availability and is not a company that has experienced a suspension.

The data source was secondary data obtained from the financial statements of agriculture and agribusiness sector companies. There were 32 companies from 68 populations listed on the Indonesia Stock Exchange (IDX) that meet the criteria in this research for the Accounting Earnings (X1) and Stock Market Return (X2) variables. While the variable GDP (Y), Agricultural GDP (Z) from the World Bank, Agriculture Policies were measured through fertilizer consumption as an indicator of production inputs (X3) obtained from the World Bank. The type of data in this study was panel data for 2015-2023.

In this study, the hypothesis test method is used to test the relationship between Accounting Earnings (X1), Stock Market Return (X2), Agriculture Policies (X3), Agriculture GDP (AGDP) to Economic Growth (GDP Growth-Y). Hypothesis testing is a statistical method to assess the truth or validity of conjectures or statements about the relationship between variables, based on empirical data (Rubin and Donkin, 2024). Before conducting regression analysis in hypothesis testing, this study firstly selected a model with three methods: the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine the most suitable model, a series of tests such as the Chow test, Hausman test, and Lagrange Multiplier Test were conducted. Rgen, hypothesis testing of model I and model II was carried out. The Sobel Test was used to ascertain whether Agricultural GDP (AGDP) really acts as an intervening variable.

This study also determined the most appropriate panel data estimation model by comparing three alternative approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The model selection procedure was carried out sequentially through a series of specification tests, each serving a distinct function and purpose in the decision-making process. The Chow test was employed to compare the CEM and FEM in whether differences in characteristics across observational units need to be incorporated into the model. Subsequently, the Hausman test was used to compare the FEM and REM with the objective of determining whether the random effects assumption is consistent and efficient. Meanwhile, the Lagrange Multiplier (LM) test was applied to compare the CEM and REM to examine whether the presence of random effects is more appropriate than the pooled model. Through this series of tests, the most suitable estimation model can be systematically selected and applied in subsequent analyses. To clarify the model selection process, Figure 3 presents a flowchart illustrating the hypotheses used to determine the most appropriate estimation model among CEM, FEM, and REM.

Table 1
Model Selection Test

Specification Test	Result	Selected Model
Chow Test	Sig. > 0.05	CEM
	Sig. < 0.05	FEM
Hausman Test	Sig. > 0.05	REM
	Sig. < 0.05	FEM
Lagrange Multiplier Test	Sig. > 0.05	CEM
	Sig. < 0.05	REM

Source: Output eviews 10, 2025

After conducting the model selection tests as shown in Table 1, the Random Effect Model (REM) is the most appropriate estimation model for this study. In addition, the Sobel test was employed to examine whether Agricultural Gross Domestic Product (Agricultural GDP/AGDP) significantly acts as an intervening variable.

The regression equation in this study was formulated with reference to the model developed by Ghozali (2016). It is a common reference in panel data analysis and path regression in the context of quantitative research. The model allows testing the

relationship between variables with a systematic and measurable mathematical approach to describe the magnitude of the influence of each independent variable on the dependent variable quantitatively. By using the equation, researchers can identify patterns of direct relationships between variables.

$$AGDPi_t = \alpha + \beta 1AE_{it} + \beta 2SMR_{it} + \beta 3AP_{it} + e_{it} \quad (\mathbf{1})$$

$$GDP_t = \alpha + \beta 1AGDP_{it} + \beta 2AE_{it} + \beta 3SMR_{it} + \beta_6 AP_{it} + ei_t \quad (\mathbf{2})$$

Keterangan:

AGDP= Contribution of the agricultural sector to GDP at time t (*Agricultural GDP*)
GDP = Economic Growth
AE = Accounting Earnings
SMR = Stock Market Return
AP = Agriculture policies
t = *Time Series*
e_t = *Error Term*

ANALYSIS AND DISCUSSION

This study used a statistical test process, namely the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test to determine whether the Common Effect, Fixed Effect, or Random Effect models were the most suitable. Hypothesis testing with the p-value method uses the following criteria: if the p value is less than 0.05 ($p < 0.05$), then the alternative hypothesis is accepted. Conversely, if the p value is equal to or greater than 0.05 ($p \geq 0.05$), the alternative hypothesis is rejected (Stahel, 2021). The results of the model selection test are presented as Table 2.

Table 2
Model Selection Test I

Chow Test	Prob. 1.000	Indicator Prob F>Sig (1.000>0.05)	Information CEM
Hausman Test	Prob. 0.3089	Indicator Prob F>Sig (0.3089>0.05	Information REM
Lagrange Test	Prob. 0.0001	Indicator Prob F>Sig (0.0001<0.05)	Information REM

Source: Output eviews 10, 2025

The model selection test I analyzes the relationship between the variables of Accounting Earnings (X1), Stock Market Return (X2), and Agriculture Policies (X3) to Agricultural GDP (Z). This study found that the Random Effect Model (REM) is the most appropriate and relevant model in representing the relationship pattern between these variables. It is supported by the Chow Test results which show a probability value of 1.000, where the value is greater than the significance level of 0.05. So the Common Effect Model (CEM) is declared as the appropriate initial model. However, the Hausman Test results produce a probability value of 0.3089 which exceeds 0.05, so the more appropriate model is the Random Effect Model (REM). The Lagrange Multiplier (LM) Test produces a probability of 0.0001, which is smaller than 0.05. Thus, the Random Effect Model (REM) is the most appropriate model to use.

Table 3
Model Selection Test II

Chow Test	Prob. 1.000	Indicator Prob F>Sig (1.000>0.05)	Information CEM
Hausman Test	Prob. 0.2449	Indicator Prob F>Sig (0.2449>0.05	Information REM

Lagrange Test	Prob. 0.0001	Indicator Prob F>Sig (0.0001<0.05)	Information REM

Source: Output eviews 10, 2025

The results of model selection test II show the relationship between Accounting Earnings (X1), Stock Market Return (X2), Agriculture Policies (X3) and Agricultural GDP (Z) variables to GDP (Y). As the Chow test, the probability value of 1.000 is greater than the significance level of 0.05, so the appropriate model is the Common Effect Model (CEM). It assumes that there are no significant individual differences between cross-section units.

Table 4
Hypotesis Test Model 1

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	1.300143	0.029759	4.368892	0.0000
AE	-1.923E-06	1.40E-05	-0.659398	0.5103
SMR	4.20E-06	6.46E-05	0.064979	0.9482
AP	0.003507	0.000540	6.488138	0.0000

Source: Output Eviews 10, 2025

The output estimation of model I analysis above (Table 4) obtained the following equation:

$AGDP_{it}$= 1.30–1.923AE_{it}+ 4.20MR_{it} +0.004AP_{it}

Based on the results of model I hypothesis testing in Table 3, the Accounting Earnings (AE) variable shows a significance value of 0.5103>0.05. which indicates that Accounting Earnings has no effect on Agricultural GDP.

However, to ensure a more accurate model fit, the Hausman Test was conducted which resulted in a probability of 0.2449 which also exceeded 0.05, indicating that the more appropriate model is the Random Effect Model (REM). Furthermore, the Lagrange Multiplier (LM) Test shows a probability value of 0.0001, smaller than 0.05, which means that there is a significant individual effect, thus reaffirming that the Random Effect Model (REM) is the best model used in This study uses the Random Effect Model (REM), so the classical assumption test is not required. The Generalized Least Squares (GLS) estimation method in REM automatically handles problems that are usually tested in classical assumptions, such as normality, multicollinearity, heteroscedasticity, and residual autocorrelation (Hair et al., 2019). Hypothesis testing is a statistical method used to assess the truth or validity of conjectures or statements regarding the relationship between variables, based on empirical data (Rubin and Donkin, 2024). The following presents the results of model I hypothesis testing that has been carried out:

This finding is in line with Vinnichek and Badmaeva (2021) who state that accounting earnings can appear without real cash flow, creating an "accounting paradox" where reports show profits, but companies lack cash. In addition, operating profit does not always reflect the sustainable growth of the agricultural sector because it is influenced by other factors such as investment, leverage, and market conditions. The results of this study reject research conducted by Demers et al., (2024) that accounting earnings has a positive effect on GDP.

The Stock Market Return (SMR) variable shows a significance value of 0.9482>0.05. This indicates that Stock Market Return has no effect on Agricultural GDP. This result is in line with Ngong et al. (2022) that the ineffectiveness of investment flows from the

stock market to the agricultural sector is due to the absence of policies that specifically direct funds to this sector, as well as the lack of adequate instruments and intermediation mechanisms. As a result, changes in stock market returns do not always have a direct impact on Agricultural GDP growth.

Table 5
Model Hypothesis Testing II

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.241710	8.268024	2.711301	0.0071
AE	-6.05E-05	6.12E-05	0.988697	0.3237
SMR	-3.54E-05	0.000286	0.123817	0.9016
AP	3.761346	1.355378	2.775127	0.0059
AGDP	-3.081002	0.262216	1.174987	0.0000

Source: Output Eviews 10, 2025

The output estimation of the model II analysis above (Table 5) obtained the following equation:

$$GDP_{it}=2.24-6.05AE_{it}-3.54SMR_{it}+ 3.76AP_{it}-3.08AGDP_{it}$$

Based on table 4 in model II hypothesis testing, the Accounting Earnings (AE) has no effect on economic growth (GDP), due to the insignificant probability value of 0.3237>0.05. The finding is in line with the theory that earnings are historical and do not directly reflect economic growth, which is more influenced by macro variables such as investment and policy. In addition, according to endogenous growth theory, high profits do not always encourage capital expenditure or innovation (Akcigit and Ates, 2021). These results contradict research conducted by Demers et al. (2024) and Sun et al. (2022) which show that accounting earnings has a positive and significant effect on GDP growth.

The Agriculture Policies variable measured through agricultural digitization shows a significance value of 0.0000<0.05. This result indicates that agriculture policies have an effect on Agricultural GDP. However, Table 5 presents the results of the Model II hypothesis testing.

This finding is not in line with research by Lencucha et al. (2020) that agricultural policies have no effect on agricultural GDP. Even in some cases, it was found that the policy did not have a significant effect on the efficiency and contribution to the agricultural sector. This study is in line with research conducted by Onyeneke et al. (2023) and Chandio et al., (2023) which showed that agricultural policies affect Agricultural GDP.

The stock market return variable also has a significance value of 0.9016>0.05, so that stock market return (SMR) has no effect on economic growth. This finding suggests that the stock market is more reflective of short-term expectations and only impacts economic growth if followed by real investment but market frictions and speculation often weaken the relationship (Hong and Zu, 2024). Stock market capital gains are dominated by large investors and have minimal impact on the real sector, making it less relevant as an indicator of sustainable growth (Brzezicka, 2021). This result is in line with Patatoukas (2021) and Fichtner and Joebges (2024) that stock market returns have no effect on economic growth (GDP). There is an interesting phenomenon where GDP growth and stock returns often show conflicting directions of movement.

The agriculture policies variable measured through agricultural digitization shows a significance value of 0.0059<0.05. This result indicates that agricultural policies through agricultural digitization can potentially increase production efficiency, reduce operational costs, expand market

access, and contribute to GDP growth (Aleksandrova, et al., 2022).

The variable agriculture GDP has a significance value of 0.0000 < 0.05. It indicates that agricultural GDP has an effect on economic growth (GDP). The growth of agricultural GDP reflects increased productivity, agricultural modernization, and the effectiveness of supporting policies and technologies (Hajiyeva et al., 2024). This finding is consistent with the study by Nwankwo et al. (2024) that agricultural GDP influences national GDP. According to Ghozali and Ratmono (2017), the significance of an indirect effect can be tested using the Sobel test by calculating the t-value of the coefficient *ab*. The following are the results of the Sobel test for the effect of Accounting Earnings (AE) on Economic Growth (GDP), with Agricultural GDP (AGDP) as the intervening variable.

$$t=\frac{ab}{\sqrt{(b^2SEb^2)+(a^2SEb^2)}}$$

$$t=\frac{-9.23 \text{ x} -3.08}{\sqrt{(3.08^2 \text{ x } 1.40^2)+(-9.23^2 \text{ x } 0.26^2)}}$$

$$t=\frac{28.4284}{4.9344}$$

$$t=5.76$$

Based on the calculation above, the t-value is greater than the t-table value (5.76 > 2.05). This result indicates that accounting earnings have a significant effect on economic growth (GDP), with AGDP as the intervening variable. The accounting earnings can serve as a positive indicator (Sun et al., 2022). This finding is consistent with the study by Liu and Xu (2021) that an increase in earnings can reflect operational efficiency and a company's ability to generate added value. In turn, it can positively contribute to GDP through AGDP.

$$t=\frac{ab}{\sqrt{(b^2SEa^2)+(a^2SEb^2)}}$$

$$t=\frac{4.20 \text{ x} -3.08}{\sqrt{(-3.08 \text{ x } 6.46^2)+(4.20^2 \text{ x } 0.26^2)}}$$

$$t=\frac{-12.936}{19.919}$$

$$t=-0.65$$

Based on the calculation above, the t-value is less than the t-table value (0.65 < 2.05). This result indicates that Stock Market Return has no effect on Economic Growth (GDP) with AGDP as the intervening variable. The finding is in line with Ngong et al. (2022) that AGDP does not mediate the relationship between stock market return and GDP. Therefore, policies are needed to promote the growth of the agricultural sector by increasing access to capital market funding to support investment and innovation, which contribute to national GDP growth.

$$t=\frac{ab}{\sqrt{(b^2SEa^2)+(a^2SEb^2)}}$$

$$t=\frac{0.003057 \text{ x} -3.081002}{\sqrt{(-3.081002^2 \text{ x } 0.000540^2)+(0.003057^2 \text{ x } 0.262216^2)}}$$

$$t=\frac{-0.0094195}{0.001847}$$

$$t=-5.10$$

Based on the calculation above, the t-value is greater than the t-table value (5.10 > 2.05). This result indicates that agriculture policies have an effect on economic growth (GDP), with AGDP as the intervening variable. This finding is consistent with the study by Nwankwo et al. (2024), which revealed that agriculture policies significantly influence economic growth with AGDP as the intervening variable.

CONCLUSION AND SUGGESTION

Based on the research results, it can be concluded that the variable Accounting Earnings (AE) does not have a direct effect on economic growth. It suggests that company profits primarily reflect the past performance of micro-level entities and are not necessarily linked to macro-level economic growth. When accounting earnings are mediated by the Agricultural Gross Domestic Product (AGDP) variable, their effect on economic growth becomes significant. This indicates that corporate profits will only contribute to economic growth if they are channeled into productive sectors, such as the agricultural sector. Furthermore, the variable Stock

Market Return (SMR) also does not have a significant effect on economic growth, either directly or indirectly through AGDP. The finding reinforces the understanding that the stock market tends to be influenced by short-term and speculative factors, thereby limiting its impact on the real sector, particularly agriculture.

Unlike the previous two variables, the agriculture policies variable demonstrates a significant effect on economic growth, both directly and through AGDP as a mediating variable. It underscores that public policies implemented over a sufficient period play a crucial role in strengthening infrastructure, promoting technology adoption, and boosting productivity growth in the agricultural sector, thereby positively impacting economic growth. In addition, the AGDP variable itself is proven to have a significant effect on economic growth, considering that the agricultural sector in Indonesia plays a major role as a food provider, job creator, and pillar of social and economic stability. Thus, this study confirms that strengthening the agricultural sector through appropriate policies and channeling corporate profits into productive investments is an effective strategy to promote sustainable and inclusive economic growth in Indonesia.

The results of this study generally show that the relationship between financial variables, public policy, and economic growth is not direct, but is mediated by the performance of the real sector, especially the agricultural sector. Empirical findings indicate variables that represent financial performance, such as accounting profits and stock market yields, do not automatically drive economic growth. On the contrary, the effect only becomes significant when it is connected to the production capacity of the agricultural sector which is reflected in the Agricultural Gross Domestic Product (AGDP). Meanwhile, agricultural policy shows a consistent and significant influence on economic growth directly and through strengthening the performance of the agricultural sector.

Theoretically, these findings confirm a framework of structural and development economics thinking that emphasizes that sustainable economic growth depends on the effectiveness of transmission from the financial sector to the real sector. Corporate profits and capital market performance essentially reflect economic activity at the micro and financial levels. But they have a lack of strong macroeconomic momentum without productive allocation mechanisms. In this context, the agricultural sector plays a role as a strategic channel that transforms financial resources into real output through increased productivity, job creation, and strengthening economic resilience. Thus, the AGDP serves as a connecting variable exolaining why financial benefits and public policies only have an impact on economic growth when integrated with real production activities.

The results of this study confirm that economic development strategies cannot rely solely on strengthening the financial sector or improving capital market performance. Economic policies need to be directed to ensure a stronger linkage between financial accumulation and the development of the real sector, especially the agricultural sector which has a structural role in the Indonesian economy. Consistent and long-term agricultural policies have proven to strengthen production infrastructure, encourage technology adoption, increase the efficiency and added value of the agricultural sector, and make a real contribution to economic growth. In addition, policy instruments are needed to encourage the distribution of corporate profits into productive investment in the agricultural sector to maximize the multiplier effect on the national economy.

However, this study has several limitations that need to be considered. This analysis is still limited by the time span of the data and has not fully considered the institutional, environmental, and spatial dynamics factors that have the potential to influence the relationship between the financial sector, agricultural policy, and economic growth.

Therefore, further research is recommended to integrate institutional and sustainability variables, extend the observation period, and apply a more complex methodological approach to deepen understanding of the structural mechanisms underlying agricultural sector-based economic growth.

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